



# Life & Annuity (L&A) Insurance State of the Market 2024

Innovating Life Insurance and Retirement in the Era of Personalization

June 2024: Complimentary Abstract / Table of Contents

State of the Market Report  
Insurance Information Technology



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## Background and context

In 2023, insurance enterprises strengthened their profitability through rate increases, better underwriting practices, higher investment returns, and reduced systematic risk. Despite these improvements, life insurers continue to face industry performance challenges, as nominal GDP growth has significantly outpaced premium growth over the past two decades. Economies have expanded faster than insurance premiums, indicating that insurers have not kept pace with the growth of the economies in which they operate. Simply increasing life insurance premiums won't bridge this gap. The industry urgently needs to create innovative products that serve the personalized needs of individuals, positioning life insurance offerings as lifestyle products.

Post-COVID-19, consumer awareness of life insurance products has heightened. The market is expected to grow steadily, with continued growth in the US Life and Annuities (L&A) industry. Individual annuities are expected to drive the segment, with life products supplementing this momentum.

In this report, we demonstrate the need to identify the pain points of parallel growth drivers in the traditional L&A business model, including third-party distributors such as Independent Advisors (IA), Brokers/Dealers (B/D), and banks. Additionally, we explore opportunities for providers to create solutions in this space.

**We highlight how enterprises are entering the era of Personalization 3.0, with life insurance poised to become a lifestyle product rather than just a point-in-time purchase.**

Defining wellness products that intersect wealth management, retirement planning, and insurance will be vital in riding the tide of Personalization 3.0. In this report, we also emphasize the importance of leveraging third-party technology product ecosystems to build customized products using data platforms, data assets, and AI. We capture trends in the global retirement and pension industry and their implications for providers. Additionally, we comment on the insurance IT services market trends and growth outlook, providing Everest Group estimates of the global insurance IT services outsourcing market, along with analyses by sub-lines of business, regions, and service subsegments.

# This study provides insights into the evolving life, annuity, and retirement industry, highlighting the impact of personalized products and third-party distributors, and identifying trends and opportunities in the retirement and pension space

## PL&A insurance market | macro-trends, industry micro-insights

**Global L&A industry statistics**

**Premiums:**  
XX trillion

**Growth (2023-24):**  
XX-XX%

**Growth forecast (2024-25):**  
XX-XX%

**Reducing systematic risk in industry**  
The aggregate systemic risk scores for the global insurance sector slightly declined compared to the previous year, remaining significantly below those of banks. Key drivers are lower exposures to short-term funding, liability liquidity, intra-financial assets, and minimum guarantees on variable products.

**Declining inflation and increasing Gross Domestic Product (GDP)**  
Steady decline in inflation and increasing GDP are the positive factors that will have a positive impact on the disposable income of the households and thus will be a driver for L&A industry growth.

**Increased allocation in alternative assets**  
Structural shifts in the life insurance sector, including greater allocation of capital to alternative assets and increased reliance on cross-border asset-intensive reinsurance.

**Healthy capital adequacy in industry**  
Global insurance sector capital adequacy is sound but has slightly declined at year-end 2022, primarily due to financial market developments such as lower asset valuations.

**Resilient labor markets**  
Unemployment rates are historically low in the US and European region despite the increasing labor force, this will keep the momentum of premium sales growth.

The next two years are expected to see significant **growth in savings products**, propelled by the expanding global middle class and the need for guaranteed long-term savings. Individuals are increasingly turning to insurers for their retirement security

## Life insurance of future| lifestyle product| 360 degree wellness

**Split of the workforce based on their age 2030E**

Baby Boomer XX-XX%

Generation X

Millennial XX-XX%

Generation Z

**Priorities**

Baby boomers place the highest value on physical wellness benefits

Health benefits, dental and, vision coverage, are high priorities for them

Prioritization of income protection

**Priorities**

Gen Z gives equal importance to mental health, vision, and medical insurance

Career development and emergency savings benefits are high priorities

Younger workers find benefits that contribute to society increasingly significant

The evolving needs of a dynamic workforce, changing expectations, and the competitive landscape for talent are creating a **disconnect between the provided and anticipated employee benefits**. Non-medical perks are gaining significance and are on the verge of becoming essential prerequisites. Utilizing the **right technology will play a crucial role** in bridging this gap.

