INDUSTRY DIRECTIONS

Our Annual Forecast

Insurance leaders predict what's ahead for sales and profits, information technology, customer service, human capital—and more.

By Jennifer C. Rankin

Life insurance companies continue to recalibrate in the face of new regulations, evolving technologies and customer expectations, and more. Of great concern are new regulations, with the (currently delayed) Department of Labor's fiduciary rule taking center stage. Another year of low interest rates is placing pressure on profitability. Finally, insurers have no idea how tax reform, on which Congress was working at press time, might affect life insurance and retirement products that currently are tax advantaged.

It's against this backdrop that *Resource* asked insurance industry leaders to share their thoughts on what 2018 holds for sales and profitability, information technology, customer service and human capital. We also asked them to identify the operational challenges and potential business disruptors they will face.

The executives who participated in our annual forecast include a cross section of the board of directors of LL Global, the umbrella organization for insurance industry trade associations LOMA and LIMRA, plus industry analysts and other officials. They are:

Mark Breading
Partner & Chief Research Officer
Strategy Meets Action

Christopher A. Carlson
Vice Chairman, Strategic Businesses
Ohio National Financial Services

Brandon D. Carter, CLU, ChFC, CFP
Chairman & President
USAA Life

Michael Concannon
Executive Vice President, Group Benefits
Hartford Financial Services

Michael G. DeKoning, FSA, MAAA, FCIA
President & Chief Executive Officer
Munich Re, U.S. (Life)

Rino D'Onofrio
President & Chief Executive Officer
RBC Life

Robert J. Ehren, FSA, CLU, ChFC
Senior Vice President
Individual Life and Annuity Division
Securian Financial Group

Michael Ferik, FSA
Executive Vice President & Chief Financial Officer
Guardian Life

William Gaumond
Chief Financial Officer
Allianz Life

Eric Henderson, FSA, MAAA
Senior Vice President
Individual Products and Solutions
Nationwide Insurance

William Lisle
Regional Chief Executive
AIA Group

Alison R. Reed
Executive Vice President, Operations
Jackson National Life Distributors

Tom Scales, FLMI, CLU, ChFC
Head, Life and Health, Americas
Celent

Neil Sprackling
President
Swiss Re Life & Health America

Doyle J. Williams, CLU, CPCU, ChFC
Executive Vice President & Chief Marketing Officer
COUNTRY Financial

Brian Winikoff
Senior Executive Director
Head of U.S. Life, Retirement and Wealth Management
AXA Equitable Life

1 SALES

What is your prediction for sales, premiums and profits for our industry as a whole in 2018? What products look particularly strong or weak?

CARLSON: Our expectation is that the industry will grow two to four percent as a whole for the upcoming year. While prolonged low interest rates will continue to challenge profits, overall the industry has done a good job of managing through this environment. We believe whole life sales will remain strong and indexed universal life (IUL) will continue to capture a greater share of the universal life market sales.

CARTER: As an industry, sales will increase near five percent chiefly due to strong indexed universal life (IUL) and annuity, especially if the Department of Labor (DOL) [fiduciary rule] is curtailed. Premiums will increase between one and five percent as higher interest rates cause higher surrenders on inforce annuities. Statutory profits should remain unchanged as portfolio rates keep decreasing and higher sales cause surplus strain.

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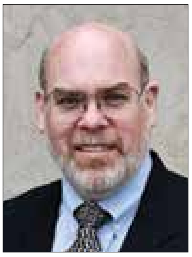
2018 FORECAST PARTICIPANTS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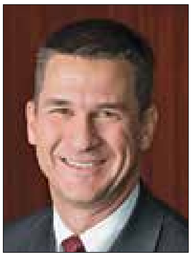
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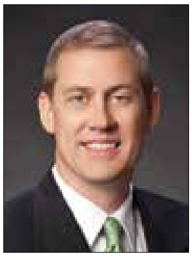
Eric Henderson
Nationwide


Bill Lisle
AIA Group


Alison Reed
Jackson National
Life Distributors

2018 FORECAST HIGHLIGHTS

Key decision makers from the life insurance industry speak out.

SALES, PREMIUMS AND PROFITS

Industry executives predict modest growth ranging from one to five percent in 2018. If the new U.S. administration curtails the Department of Labor (DOL) fiduciary rule, growth will reach the upper end of that range. On the other hand, the prolonged low interest rate environment, coupled with the high costs of replacing aging technology platforms and complying with new regulations, will continue to challenge profits. Interestingly, the run-up of the equity markets in 2017, which is expected to continue in 2018, can hurt insurance sales because it can lessen the perceived need for protection and guarantees.

Bright spots include steady whole life insurance sales, a surge in indexed universal life (IUL) sales, and the growing popularity of hybrid long-term care (LTC)/linked benefit products. Another is term life insurance as InsurTech players such as Bestow, Ladder Life and Haven Life seek new ways to get to potential customers through online and social media. Solid economic and labor market projections will have a positive effect on group life insurance and long-term disability (LTD) sales. The middle market—some call it the mass underserved market—continues to be wide open. Sales of annuities, especially variable annuities, continue to face headwinds. The outlook for annuity sales will depend, in part, on what happens with the DOL fiduciary rule, but will likely rebound.

INFORMATION TECHNOLOGY

Last year, it was all about Big Data, predictive analytics, and agile underwriting. While they still are vital, industry executives now are eyeing the potential of artificial intelligence (AI), robotic process automation (RPA), blockchain, smart delivery, and more.

AI builds on data analytics by enabling computers to mimic human intelligence to find patterns and perform tasks, including making decisions, which previously required human intervention. Using them enables companies to find customers, tailor products for them, accelerate underwriting decisions and more.

Executives also point to the potential of robotic process automation (RPA) for automating tasks, enabling industry professionals to focus on higher value activities, and driving down issue costs.

Smart delivery is another IT focus. "Consumers expect to interact through a multitude of touchpoints—smartphones, tablets and voice interaction—for advice," emphasizes one executive. Consequently, forward-looking companies are enabling more digital client interactions; shifting to online, mobile, smart and simple applications; using social media channels; and building seamless interactions among all these touchpoints.

