

EY releases ' US life-annuity insurance outlook'

By Editorial Staff Thu, Dec 3, 2015

"After years of bolstering their balance sheets, life-annuity firms are in a strong position to invest in the innovations and technologies needed to fuel growth," said Doug French, principal, Financial Services and Insurance and Actuarial Services at Ernst & Young LLP.

US life-annuity insurers will enter 2016 in relatively good financial condition, though rapid advances in technology, rising customer expectations and increasing competition will require insurers to reinvent their strategies, services and processes, according to the *2016 EY US life-annuity insurance outlook*.

"Global economic conditions, regulatory and monetary policies, and the political landscape will be still concerns for the industry, which means taking decisive action is important for life-annuity insurers to stay ahead of the curve," said Doug French, Principal, Financial Services and Insurance and Actuarial Services at Ernst & Young LLP. "After years of bolstering their balance sheets, life-annuity firms are in a strong position to invest in the innovations and technologies needed to fuel growth."

EY believes US life-annuity insurers should focus on the following six areas in 2016 to remain industry leaders.

1. Increase the pace of business transformation and innovation. The convergence of technological, regulatory and customer trends can disrupt the industry. Insurers need to rethink their business approach to cope. Insurers should create a company-wide culture of innovation, drive innovation through cross-functional teams and share information openly across departments.
2. Reinvent products and services for the new digital customer. Failure to respond to customer demands for greater digital access, better information and quicker service will make it difficult for insurers to acquire and retain customers. Priorities for insurers in 2016 include offering anytime, anywhere, any-device access for customers; providing clearer product information and pricing transparency; delivering more flexible solutions; building ongoing customer engagement; and moving from focusing on products to serving as a trusted advisor.
3. Adjust distribution strategies for technological and regulatory shifts. Life and annuity insurers may find themselves losing market share if they fail to adapt to an omni-channel world. Insurers should adapt services for new distribution models and explore the use of robo-advisors. Insurers also will need to prepare for new fiduciary standards, as the US Department of Labor's proposed fiduciary rule could upend existing distribution models in 2016.

4. Reengineer processes to drive efficiency and market growth. Insurers should determine whether their systems are ready for rapid market change, as the current assembly-line approach to policy quoting, issuance and administration can slow application turnaround and detract from the customer and distributor experience. Companies also should ensure their systems meet new regulatory standards, invest in next-generation processes and analytics, revamp IT systems built for simpler times, and consider partnerships that will facilitate technology transformation.
5. Hire the right talent to lead innovation. Insurers will want to attract young, diverse workers to match emerging customer demographics and help drive innovation. Priorities for 2016 should include competing for the talent required to build the next-generation insurance company, offer greater flexibility in work locations, find creative ways to motivate and reward employees, and make diversity a strategic imperative.
6. Place cybersecurity high on the corporate agenda. Leveraging social media, the cloud and other digital technologies will expose life and annuity insurers to greater cyber risks in 2016. To protect their businesses and clients, insurers will need to take strong measures to keep their technical platforms secure. Companies will need to take a broad view of potential risks, such as cyber-attacks and reputational risks through social media. Insurers also will want to establish processes to monitor changing data regulations around the world, as their data could reside in multiple jurisdictions and be subject to a variety of laws.

Read the complete 2016 EY US life-annuity insurance outlook at www.ey.com/insurance.