
How life insurers can succeed over the next decade: McKinsey

By Editorial Staff Thu, Mar 27, 2014

"Individual annuities have soaked up more than a third of industry capital and have created less than 20 percent of value," according to a new white paper from McKinsey & Co.

U.S. life insurers should invest more “mindshare and resources” in the task of managing poolable risk because that’s where they get the most profit from their capital, according to a new McKinsey & Co. white paper.

“[Life Journey: Winning in the life-insurance market](#),” asserts that “the decision by many life insurers to move beyond products where they enjoyed a distinct competitive advantage—such as products where they manage poolable risk—to businesses where they do not” may have boosted profits during booms but “more than erased those gains” during slumps.

The five-page report, written by McKinsey principals Vivek Agrawal and Guillaume de Gantes and director Peter Walker, predicts that during the next decade, outperformers in the life industry will focus on:

- Building core risk and capital-management capabilities, including recognizing differences in cost of capital by line
- Using analytics to build competitive advantages in distribution
- Unlocking value in the in-force book
- Leveraging customer insights to find growth in high-opportunity segments, such as managing retirement risk for baby boomers, serving the risk needs of the middle market and capturing high-growth opportunities in emerging markets

For a copy of the paper, click [here](#).

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