CUSTOMER SERVICE

In today's world, the life industry needs to deliver an Amazon Prime-level of service and trust, notes one executive, "along with full transparency, convenience, real time decisions and solutions tailored to their unique needs and challenges." Customers expect to be able to transact business through a seamless multi-channel experience, says another, who adds, "The ability to meet these expectations will shape the industry going forward either through existing participants or new entrants. If carriers don't make that happen, new entrants will." A third emphasizes the industry needs to "go beyond service, which can suggest a once-and-done transaction, and explore how we can positively affect

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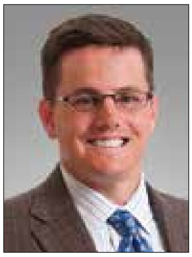
Munich Re US (Life)

Rino D'Onofrio
RBC Life



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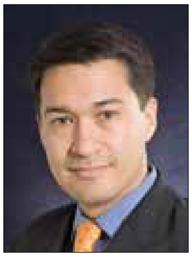

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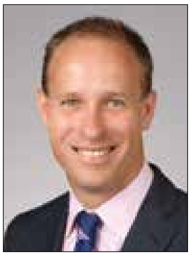

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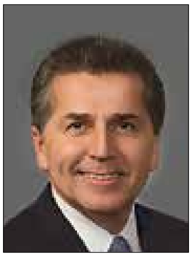

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the customer experience." It is the Millennials, in particular, who are triggering a paradigm shift in client experience conversations. "They are able to acquire and compare information with ease," says an executive, "and coming to the insurance provider is more about affirmation of their choices rather than information seeking, redefining the client-provider interaction. They seek convenience, simplicity and a streamlined through their preferred [technology] touchpoints." Finally, the industry must deepen its relationships with all customers to remain relevant.

HUMAN CAPITAL

To attract and develop the kind of employees they need to be successful, "Insurers must demonstrate that they are innovative, interesting, and in tune with the times," says one executive. "Strategies that they can consider include partnering with universities on innovation and emerging technologies, investing in and/or partnering with InsurTech startups, or speaking about interesting and innovative initiatives at more industry events. In addition, placing young employees on key new projects, giving them more of a voice, and providing employees with modern technologies to support their roles can help to develop promising employees." Several executives note that the industry needs to do a better job of promoting the valuable service it provides—"Our job is to help people at their times of greatest need," notes another Forecast participant. Another adds the "talent and skills that are key to our success in the future are not going to be insurance-specific. All industries are going to be competing for data scientists, digital marketing experts and rock star sales people, so we need to be loud and proud about our industry."

OPERATIONAL CHALLENGES

With what operational challenges are executives grappling? Industry executives cite several, among them coping with the persistently low interest rate environment and evolving regulations; balancing traditional operations with the opportunities and demands of the digital world; taking the friction out of the purchasing cycle; and keeping up with changing client expectations. Several executives say a key challenge figuring out what to do about legacy IT systems. "Updating, replacing or integrating legacy administration systems remains a big challenge and in many cases a hindrance to growth," says one executive. "We have complicated businesses with old systems and regulations—while all well intentioned—designed around 'traditional' ways of doing business," notes another. "Tomorrow's client is rapidly evolving past these structures."

BUSINESS DISRUPTORS

What will disrupt business-as-usual in the life industry going forward? According to industry executives, potential disrupters include non-traditional competitors; stricter capital adequacy rules; the Department of Labor (DOL) fiduciary rule; fee/commission transparency; and increasing regulations. Tax reform is another concern. At press time, the U.S. Congress had not finalized any legislation, but life insurance and retirement solutions that are tax-advantaged are popular targets for legislators looking for ways to generate revenues. One executive points to internal cultural pressures and business-as-usual decision practices, which can stop leaders from deviating from norms to explore new approaches to business.

SPECIAL ISSUES

Survey participants also discussed what they think the insurance industry will be like in 10 years and how insurance companies can help solve the retirement challenge. Their views on these topics will be featured in the February and April issues of *Resource*.

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CONCANNON: 2018 should be another positive year for the industry with continued low unemployment rates and favorable market conditions. We expect sales and premium growth for employer-paid group life insurance to grow more slowly than the economy at low single digits for the next few years, as the cost of health insurance continues to weigh on employee benefits budgets. We expect faster growth in voluntary group life insurance sales as more companies push responsibility for benefits costs to their employees.

DEKONING: Looking at a life insurance ownership rate that has stabilized for the first time since the 1960s and the fact that the U.S. market is growing by more than one million households annually, I think we have a real opportunity for growth throughout the industry if we seize the opportunities. For 2018, I expect marginal growth in equity indexed universal life (IUL) products and whole life, with traditional universal life remaining flat. I see some interesting opportunities with term [life] insurance, as new InsureTech players (Bestow, Ladder Life, Haven Life and others) look to find new ways to get to potential customers through online and social media. Individual disability sales will remain flat while profits continue at current levels. Group life [insurance] and long-term disability (LTD) sales and premiums have been rebounding slightly after a post-recession slump, and I expect this trend to continue given the favorable gains in the stock market and both economic and labor market projections. Annuities sales will depend on the continued discussions and implementation of the [Department of Labor's proposed] fiduciary rule, but will likely rebound from the lows of 2016 and early 2017.

Overall, earnings will continue to be under pressure from low (although slightly higher than in the past) interest rates. I expect group life and LTD profits to be positive in the coming year, but the overall competiveness of the group [life] marketplace really constrains carriers from earning excess profits.

D'ONOFRIO: We anticipate moderate growth in insurance sales and premiums in 2018. Continued focus on driving an increasing number of sales through direct-to-consumer channels will result in a greater degree of control over the client experience and improved satisfaction levels. We expect steady growth of all life insurance sales and continued growth in whole life. We are currently witnessing several trends simultaneously.

First, with an aging population and an increasing number of people deferring retirement due to the fear of outliving their resources, we anticipate more conversations around savings, retirement planning and intergenerational transfer of wealth. Segregated funds will continue to remain strong as clients continue to seek protection against market volatility.

Second, the aging broker demographic, fewer new entrants to the profession and increasing compliance costs are creating a surge in broker consolidation, resulting in more focus toward servicing upmarket clients and leaving a huge opportunity to fill the needs of the increasing numbers of middle market Canadians being underinsured/uninsured.

Third, 45 percent of Canadians are underinsured/uninsured because of either affordability or lack of understanding about insurance. We also anticipate more conversations around the need for insurance and the growth of more simplified, need-based insurance offerings, with self-serve options, to tap into mass underserved markets.

EHREN: Life insurance sales will grow at a low, single digit pace in 2018, primarily driven by whole life, indexed life and hybrid long-term care (LTC)/linked benefit product sales. Whole life sales will show moderate gains, even as dividend crediting rates decline (on average) due to the focus of strong, career-advisor franchises. Indexed universal life (IUL) and linked benefit products will show solid sales growth due to increased competition and several new carriers entering the market in recent years. Variable and survivorship sales will continue to decline, with potential tax changes having an impact on the second-to-die marketplace.

Individual annuity sales will bottom out by early/mid-2018 and may show modest growth by the end of the year. Variable annuity sales will fall off as a result of lower living benefit sales only partially offset by fee based and structured product sales. Fixed indexed annuity sales should rebound with the anticipated delay of the Department of Labor (DOL) [fiduciary] rule. Income annuity sales will remain flat and remain as a small part of the overall industry.

