Digital Readiness & Core Modernization

Life Insurance Company Priorities

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MANTISSA

PREPARED FOR:

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SUMMARY

Mantissa Group initiated a *Life Insurance Digital and Core Modernization* survey, conducted across life Insurance technology and business leaders, and supplemented by a series of interviews to ensure proper sentiment was captured. The survey data and interviews show similarity in the challenges that life insurance companies face as they initiate their modernization journey and simultaneously strive to advance their digital priorities.

Following are the key observations:

- Life companies as an industry are in various stages of **core platform modernization**, with 55% of the survey respondents indicating that *technology modernization is a priority for our organization.* Most of those who have initiated the journey have selected a future state policy administrative platform.

- The need for core modernization is rooted in a sense of urgency related to technology that dates back decades with multiple evolutions of technology, large blocks of legacy policies, and old product types.

- Compounding the legacy issue is consumer sentiment. Consumers want a **digital experience** related to education on products and services, an online experience supplemented by agent advice, fluid-less underwriting, personalized experiences, and ongoing engagement including wellness, health, and finance.

- A significant majority of respondents (85%) indicated that *giving the end user an online digital experience is critical to the success of our organization and business strategy*.

- Life insurance agents and distributors were initially reluctant to embrace digital, preferring a "personalized experience". However, this has shifted due to consumer demands.

- With this consumer and agent demand, life insurance companies are now heavily investing in their digital strategies.

- This report focuses on the **interdependence between core modernization and digital strategies**, as digital initiatives are moving at a substantially faster pace than core modernization efforts will allow. Therefore, technologists are seeking ways to execute modern digital initiatives on older, legacy technologies.

OUR REPORT

The life insurance industry is evolving to meet the demands in the marketplace. Customer and agent expectations are driving the evolution of the industry not only with expectations for flexible product designs to meet life stage needs, but also expectations for a digital experience. A digital experience implies several dimensions: education, product flexibility to suit individual needs, easier underwriting, and an omni-channel experiences that includes individual engagement and agent involvement.   Our survey data shows that life insurance companies are responding to this digital priority with 58% indicating that *digital is a top priority*, and 90% indicating that *digital is a company priority*.

Complicating the digital journey, however, is the fact that most life insurance companies are built on legacy technologies, requiring substantial investments in core technologies. This dynamic presents a challenge to technologists who must modernize core platforms, while deploying leading edge digital capabilities that need to integrate with these legacy platforms. These core modernization journeys' will not be solved quickly, with policies dating back decades, conversion considerations, and platform implementations.

Therefore, this report touches on two key aspects of the modernization journey, digital and core platform modernization. As the survey results indicate, 69% believe that while digital and core modernization are linked, it is important to decouple the two to allow for progress on the digital front.

With this situation, modern digital engagement software vendors in the marketplace have a unique challenge – building leading edge digital technologies to meet current needs, while integrating with decades old legacy technologies.

OUR APPROACH

This report is based upon a survey of life insurance technology and business leaders conducted over a three-month period ending in March 2022. In addition to survey data, individual interviews were conducted to understand sentiment with more precision and gain a more nuanced understanding of both digital and core modernization priorities.

Population size of those surveyed spanned large, mid, and small carriers as measured by number of company employees, distribution, and direct written premiums. This ensured diversity of perspective.

CONSUMER AND AGENT DIGITAL EXPECTATIONS

Consumer expectations for digital capabilities have evolved from early retail e-commerce to digital business. Corporations originated the implementation of the digital movement as a matter of operational efficiency, but the force behind digital was rapidly taken over by consumers. After some initial discomfort and adjustment to the fast-paced digital rate of change, consumers became adept at understanding technology. They began embracing technology and demanding more capabilities; their expectations have become the major driver in digital business.

Life insurance companies have indicated the criticality of digital priorities for both **consumers and agents**. When asked if *giving the end user an online digital experience is critical to the success of our organization and business strategy* - 83% of the respondents indicated this as a priority. When asked the same questions about *agents*, the number increased to an overwhelming 91%.

Our interview data exposed another dynamic as it pertains to digital priorities. Who owns digital as a business priority? Initial instincts had this capability built into technology organizations, as there are clear technical implications to digital strategies. However, life insurance companies have become concerned that initiatives became too technology centric and recognized digital as more a *business model* priority.