## Retirement & pension| trends and insights| outlook for industry ecosystem

The recently introduced pension reforms will push enterprises to maintain and upgrade the **quality of data** such that they can share the most recent and accurate information with clients in real time. Adherence to these regulations will act as an accelerator for digital adoption across the retirement and pension industry in the country

The UK is likely to see significant pension reforms, consolidating thousands of private and public pension plans into a superfund. The **Pension Protection Fund (PPF)** will act as the fund consolidator, prompting legislative changes and increasing demand for advisory and technological support

**Risk transfer deals** (referred to as bulk purchase annuity transactions in the UK) are one of the fastest growing segments due to several pension schemes needing to de-risk their assets. The biggest opportunities to serve this segment lie in deal structuring, specialized investment management and advisory, and technology capabilities

Similar to the US, there is a shift in the personal savings market to individuals for their retirement security. Traction for **hybrid pension products** at the workplace that are capital-light is evident as there is a certainty of income, some capital appreciation, and risk mitigation that comes with these products

## Global L&A IT services market size and growth outlook

**Analysis of global insurance IT services spend (in-house and outsourced)**  
US\$ billion, 2023-2026F

XX% Actual growth rate / YoY  
XX% CAGR 2024E-26F  
 E = Estimate  
 F = Forecast

100% = Insourcing IT services

2023

2024E

//

2026F

**Insurance IT services growth drivers/accelerators**

- Global insurer IT spending is forecast to rise by 2.2% in 2023-24, and to continue to grow at almost the same pace through 2025
- In the next wave of digital transformation, insurers will look to consolidate existing gains and better connect critical processes to adapt to existing value propositions and tap into new risk pools
- Industry-wide, insurers are embracing a customer-centric approach to understand changing behaviors and preferences
- Cloud technology is driving major IT spend, allowing faster product launches and data-driven decision-making
- Insurers recognize the impact of AI, IoT, and cloud innovation, leading them to prioritize operational agility and meeting evolving customer expectations
- Advances in AI are increasing the speed, reach, and affordability in two main areas: automation and predictive accuracy
- To secure positive return on investment, insurers are re-engineering workflow processes and investing in data engineering capabilities to maximize the enterprise-wide potential of digital data and algorithms, and adapting to regulatory requirements with respect to data privacy and analytics

# Research calendar

## Insurance Information Technology

	Published	Current release	Planned
Reports title	Release date		
Unleashing the Potential of Generative AI (GAI): A Game-changer for Property and Casualty (P&C) Insurance Claims			August 2023
Insurance IT Services Specialists			August 2023
Cloud Services in Insurance PEAK Matrix® Assessment 2023			October 2023
Cloud Services in Insurance – Provider Compendium 2023			December 2023
Low-code Technology Providers in Insurance – Products PEAK Matrix® Assessment 2023			January 2023
Low-code Technology Providers in Insurance – Provider Compendium 2023			January 2023
Transforming Insurance: Creating a Best-of-Breed Model by Combining Low-code and Core Platforms			March 2023
Exploring Generative AI's Role in Reshaping the Future for BFSI Enterprises			April 2024
Duck Creek Services PEAK Matrix® Assessment 2024			May 2024
Property & Casualty (P&C) Insurance State of the Market 2024			May 2024
Guidewire Services PEAK Matrix® Assessment 2024			June 2024
<b>Life &amp; Annuity (L&amp;A) Insurance State of the Market 2024</b>			<b>June 2024</b>
Life and Annuity (L&A) Insurance IT Services PEAK Matrix® Assessment 2024			Q3 2024
Insurance IT Services Specialists PEAK Matrix® Assessment 2024			Q3 2024
Insurance IT Services Specialists – Provider Compendium 2024			Q4 2024

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