Industry profits will remain flat or slightly decline, as growth in sales will be offset by continued investments to replace/improve aging technology, comply with increasing regulatory requirements, and respond to customer demand for improved engagement with their insurance providers.

FERIK: We expect moderate growth from individual life and disability new business in the industry along with a continued rebound in annuity sales. We believe life and disability will continue to see strong persistency and growth in renewal premiums. Profits will continue to have headwinds given low interest rates and there will be continued pressure on expenses.

GAUMOND: Focusing on sales of annuities (our company's core products), I would expect marginal growth in sales across the industry in 2018. 2017 suffered to a certain extent from the uncertainty surrounding the Department of Labor (DOL) fiduciary rule as well as the run-up of the equity markets—less perceived need for protection / guarantees. Assuming a delay of the DOL rule and assuming the equity markets temper, I expect a slight rebound in sales. As far as individual annuity products, I expect index product sales—both fixed index annuities (FIAs) and index variable annuities (VAs)—to outperform sales of traditional VAs.

On the profit front, I would expect that 2017 will finish as a strong year. The rebound in interest rates in late 2016 and the run-up of the equity markets throughout 2017 should bode well for profitability. As far as 2018 goes, that's hard to say—a lot depends on what happens in the capital markets. But, all else being equal, I do see a general growth in assets / reserves that supports long-term profitability.

HENDERSON: Nationwide expects the life insurance industry's sales and premium to grow modestly in 2018. We're expecting universal life (UL) to lead the way in this growth. Premium growth as well as increasing profits are dependent on long-term interest rates rising. We also need to stay focused on continuous improvement of customer service.

Premium growth is also dependent on the service that we provide for our customers. If we do not take care of their needs in the long run, the industry will experience a decline. As an organization, Nationwide is exploring other opportunities for growth. We see the need for long-term care planning across America, and our linked-benefit solution meets many of those needs. Recurring premium product sales are still slower than age demographics alone would lead us to believe. As Millennials delay life events that often spur an acute need for life insurance, like having a baby or buying a home, we expect slower growth to continue in this category.

In 2018, we are also expecting revenue and sales growth with our annuity suite. Attaining target profit levels will remain dependent on long-term interest rates rising and positive equity market performance. With regulatory change accelerating the demand for fee-based solutions, activating a long-term strategy for fee-based solutions will be critical. In addition, refreshed commission based product options enhancing competitiveness will become a priority as clients look for stable tax deferred investment options (namely products that will remain under PTE 84-24 post implementation).

> "Prolonged low interest rates will continue to challenge profits."

LISLE: As the largest independent publicly listed pan-Asia life insurer, at AIA we are focused on the Asia ex-Japan region. This region has experienced a period of outstanding and sustained growth in recent years, relative to more mature markets. Over the last three years, Asia ex-Japan life premiums grew at a 10 percent compound annual growth rate (CAGR), with the growth in "emerging Asia" markets even higher at 15 percent.

Life premium growth for emerging Asia has been fuelled mainly by rapid growth in China, reflecting both a strong underlying economic growth rate and increasing penetration rate of life insurance in this market.

We continue to see favourable growth conditions across our markets in Asia ex-Japan, and so would expect industry growth momentum to continue into 2018 at broadly its recent level (high single-digit or low double-digit growth in life premiums for the region).

On the product side, we are seeing increased focus from our industry peers on products with a greater life protection component (relative to savings), which is supported by efforts being made by governments and regulators to encourage insurers to meet the protection needs of the population. This shift in business mix by some of our competitors could result in an increase in average industry new business margins in some markets.

REED: While our company is not able to provide sales and revenue predictions, we have reviewed the LIMRA forecast of a zero to five percent decrease in variable annuity (VA) sales and feel it to be in line with our expectations of the industry in 2018. We hope to dampen this forecast with success from our new advisory products. Jackson focuses on the annuity space and we are optimistic for 2018 and beyond.

While the near-term outlook for industry sales of variable annuities remains uncertain pending clarification of regulatory reforms in the U.S. retirement market, Jackson's market-leading variable annuity product proposition positions the business well for new longer-term growth opportunities in the sizeable fee-based adviser market. We will continue to address the savings and retirement income requirements of the Baby Boomer generation.

Jackson National has deepened its push into the advisory space with the launch of a new fee-based variable annuity and the addition of several Vanguard funds to its VA investment line-up. The addition of Vanguard's low-cost investment funds will resonate with cost-conscious advisors.

The new product, Perspective Advisory II, is Jackson National's third fee-based VA and follows the launch of its fee-based Perspective Advisory VA in September 2016 and its Elite Access Advisory VA in early 2017.

The main differences in Perspective Advisory II and Jackson National's other fee-based VAs: They have no surrender charges, use institutionally priced subaccounts with no 12b-1 fees and include an optional death benefit.

SCALES: As much as I would like to forecast a banner year, I think the trend will be consistent with prior years and near flat. The mix of business may shift, but one to two percent growth is likely. Repeal of the estate tax would alter the very high-end of the market, but in sheer volume of policies, that would be small.

We could see growth in the younger end of the market if an insurer 'cracks the code' of selling to Millennials and Gen Y. Right now, there is still a mismatch between need for insurance and actual purchases.

We expect a shift to simpler products, particularly term [life], as the direct-to-consumer (D2C) channel opens up. While there are companies selling indexed universal life (IUL) and even a fixed annuity direct, we project it will be almost exclusively a term market. The real intersection is D2C and Millennials. They want to buy online.

SPRACKLING: As the low interest rate environment prevails, profits will remain challenged. In a sense, we are seeing a return to the life industry's roots—basic cover protecting people from unforeseen events. In this scenario, the question is how strongly can protection products deliver the level of returns demanded by shareholders and policyholders. The shift away from products with secondary guarantees will continue and I expect sales from products like indexed universal life (IUL) to continue prosper. I said last year that term [life] products will increase in importance and 2018 will be no different. The interesting question is the delivery mechanism of these products—straight direct to consumer or some form of intermediation. The other product where we have seen healthy growth, albeit from a small base, is final expense [insurance]. This product serves a clear need, very specific market and is easily understood by consumers.

WILLIAMS: The words of Casey Stengel are whispering in my ear as I write this—"Never make predictions, especially about the future." While our industry faces many disruptive forces in the long term, I don't see significant deviation from current trends. Sales of annuity products are currently at extremely low levels. The Department of Labor (DOL) fiduciary rule change has certainly contributed to this decline. However, recently announced delays to DOL fiduciary rule implementation may give way to modest increases in variable annuity (VA) and fixed index annuity (FIA) sales. Bottom-line results may improve modestly as companies continue to drive expense efficiencies.