With this shift, roles such as a Chief Digital Officer emerged, and digital become an important element of the *business strategy*. It is via this business lens where implications to customers, prospects, agents, and product strategy became more evident.

Once in the hands of the business, the importance of digital has become a business priority. As Figure 1 indicates, **58%** of survey respondents view digital transformation as a critical business objective.

FIGURE 1: INSURANCE COMPANY DIGITAL PRIORITY

Q. Is digital transformation an important priority for your organization?

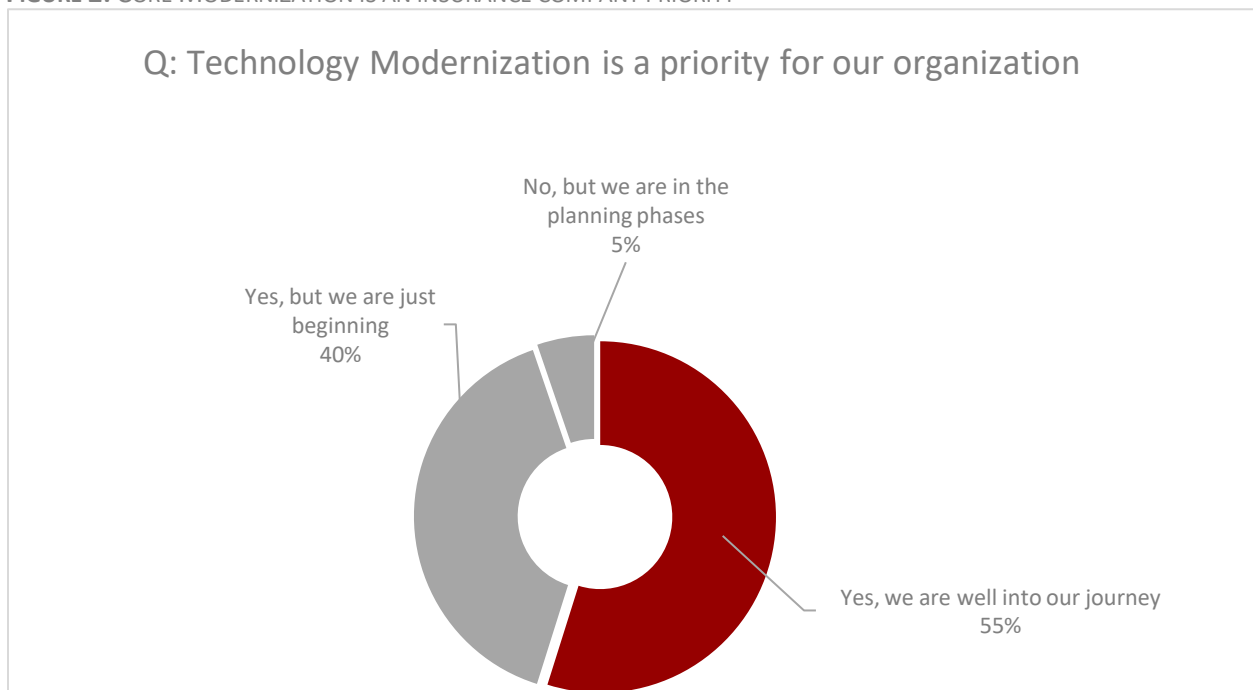|	
Top priority	58%
Remains important but not at the top of our list	32%
Other (please specify)	5%
Becoming a priority	5%

CORE MODERNIZATION

The technology implications of the shift to digital as a business priority has become a challenge for the technology leaders interviewed. Core modernization objectives pose an important challenge as these programs cannot move as rapidly as needed to advance those digital priorities. It is for this reason that vendors in the marketplace have designed digital platforms that can integrate with legacy technologies.