WINIKOFF: The life insurance industry should grow at a GDP-pace, while annuities will be challenged in the first half of the year (down five to 10 percent), but up five to 10 percent in the second half of the year as the Department of Labor (DOL) settles [with respect to its proposed fiduciary rule]. Group retirement [sector] will mirror the market performance in 2018.

2 TECHNOLOGY

What new technologies have the greatest potential to help our industry and how can they help? How is your company using these technologies?

BREADING: There are a variety of emerging technologies that have implications for the life/annuity industry, but the two that will have the most impact in 2018 and the next few years are artificial intelligence (AI) and wearables. We've already witnessed interesting activity in wearables for life insurance and expect to see deployments in the disability space. Now, AI is the technology that is coming on strong. AI is actually a family of related technologies that have broad applications across the value chain. Chatbots will be used for customer interactions, especially for sales and simple customer service requests. Robo-advisors are already being used in the investment and wealth management areas. Various kinds of rules engines and machine learning will be increasingly used in the new business/underwriting areas. Robotic process automation (RPA) has great potential to automate tasks and enable industry professionals to focus on higher value activities. Will AI replace producers, actuaries, and underwriters in the near future? Probably not, but AI will increasingly augment human expertise.

CARLSON: Our focus is to embrace technology that can improve business efficiencies and enhance the customer experience for both our policyholders and producers. Web portal improvements that provide our clients with better access to data; robotic applications that drive down issue costs; and technological services that aid in underwriting considerations, improve our speed to issue and enhance our product development process are just some of the areas that we are working on.

CARTER: Utilization of Big Data and artificial intelligence will help our industry tailor and serve customers more nimbly in the future. At USAA, we are using Big Data to accelerate underwriting decisions and artificial intelligence to identify and tailor offerings for our members.

CONCANNON: Artificial intelligence and new data sources are already reshaping the industry and will help insurers improve risk selection, automate manual processes and improve the customer experience. At The Hartford, we are using new technologies and data to process applications, implement new cases and service customers more quickly and efficiently than ever before.

DEKONING: Technologies that transform the underwriting paradigm have tremendous—and immediate—potential. We're actively transforming new business with underwriting automation that improves business processes and cuts expenses, but what's exciting is the potential to fundamentally transform the customer experience. We want the 30 days it typically takes to issue a policy reduced to 30 minutes and eventually, 30 seconds or less. Companies that are agile when it comes to transforming the customer experience regardless of distribution channel have tremendous opportunities to grab market share.

In addition, many companies including Munich Re are investing considerably to harness Big Data and predictive analytics to transform underwriting and new business. Emerging technologies and solution providers will make it quicker and easier to collect and evaluate fluids, but we're also looking at ways to use data to eliminate fluids in underwriting completely.

Blockchain and artificial intelligence (AI) present huge opportunities to transform underwriting, new business, customer service, billing and more. Imagine a consumer blockchain of health information (and imagine zero regulations to deny access to this decentralized database for insurers) and how fantastic access to secure and thorough medical information could be for making fast and accurate underwriting decisions. If you're a customer who abandons an online application because it's too hard to understand, or maybe it's just taking too much time, wouldn't it be great if the company or an agent got back to you with an email, phone call, or text saying they could recommend three policies with the monthly premium for each based on the information you provided and additional data they sourced? These technologies are going to be game changers for the industry and they are also going to enable us to offer customers an omni-channel experience for obtaining coverage. It won't matter if they fill out half the application online and pick up it up later with an agent or a Chatbot. The customer experience will be easy and seamless and this is a win-win for carriers and consumers who need protection alike.

There are a number of new players using technology to transform the customer engagement model from an occasional, or maybe annual, interaction with their insurance company to a model of continuous and ongoing engagement through online communities of like-minded people or similar lifestyles like new parents or maybe marathon runners, that also sell insurance as part of the whole customer experience.

D'ONOFRIO: Technology is an enabler that will help to support client-led thinking, design and solutions and to evolve service delivery. Several key themes are emerging.

One is simplification. The growing client inclination toward simplicity, convenience and self-reliance will trigger more use of self-service automation and simplification of products, processes and underwriting. The underpinning and emerging technologies of interest are robotics, artificial intelligence and investments in rules engines to support the elimination of process friction and to create personalization to ensure consumer relevancy.

Another key theme is smart delivery. Consumers expect to interact through a multitude of touchpoints—smartphones, tablets and voice interaction—for advice, driving a focus toward enabling more digital client interactions and a shift to online, mobile, smart and simple applications and use of social media channels combined in a way to allow for seamless interactions.

Data is a third theme. Distributed grid computing for large-scale analytics and data curation will enable increased use of predictive modelling and machine learning that will allow for improved customization of products and services—critical to providing personalized need-based solutions.

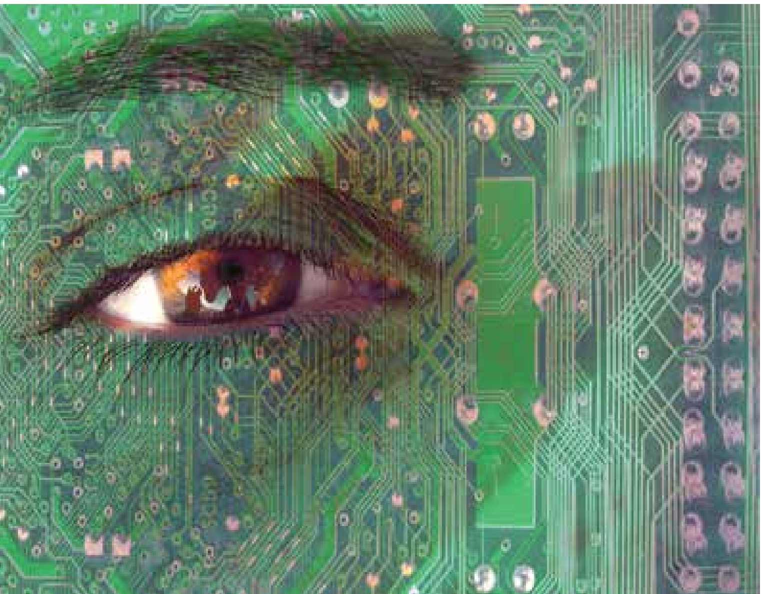
Another is blockchain in the insurance sector, which has the potential to help streamline activities like policy administration, smart contracts and customer payments. Straight through processing will help redesign operations in a way that enables real-time decision making and shortens processing cycles, resulting in enhanced efficiencies and increased satisfaction levels and shifting advisor focus from information processing to client engagement.

"Will AI replace producers, actuaries, and underwriters in the near future?"

EHREN: While not a new technology strictly speaking, data and analytics have tremendous potential to drive evolution in life insurance. As an industry, we need to start by recognizing that our data is an asset and often an underutilized resource. We must better understand what data we have and organize it so it is easily accessible to the people making the decisions. From there, we can analyze our data to make it actionable. Data analytics can help us improve numerous functions. For example, Securian has used data analytics to help our sales teams improve their prospecting by targeting advisors most likely to do business with Securian. We have also used data analytics in other marketing efforts and in our underwriting areas. Data analytics helps us understand how different types of customers want to do business with us and allows us to target customer segments that we are not currently reaching. We consider our work around data analytics to be foundational to our entry into artificial intelligence (AI) and the future digital experiences we will provide.

AI builds on data and analytics by enabling computers to mimic human intelligence to find patterns and perform tasks, including making decisions, which previously required human intervention. At Securian, we are researching various aspects of AI to gain an understanding of the broad capabilities that are inherent in this space. We are in a "proof of concept" stage to evaluate the potential for AI in three primary areas: (1) our call center, where we are looking to provide more self-service options; (2) our Group Life division as we look to provide increased value to employers and their employees as they make their benefit decisions; and (3) in our underwriting areas, where we are leveraging third party data to support certain underwriting processes and leveraging automation support to replace data entry functions for incoming applications.

Ultimately, advancements in data analytics and AI will enable us to develop personalized digital experiences at a speed and scale not possible before. Over the past three years or so, Securian has laid the groundwork by modernizing our legacy technology, shifting to cloud-based solutions where appropriate, building out new digital channels like mobile and social media, and applying innovation best practices (design thinking, lean startup, and agile) to bring customer-focused digital experiences and get to market faster. A good example is a new platform we introduced in partnership with a few credit unions last year. This platform focuses on improving the financial wellness of credit union members. In addition, Securian is leveraging digital partnerships to test new customer value propositions, experiences and distribution.



FERIK: From an infrastructure perspective, cloud technology has the potential to give the industry cost savings and flexibility, and we have spent the last couple of years migrating most of our systems to the cloud. Artificial intelligence (AI), robotics, and blockchain are all technologies with which we are experimenting, and each has the potential to dramatically change where and how we deploy capital, particularly across our back office. The greatest potential—at least on the life side—are improvements in medical technology, data and research that can change not only the way we assess risk, but improve overall mortality. As such, we are very bullish on longevity.

GAUMOND: A couple types of technology are being talked about quite a bit—one is blockchain, another is advanced data analytics (predictive analytics for example). But I would instead see the greatest potential where existing technology is used to enhance the experience and interface with the end consumer. This isn't as much about new technology; rather, it's about enhancing digital capabilities at the carrier and advisor levels. We as an industry have significant room to improve the customer experience, and focusing on ease of doing business is where I see the greatest upside to attracting new customers and retaining existing customers.

Our company is heavily investing in digital capabilities both at the consumer level and at the advisor level. While we expect to capture cost savings through many of these initiatives, I see a larger benefit coming from advisor mindshare, consumer interest and, in turn, long-term sales.

HENDERSON: Artificial intelligence (AI) has great potential to help our industry getting our products to market faster and enhancing the experience of our customers. Nationwide is excited to incorporate more AI into our business processes. Today we are using machine learning in our accelerated underwriting process. In our annuities business, we recently introduced an AI chat capability in our Guaranteed Retirement Income from Nationwide (GRIN) pilot. GRIN is Nationwide's first in-market test of a simplified deferred income annuity solution. This product is a direct-to-consumer offering currently in pilot in the Arizona market. We will continue to explore and use AI in our workforce management models and processes as well.

LISLE: At AIA, enabling our distribution force through digital technologies, including our proprietary iPoS and iMO technologies, has been a key driver of our success to date. We are continuously evolving our use of technology to enhance our customer experience and to improve performance.

Moving forward, there are a range of technological developments that have the potential to impact the insurance industry.

The ongoing digital revolution provides an opportunity for insurers to create new digital touchpoints with customers, and move towards an omni-channel model where customers have the choice of how they interact with their insurer while enjoying a consistent customer experience across channels.

This digitalisation, when combined with big data and analytics, also enables insurers to better engage and target their customers with more personalized and relevant products and services.

Finally, while the impact to the industry has been relatively limited to date, rapidly advancing technologies such as artificial intelligence (AI), robotics, and other InsurTech innovations also have the potential to materially impact the operations of insurance companies, right across the value chain, as further use cases are developed and deployed.

REED: Advisor platforms and related robo-planning tools are changing the financial planning landscape. As the retirement market continues to evolve from selling products to a broader, fiduciary-driven, advisory offering designed to satisfy investors' complete investment portfolio, related market risk, longevity and future liquidity needs will require firms like Jackson to build a more sophisticated advisor platform, financial planning tools, and portfolio management tools.

Financial planning tools that correctly value the benefits of an annuity are critical for expansion into new advisory space. Currently there are no platforms that Jackson is aware of that appropriately value guaranteed lifetime income. It is Jackson's hope that providers will enhance their offerings to better reflect these values, particularly in an aging population with a decreasing amount of defined benefit coverage.

SCALES: I think the game changer is instant underwriting decisions at a fully underwritten price. A number of insurers are leveraging automated underwriting systems, in-house technology, and mortality scoring systems from LexisNexis and TransUnion to slash their cycle time to days, if not hours. Celent has predicted this for years and we're finally seeing it happen. This could truly bring life insurance more mainstream in financial services.

We are also seeing huge investments in the overall customer experience. This makes sense during acquisition, as you want to be the easiest to work with, for both the consumer and the agent. It's less clear how these investments post-sale will pay off. There just are not that many transactions post-sale.

> **"Today's customer expectations have been shaped by the likes of Amazon, Apple and Netflix."**

We are seeing a few companies experiment with the Internet of Things (IoT), following Hancock's lead, but that is still early stages.

We are seeing interesting InsurTech companies pop up—many more in life insurance than last year.

SPRACKLING: 2018 will be the year of the coming of age of predictive models. Adoption of such models has almost become table stakes and the pace of implementation very fast indeed. Many of these models triage risk based on public available data sources and historic data to look for correlations. Future evolution will see the advent of propensity to buy models too. Instant issue or accelerated underwriting platforms will become mainstream in 2018, and insurers who do not adopt this technology will find themselves chasing the pack.

WILLIAMS: While I believe the greatest potential will come from the intersection of multiple technologies, what's most interesting to me is artificial intelligence (AI). AI has the potential to dramatically reduce costs, improve the quality and consistency of decisions, and make those decisions in less time. The technology is far from mature but companies are already generating real value in its implementation. At COUNTRY Financial, we are using AI in customer service and information technology (IT).