FIGURE 2: CORE MODERNIZATION IS AN INSURANCE COMPANY PRIORITY

Q: Technology Modernization is a priority for our organization

No, but we are in the planning phases
5%

Yes, but we are just beginning
40%

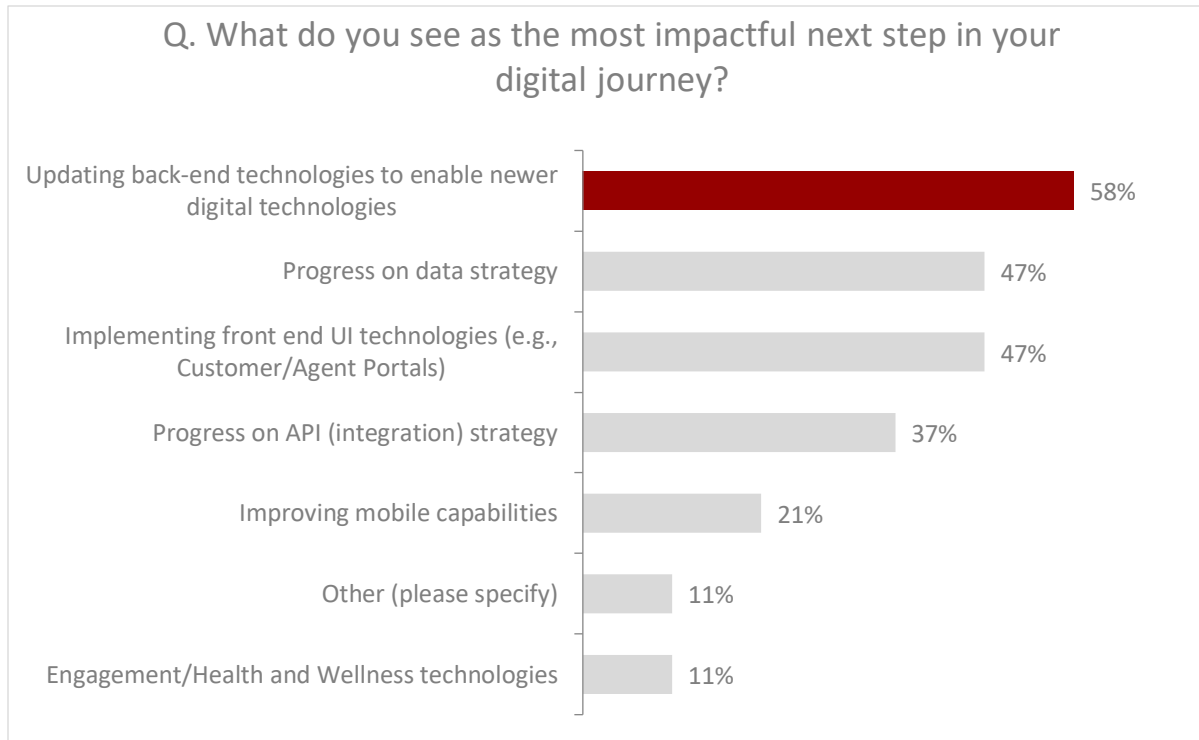Yes, we are well into our journey
55%

ADDRESSING SPEED OF CORE MODERNIZATION

Technology leaders surveyed indicate that the pace of core modernization cannot keep up with the digital priorities of most life insurance companies. More than half (55%) of those surveyed are well into their journey (figure 2), but this journey will take years. Issues around conversion of legacy blocks, older and complex product definitions, and implementation of data strategies take time, patience, and financial commitments.

CIO's we interviewed also pointed to complexities of policy administration platform replacements. Vendor packages have been selected in many cases, but the pace of implementation is not in line with the pace (and speed) that digital initiatives require. In the meantime, building a bridge between legacy technologies and digital technologies is key, with 58% of our survey respondents (figure 3) indicating this priority when asked *What do you see as the most impactful next step in your digital journey?*

THE BALANCING ACT

FIGURE 3: INTEGRATION WITH BACK-END SYSTEMS AS KEY DIGITAL ENABLER

Q. What do you see as the most impactful next step in your digital journey?

Updating back-end technologies to enable newer digital technologies	58%
Progress on data strategy	47%
Implementing front end UI technologies (e.g., Customer/Agent Portals)	47%
Progress on API (integration) strategy	37%
Improving mobile capabilities	21%
Other (please specify)	11%
Engagement/Health and Wellness technologies	11%

SURVEY DATA INDICATES DIGITAL ENABLERS

Technology leaders surveyed and CIO's interviewed showed remarkable consistency of opinions on the types of technologies needed to support the digital agenda. Technology leaders pointed to back-end legacy systems as the critical need, with 58% (figure 3) pointing to this as the most critical component. However, a correspondingly significant portion pointed to advancing the data strategy (47%), as well as a solid API (services) program (37%), to serve as the bridge between old and new.

SUPPLEMENTED BY AGENT AND CONSUMER FACING TECHNOLOGY

Survey respondents and interview data also point to the need for leading edge technologies to put in the hands of agents and consumers. This includes highly engaging mobile technologies, personalized recommendations, and ease of interaction with agents and insurance companies.

Also prioritized are fully modernized engagement technologies with 47% (figure 3) indicating that *implementing front end and UI technologies (e.g. Consumer/Agent portals)* is the most impactful next step in advancing the digital journey.

DATA AND SECURITY STRATEGY

Q. We have a data strategy to support our digital and modernization strategies
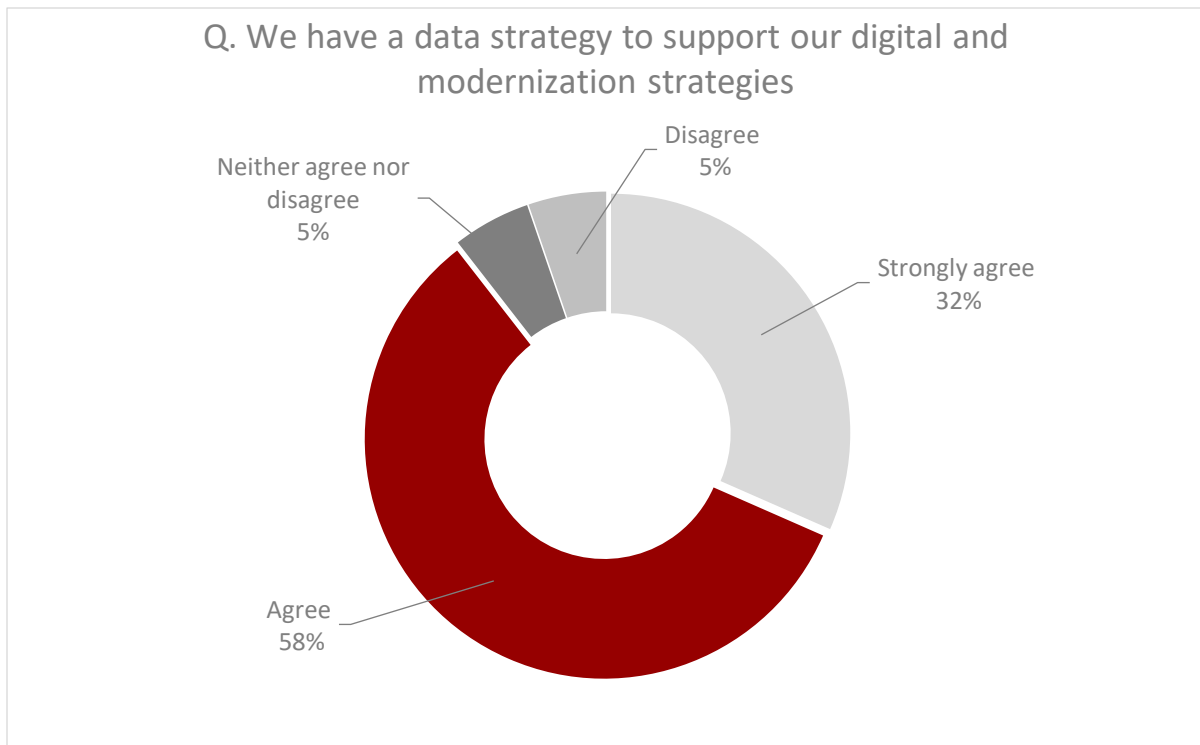
As Figure 4 indicates, respondents not only recognize the need for a data strategy to enable the digital and modernization strategies, but they've also begun what will be a long journey. 32% of the survey respondents strongly agreed to the question: *we have a data strategy to support our digital and modernization strategies*, whereas 58% of our survey respondents agreed.

SECURITY STRATEGY IS RECOGNIZED AS EQUALLY IMPORTANT

Interview data revealed the importance of a robust security strategy. An effective security strategy was noted as a priority for business executives and for Boards of Directors. Digital strategies put information directly into the hands of the consumer or agent, so protection and privacy is paramount.