WINIKOFF: Predictive underwriting, propensity-to-buy modelling and integration insurance through advisor technology have the greatest potential to help our industry. We are engaging industry experts and leading firms to analyze the impact to our business.

3 CUSTOMER SERVICE

What is the importance of customer service and how can the industry make sure it provides the service that today's customers expect?

BREADING: Customer service will become more important than ever. This is due to two factors. The first is the increasing demands of customers in a mobile, digital world. Some of those demands relate to self-service capabilities, while others deal with improved options for producers to work with insurers. The second is the move toward more real-time interaction and behavior modification via wearables, gamification, and the like. The combination of these two factors will result in an increased frequency of interactions and touch points that are new and different for the industry. These trends won't change customer service overnight, but we will see more movement in this direction in 2018.

CARLSON: Serving our policy owners and field producers is extremely important to Ohio National.

Today's customers expect to be able to do business when and how they want. This includes the ability to research, make purchases and transactions, access real-time data and self-serve online … or, with the help of a knowledgeable customer service representative via phone or online chat. Investing in technology to provide customer data, information, access, and transaction capabilities, how and when they want to engage, and in quality customer service will be key to delivering on expectations.

CARTER: The life industry needs to deliver exceptional customer service in today's "Amazon Prime" world. Today's life insurance customers expect that same level of service and trust along with full transparency, convenience, real time decisions and solutions tailored to their unique needs and challenges. Customer service is the key to strong net promoter scores (NPS).

CONCANNON: Today's customer expectations have been shaped by the likes of Amazon, Apple and Netflix. Customers expect it to be easy to do business with companies, and they expect to be able to transact business through a seamless multi-channel experience. Customers are accustomed to an intuitive interaction whether at the moment of purchase, service or throughout the claim process. The ability to meet these expectations will shape the industry going forward either through existing participants or new entrants. If carriers don't make that happen, new entrants will.

DEKONING: Thankfully, the long industry debate about, "Who is our customer, the agent or the policyholder?" has finally been settled. While the distributor is an important partner, the end customer is the true customer that we need to engage more broadly and more often.

We have got to go beyond service, which can suggest a once-and-done transaction, and explore how we can positively affect the customer experience. Relationships make or break our business and we have real opportunities to reach the middle market with income protection products, to help ensure that Baby Boomers have enough to enjoy longer retirements comfortably, and to start meaningful relationships with Millennials who will comprise more than half the U.S. workforce by 2020.

Technology will make omni-channel for insurance a reality, and insurers are going to have to invest and adapt. This is especially true for distribution. Producers may want to sell policies the way they always have, but the reality is, we cannot continue with "business as usual." We may be constrained, or challenged by regulations, but data, business intelligence and AI will transform the new business experience, so we need to embrace this disruption and be ready to respond to what the customer wants and needs. Our business is about protecting our customers and the research is saying they not only need our help, they want it. We need to be ready to respond quickly and provide the best customer experience at every touch point we have and technology will make that possible.

D'ONOFRIO: Exceptional client experience builds brand loyalty and is a key differentiator, especially in a market where similar products are being offered by more than one provider. Customers have a choice of whom they deal with today like never before and, driven by their experiences with other services, they are setting higher thresholds of customer service from the insurance providers.

Millennials are triggering a paradigm shift in client experience conversations. They are able to acquire and compare information with ease and coming to the insurance provider is more about affirmation of their choices rather than information seeking, redefining the client-provider interaction. They seek convenience, simplicity and a streamlined experience through their preferred touchpoints—laptops, smartphones, tablets etcetera, providing a meaningful engagement from every screen.

Insurers need to leverage technology to meet these changing client expectations, use data analytics and predictive modelling to gain critical insights and customize the insurance offerings to ensure relevancy for clients, enable self-service options, and provide a personalized experience while engaging clients through their preferred channel—online,

“The talent and skills that are key to our success in the future are not going to be insurance-specific.”

telephone, face-to-face—with the flexibility to seamlessly move through the channels. A holistic approach to improve customer service by mapping the customer's journey and identifying and eliminating friction points is critical to winning loyalty and gaining competitive edge.

EHREN: Providing customer service is vital to running most businesses, and this is no different for the financial services industry. Now more than ever, the definition of an excellent customer experience is determined by forces outside of our industry, which makes delivering excellent service a constantly moving target.

Starting with an “outside-in” approach is a great way for insurance companies to ensure they are meeting today's customer expectations. While we can look to data and analytics to provide some of these insights, we must also regularly ask current and potential customers what they need from us, listen to their responses, and align our services and capabilities accordingly. Over the past several years, Securian has invested in developing an enhanced understanding of the various ways our customers do business with us, leveraging customer and channel partner feedback to build personas and journey maps. These types of approaches yield rich opportunities to continually improve the current customer experience.

Yet we cannot stop there. As an industry we need to think about how to deepen engagement in an effort to drive sustained customer loyalty. Developing relationships with our customers to go beyond being “just another product provider” will be critical. Many of us have historically relied on distribution intermediaries to establish and cultivate strong customer relationships on behalf of the insurance provider. While this approach will continue to work for some, going forward we cannot afford to rely solely on it.

Strategic partnerships associating well-known consumer brands with insurance carriers may be one part of a customer engagement solution. The Internet of Things (IoT) and wearable devices offer interesting alternatives as well. To remain relevant, we must transform how we think about the connections we create with our customers, taking care to meet their immediate and longer term needs while tying the value that our products provide to their everyday lives.

FERIK: I am sure like to every one of our peers, client centricity has become very important to us. We recognize that as our customers have become more informed and empowered, it has to be a top strategic focus for us. Practically speaking, this means we spend an increasing about of time measuring and listening to clients on what we can do better. We're proud to say that at Guardian we see this bearing fruit in many of the industry recognition awards we've received from JD Power and Dalbar. Broadly, our industry has a lot of room to improve to delight our clients.

GAUMOND: I would argue that customer service has never been a key differentiator for most insurance companies. Most carriers look to differentiate via product innovation and distribution relationships. As a result, our industry is not known for having stellar customer service.

I think this is changing to a certain extent. First, consumers are expecting more in the digital world. Second, in a world of social media, poor customer service poses a greater risk to long-term company success than ever before. So, focusing on customer experience is more important than ever, and to repeat my point from above, digital capabilities are fundamental to this experience.