Data shows:

- 58% of survey respondents strongly agreed that *effective security strategy is in place*
- 84% of the survey respondents felt *comfortable with their overall security posture*
- While only 16% did not have a perspective or had concerns, *the need is not in dispute*

DIGITAL SENTIMENT

FIGURE 5: DIGITAL STRATEGY IS A CRITICAL BUSINESS OBJECTIVE

Q. What best describes your digital strategy? (Check all that apply)

Category	Percentage
Somewhat mature but improving	68%
A significant concern at our organization	16%
A competitive advantage for our organization	16%
Other (please specify)	11%
Highly mature ecosystem with leading edge technologies	11%
Highly immature	5%
Somewhat mature but stagnant	5%
Somewhat mature	5%

As stated earlier (Figure 1), 58% of survey respondents view digital transformation as a *critical* business objective.   That number approaches 90% when asked whether respondents consider digital priorities *important.*
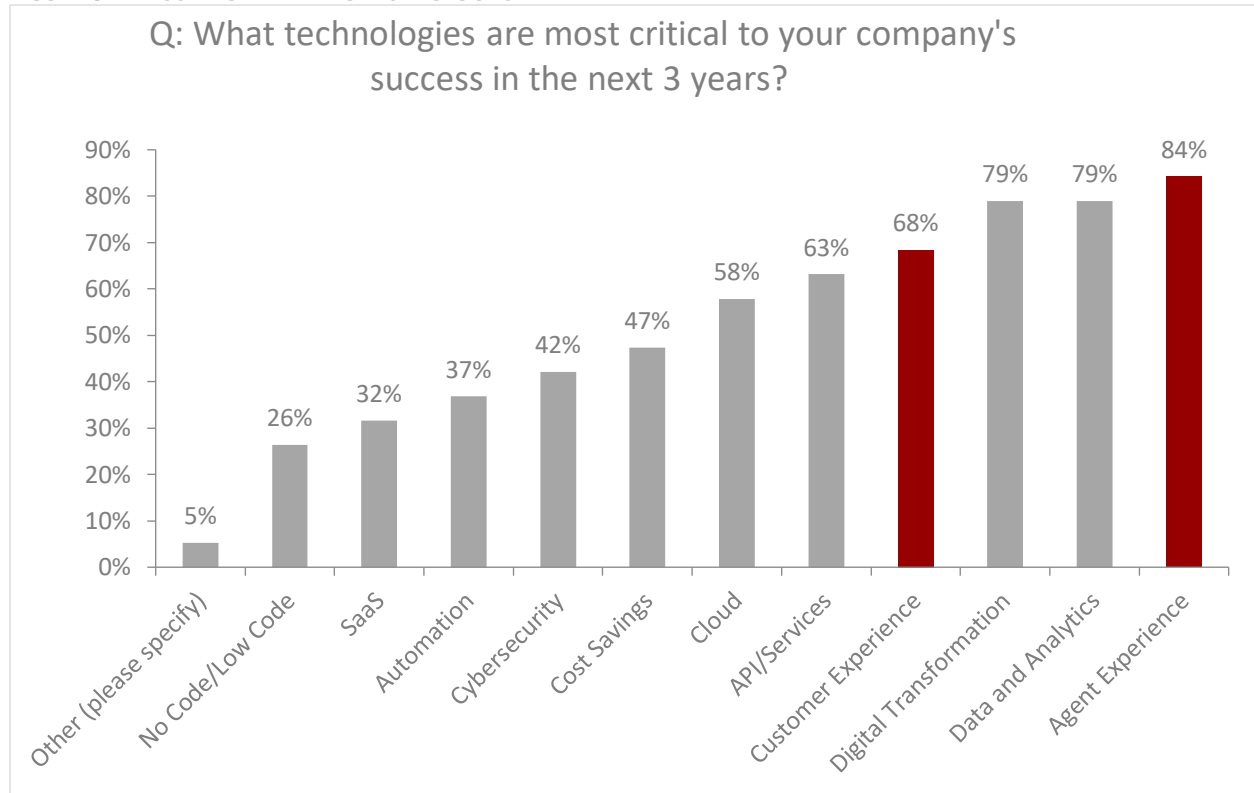
As Figure 5 shows, 68% of the survey respondents believe that their digital priorities are nascent but maturing. For life insurance companies, this is a critical perspective as the entire industry was late to the digital game. And why is that?

Our interviews pointed to two reasons.   First, as we showed earlier in the report, digital priorities became dependent on core platform modernizations. With the development of digital platforms designed to *integrate with legacy technologies,* it became possible to accelerate the digital journey. Secondly, there was an early reluctance from life companies to adopt digital strategies as they did not want to alienate their *agent force,* however they recognized the need to engage directly with existing *customers*.

Finally, the combination of *shifting digital attitudes* and emergence *digital technology platforms* has accelerated the prioritization of digital strategies. This has resulted in a focus on digital strategies at a pace unimaginable not so long ago.

DIGITAL TECHNOLOGIES

FIGURE 6: THE SUITE OF ENABLING TECHNOLOGIES

Q: What technologies are most critical to your company's success in the next 3 years?

Technology	Percentage
Other (please specify)	5%
No Code/Low Code	26%
SaaS	32%
Automation	37%
Cybersecurity	42%
Cost Savings	47%
Cloud	58%
API/Services	63%
Customer Experience	68%
Digital Transformation	79%
Data and Analytics	79%
Agent Experience	84%

Our survey data and CIO interviews acknowledge the delicate balance of digital strategies between *agents* and *customers*. Our survey then sought to determine whether *the investment in technologies* fell substantially greater with one audience over the other.

The answer to that question is yes – but only slightly less. As Figure 6 shows, 84% of the survey respondents are focusing on digital enablers for agents and distributors. This is entirely logical as the ecosystem of tools needed to enable the sales process is substantial. Engagement tools, point of sale technologies, and marketing enablers all make up the tool chest for agent technology.

Also notable is the investment in *consumer experience tools* – at 68%. Consumers have long wanted an online buying process, wellness tools, rewards related to activity and health, and financial planning tools.
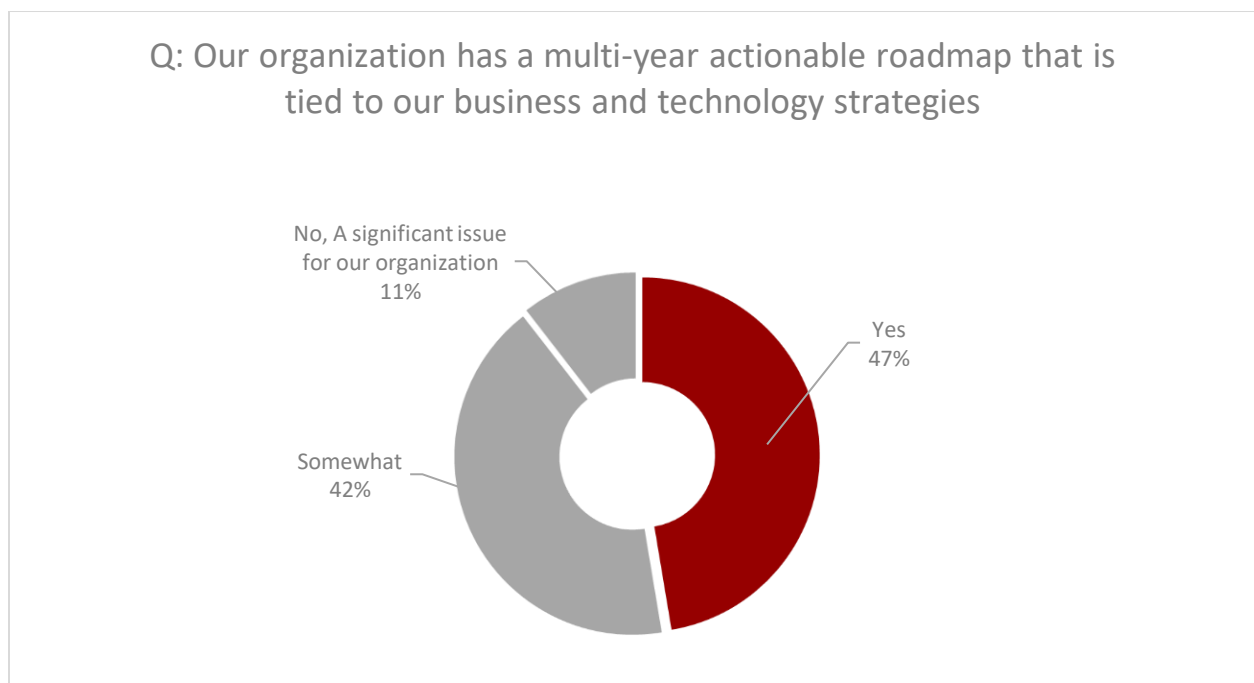
TECHNOLOGY INVESTMENT PRIORITIES