HENDERSON: Customer expectations are only increasing, and the life insurance industry has an opportunity to innovate around the needs of customers and producers. Producers and customers are now going beyond comparing financial carriers' service, comparing us with other industries and companies like Amazon and Nordstrom. Our partners and customers more often expect a frictionless experience in sales, service and claims, and their expectations will continue to grow. Investing in capabilities like our accelerated Underwriting platform are critical to meeting and exceeding these expectations. To remain relevant, insurers must invest in how intermediaries and customers expect to do business.

LISLE: Customer needs and expectations are rapidly evolving. Across industries, digital experiences are driving expectations towards instant gratification and convenience, and service quality is an increasingly important consideration in purchasing decisions. While historically insurers have not been very customer-centric organisations, increasingly customers will expect insurers to be able to understand them, engage them, and delight them in all their interactions.

Companies that are able to do this successfully can expect to also see financial benefits resulting from improved customer retention, higher cross-sell and more referrals.

Meeting (and exceeding) customer expectations will require insurers to have a clear vision of the experience they intend to deliver, and subsequently work towards delivering that experience through process improvements, digital enablement, and maximising 'positive moments of truth'.

REED: The service proposition will need to evolve to respond to how and when distribution partners, advisors and investors want to do business with annuity and insurance carriers. As the market continues to evolve toward advisory platform offerings, the service proposition will need to evolve from a world-class high-touch back office operation open for business during normal business hours to a 24 hour, seven days per week model built on highly-efficient electronic feeds with advisors performing routine service in back offices from their platforms. It will also require a more comprehensive self-serve operations model for traditional inforce business.

SCALES: As I mentioned, service is critical in the sales cycle and less so post-sale. That said, no industry has as much data about their customers as insurance. Companies are working on data analytics to mine that data. It's an exciting area. Data can improve underwriting and enhance cross sales, just as a start.

SPRACKLING: The challenge for the industry is to deliver a consumer experience consistent with expectations from other products and services. For example, enabling a consumer to do everything digitally has become almost a must-have and the emergence of technologies like chatbots demonstrate the art of the possible in this regard. Part of the customer service priority should also be the requirement for insurers to develop a much-engaged relationship with the consumer. Historically it has been a case of "once and done". Now we have the opportunity to create regular interactions with policyholders delivering value and services beyond the cover that a policy provides.

WILLIAMS: Today, customer service is delivered through multiple touch points—agents, call centers, multiple channels and an accelerating number of media platforms—making it more difficult to orchestrate well. According to a recent study by Accenture, improving the customer experience is the most commonly cited objective by corporate executives, probably as a result of the increasingly complex omnichannel interactions consumers now expect. This suggests at least part of our customer service solution must be digital. And, yet, only one in five life [insurance] companies have a customer facing digital app.

WINIKOFF: Customer service remains important to this industry. We can better serve and support clients with an omni-approach. We can also serve our sales force by integrating the advisor and sales processes, making the selling process easier.

4 HUMAN CAPITAL

How can the industry attract and develop the kind of employees it needs to be successful?

BREADING: Insurers must demonstrate that they are innovative, interesting, and in tune with the times. This has branding implications for each company. Many of the existing brand attributes should be maintained (stability, financial strength, etcetera), but new attributes must be blended in to appeal to new employees and retain valuable employees. Strategies that insurers can consider include partnering with universities on innovation and emerging technologies, investing in and/or partnering with InsurTech startups, or speaking about interesting and innovative initiatives at more industry events. In addition, placing young employees on key new projects, giving them more of a voice, and providing employees with modern technologies to support their roles can help to develop promising employees.

CARLSON: Especially since the number of advisors/agents has declined over the years, promoting the positive attributes of a career in the financial services industry and how clients can benefit from the advice and counsel of a trained insurance/financial service professional, will help attract new producers to the industry. The industry also has a continued opportunity to educate home office employees about the benefits they are part of providing to our policyholders. Future employees need to understand the valuable service we provide as an industry.

CARTER: In the future, the industry must pursue new skill sets. The role of digital and underwriting innovation will transform the needs of the industry and the type of employee that will be needed. The employees of the future in our industry will transition from traditional roles such as agents to roles such as experience and digital designers, data scientists, and technologists. Our industry will need to compete with other industries for employees with these skills.

> **"Disruption is the new normal."**

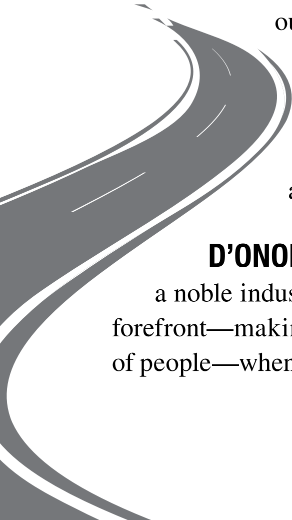
CONCANNON: Millennials now represent over half of the workforce, so appealing to that group is critical to attract and retain talent. They are looking for opportunities to make a difference, so our leaders should constantly promote the importance of the work we do every day. Our job is to help people at their times of greatest need. It's important not to let our teams forget that.

It's also important to understand that Millennials have different expectations than other generations. Remote work options, flexible schedules, the quality of the company's technology systems and a culture where a job well done is recognized are all drivers of their employment choices.

DEKONING: The first thing we need to recognize is the talent and skills that are key to our success in the future are not going to be insurance-specific. All industries are going to be competing for data scientists, digital marketing experts and rock star sales people, so we need to be loud and proud about our industry and the fact that our products make a real difference in people's lives by providing financial security for life events. We also need to recognize that we cannot attract the next generation of the best and the brightest with processes and technology that are woefully antiquated. We have to change that.

Working in an altruistic industry is very attractive to Millennials and we make very important economic and social contributions that we need to do a better job of publicizing. I also think we may need to tweak our traditional organizational design to ensure we are providing employees new challenges and diverse opportunities. There's a current trend of people preferring to look for freelance or temporary positions because they don't want to do "the same thing day after day." We cannot afford to train people only to have them walk out the door because they want to do something different. We need to provide diversity and flexibility to keep employees engaged and inspired.

We also need to educate university students early on in their post-secondary academic career about the insurance industry, risk management and/or insurance marketing. We can try to avoid the looming crisis of retiring risk management and insurance professionals by getting the word out. Companies can do this through partnering with their local/regional college or university, participating at college career fairs or supporting established risk management programs at colleges or universities around the country.



D'ONOFRIO: Insurers need to tell the story of a noble industry and bring its underlying purpose to the forefront—making communities better by improving the lives of people—when targeting talent. They need to highlight the fact that there is more to insurance than just underwriting and claims. It is also about being a partner and sharing the joy through various client life stages—when a client gets married or has children, or caring for and helping them through their loss, or helping them plan for retirement. And how it is a meaningful and rewarding career choice that offers flexibility and advancement through various avenues of growth.