The survey inquired specifically about technologies that are critical in the next 3 years. Not surprisingly it is easy to see the connection in technologies to enable core modernization and digital strategies.

Data shows (figure 6):

- 58% of survey respondents indicate the importance of continuing advancement in *cloud technologies.* This is highly aligned with both core modernization and digital strategies.

- 63% of the survey respondents noted the importance in investments in *API's.* This is the lifeblood between modern technologies and legacy back-end systems.

- 42% recognize the importance of cybersecurity, particularly in the era of digital engagement.

- Data and Analytics investment at 79% knowing that core modernization and digital advancement must co-exist for a long period of time.

- Automation at 37% and Cost Savings at 47% remain important as the desire to keep technology expenses managed is paramount.

- The key enabler, according to survey results (figure 3) point to updating of back-end technologies, with 58% recognizing the importance. Of note is continued importance of upgrading UI technologies, at 47%, improving mobile at 21%, and engagement/health and wellness at 11%.

FIGURE 7: THE MULTI-YEAR ROADMAP

Q: Our organization has a multi-year actionable roadmap that is tied to our business and technology strategies

No, A significant issue for our organization
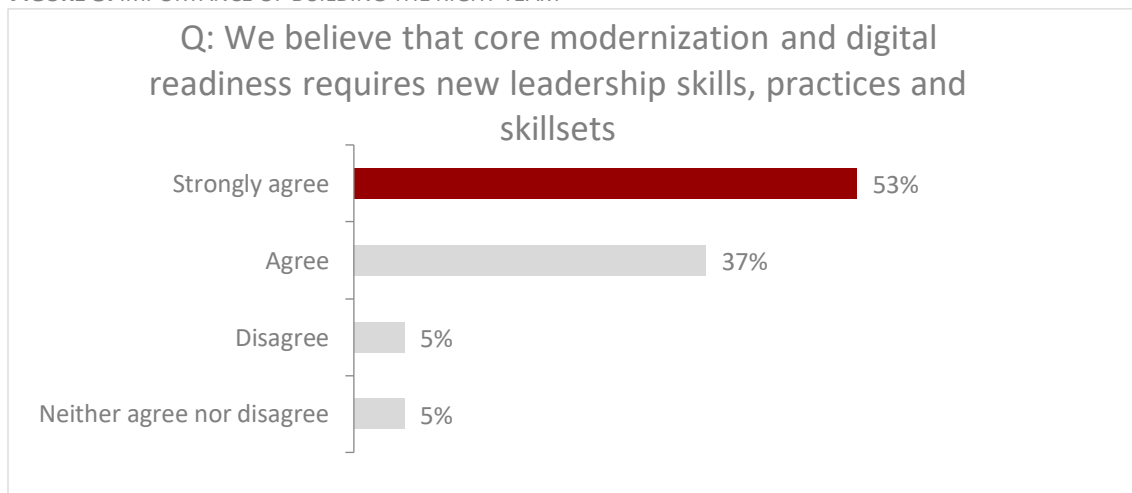11%

Yes
47%

Somewhat
42%

OTHER INTERESTING FACTS

Our survey also revealed some other noteworthy factors relative to core modernization and digital strategies:

- **Business and technology strategies are inseparable:** Technology strategies were previously deemed separate but *related* to business strategies. This has shifted, as 47% of survey respondents recognize that business and technology strategies are inseparable. This connectivity is essential to a successful core modernization and digital strategy.

- **Multi-year business driven roadmaps are essential:** Of the survey respondents, 47% of those surveyed (figure 7) responded favorably to the question: o*ur organization has a multi-year actionable roadmap that is tied to our business and technology strategies.* We see this need as mission critical

- **Agents and Customers want digital engagement.** Data indicates that insurance companies are prioritizing this need with substantial desire to give each audience an online digital experience. Of those surveyed, 83% noted that they will be pursuing improvements for customer experience and 91% have a desire to advance the agent digital experience.

- **Automation** – 37%, and Cost Savings 47%, remain important as the desire to keep technology expenses managed is paramount.

- **Low code** technologies remain important at 26% as enablers to modernization, but not as high of a priority as expected; 32% of those surveyed indicate wanting SaaS solutions, however we are noticing a significant concern over the cumulative effect of these SaaS solutions to technology budgets.

- **Modernization and digital initiatives must focus on building the team.** 53% of those surveyed (figure 8) believe these strategies require talent with different leadership and technical skills

FIGURE 8: IMPORTANCE OF BUILDING THE RIGHT TEAM

Q: We believe that core modernization and digital readiness requires new leadership skills, practices and skillsets

Strongly agree	53%
Agree	37%
Disagree	5%
Neither agree nor disagree	5%

CONCLUSIONS

The digital age has generated significant change within life insurance companies. As stated in our report, complicating the digital journey is that digital technologies must integrate with legacy technologies found at most insurance companies. Most companies – 55% according to our survey, indicated that they are well into their journey, with another 40% indicating an intention to begin.

This dynamic presents a challenge to technologists who must modernize core platforms, while at the same time deploying leading edge digital capabilities that need to integrate with these legacy platforms. Agents and consumers are driving the pace of this change and are demanding a digital experience. To meet these objectives, insurance executives should consider the following:

- **Digital is a *business* priority.** While it initially appeared to be a technical focus, insurance companies have come to realize that creating a digital insurance experience is a business model change, particularly given the importance of agents and distributors. Which is why the role of Chief Digital Officer emerged in prominence.

- **There is a sense of urgency.** A significant majority of respondents, at 85%, indicated that *giving the end user an online digital experience is critical to the success of our organization and business strategy.*

- **Business and technology strategies are inseparable:** technology strategies were previously deemed separate but *related* to business strategies. This has shifted, whereas 47% of survey respondents recognize that business and technology strategies are inseparable. This connectivity is essential to a successful core modernization and digital strategy.

- **Digital and core modernization programs are linked.** Digital technologies must integrate with core policy administration systems (ecosystem). As the survey results indicate, 69% believe that while digital and core modernization are linked, it is also important to decouple the two to allow for progress on the digital front. This is the challenge for technologists.

- **Software vendors need to cater to complex ecosystems.** The most sophisticated vendors offering digital solutions must have an open architecture that allows leading edge technologies to integrate with legacy technologies. This is often accomplished via API's and allows companies to modernize the core over time but still enable leading edge digital solutions.

- **Security matters.** Software vendors and insurance carriers must focus on security. 58% of survey respondents strongly agreed that effective security strategy is in place. 84% of the survey respondents felt comfortable with their overall security posture.

ABOUT SUREIFY

Sureify's mission is to modernize the life insurance industry by helping carriers acquire, service, and engage their customers with one enterprise platform: Lifetime. Sureify enables omnichannel sales with LifetimeACQUIRE, a product that drives placement rates via quoting, e-application, automated underwriting, and new business transmission. With LifetimeSERVICE, insurers are offering their in-force customers comprehensive self-service portals and native applications. Lastly, LifetimeENGAGE fosters a lifelong relationship between carriers and their policyholders with multifaceted engagement programs and analytics, leading to greater lifetime value of each policyholder. And because the Sureify team is passionate about customer engagement and satisfaction, our experienced leadership team partners with each client to ensure success every step of the way.

FOR MORE INORMATION

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ABOUT MANTISSA

Mantissa Group provides business and technology strategic consulting services and insights to the insurance industry as well as clients across industries. The mission of Mantissa is to serve business and technology executives. Mantissa's highly integrated services leverage Strategic Consulting, Executive Coaching and Leadership Development, enhanced by targeted Research and a Global Delivery model.

Mantissa Group was formed by leading former Fortune 100 CIO and CTO executives. They are industry leading experts on wide variety of strategic matters affecting business executives, the CIO, and their leadership teams. They are deeply experienced senior technology executives helping leaders with their technology strategic plans, as well as simultaneously focusing on leadership development and culture.

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