Building a thriving culture and an engaged workforce is not just about office foosball or comfy couches. It is about investing in your employees, capitalizing on core values to attract the right people mix and giving them a reason to stay.

Employees expect an environment that fosters creativity, innovation and a culture of open and ongoing communication. Robust training and learning opportunities, creating a sense of community and building platforms within the organization for listening and staying connected with your people and for employees to connect, collaborate and build their network are key to building an engaged workforce. Employee retention and engagement is higher in organizations that are based on the principles of respect for diversity, inclusion and ability to impact through meaningful community engagements.

EHREN: Employees today want to find a sense of purpose at work, and connect their own life's mission to it. Our industry has a tremendous story to tell about helping people remain financially healthy, yet we haven't always connected well with potential employees. I believe we need to do several things in order to change this: (1) position our industry as a place where candidates will find meaningful work, career advancement opportunities, competitive salaries and workplace flexibility; (2) each company must also understand their employee value proposition and align the behaviors and culture of the organization around it; (3) seek diverse talent from new sources; (4) offer internships and internal education for a variety of disciplines including digital talent, data analytics, marketing and traditional finance positions; and (5) connect employees to the purpose of the organization.

In addition, as we look to further develop our existing employees, sharing talent internally is a key area of emphasis. At Securian, we are looking to create a coaching culture where change is embraced to achieve company goals. We are cultivating talent through cross-divisional initiatives, focusing on stretch opportunities and continued advancement. Career development can also consist of formal education and allowing employees to pursue designations/certifications that are relevant to their field of work.

FERIK: Communication, training, rotations and focus on innovation. At Guardian we kind of think about employee centricity in the same way we think of client centricity, so we do a lot of listening to what our employees are telling us. There's this virtuous cycle in which engaged employees help to attract talent, and from what we see and hear, we recognize that we need to do more to excite our employee base. One example I'd point to are innovation challenges, which we have found have done a lot to build teamwork, creativity and excitement.

GAUMOND: As an industry, I would note that we add tremendous value to our customers and their families—life insurance, retirement savings, disability protection, etc. To me, this should give us a head start on many other industries when it comes to attracting and developing talent. We first need to remind current and potential employees of this bigger picture—what we do matters.

Second, employees want to add value in the work they do at a company. If they see that they are adding value (even contributing to the bigger picture) and are recognized for this value, their engagement skyrockets and is contagious. So, as an industry, we need to give our employees the opportunity to create value—listen to them, ask for their input, be transparent. And then recognize them for the value they've contributed—not just once a year, but every day.

HENDERSON: Today, prospective employees value working for a company whose mission matters. Life insurance serves a noble purpose, as anyone who has been touched by life insurance can attest. Being able to translate that in the recruitment process is important to attract the talent we need. Correlating associates' day-to-day work to how they make a difference needs to continue after hiring talent.

Investing in technology and customer service also helps us retain our best employees. Employees, especially on the front line, want to be empowered to deliver great customer service. Aging systems and manual processes make that task more difficult and can cause associates to become disengaged. Investing in technology for our intermediaries and customers also benefits our employees.

> **"Technological innovations will profoundly change the industry as we know it now."**

LISLE: As the industry evolves, insurers will need new skill-sets and fresh thinking to be successful. It will be critical for insurers to attract talent from fields such as technology, data and analytics and innovation that in the past typically might not have entered the insurance sector.

To attract such talent, insurers will need to find new avenues for sourcing recruits, and create a positive brand image that attracts top performers. Insurers should look to provide a compelling employee value proposition, that provides individuals with opportunities for personal development, a dynamic culture, and rewards that are competitive with rival industries.

REED: At Jackson, our people are what make us truly unique. Our diverse group of innovators, pacesetters, creators, go-getters, pioneers, visionaries and reformers bring our values to life every day. We believe our people make Jackson's success possible! Our employees are the best in the industry and their loyalty and commitment is unprecedented. Each and every person has the opportunity to truly make an impact and we embrace and encourage the diverse thoughts and backgrounds of our employees. The dedication to our communities we serve is rooted in our philanthropy, volunteerism and compassion at Jackson. Our goal is to sustain a diversity-friendly culture that meets the needs of our clients and our communities. At Jackson, our employees are empowered to bring a fresh perspective, confront new challenges and define their own career paths. We value the unique perspectives and innovative ideas that come from our employees' diverse backgrounds. Our company values are the heart of our culture and enable our employees to make decisions that impact the company in a meaningful way.

Building a sustainable company is at the core of everything we do. Our employees are our most valuable resource, and one of the most important aspects of responsible growth is attracting and retaining exceptional talent. It starts with how we recruit new teammates to our company, and extends to the many ways we support employees' professional development, career growth and engagement once they're here.

Our recruiting team is responsible for filling all roles across the company with the highest quality candidates, both internally and externally, to address our business needs and help us grow responsibly. To drive sustainable growth in a changing and increasingly competitive job market, we continuously improve and modernize our recruiting processes and tools with a goal of building a diverse workforce and enhancing internal opportunities across the company.

Additionally, as the industry has changed, our recruiting efforts have adjusted. Recruiting has evolved job descriptions with a premium on advisory business experience. This will allow the company to timely and effectively pivot toward current industry needs as well as develop existing associates.

We know how important it is for employees to develop and progress in their careers, and provide a variety of resources to help teammates grow in their current role, build new skills or take on new responsibilities. It starts when employees first join the company or take on a new role. Onboarding and new hire resources are interactive and relevant. We recognize that associates learn best in a variety of ways, so we offer a range of learning options, from instructor-led learning and web-based training to eBooks and videos—ensuring our employees can access what they need when they need it to develop skills and expertise to better do their jobs and serve our customers and clients. The Jackson University intranet site lets associates create personalized learning plans tailored to their roles and interests, and provides access to millions of books, articles, courses and videos. Finally, Jackson provides world class benefits, tuition assistance, personal and professional development opportunities and stresses the importance of giving back to the communities where we live.

SCALES: Tough question. Insurance is not viewed as exciting and leading edge. It is, in many ways, but doesn't reflect that to the market or to new college grads. We need to educate potential hires about the interesting new things in InsurTech and the sophistication of insurance products. It will continue to be a challenge.

SPRACKLING: I talked last year about the new types of skillsets that the industry requires. Our fastest growing technical area is the team of data scientists. The opportunity and the challenge are to integrate this new expertise with the more traditional actuarial and underwriting knowledge. To attract the new talent we need to be present and visible at trade fairs, graduate recruitment events, hackathons etcetera and make sure such individuals know what a terrific industry life insurance is. So industry awareness and self-promotion will be vitally important.

WILLIAMS: We need to do a better job of telling our story. While the best and brightest students haven't always thought first about the insurance industry, in today's world, graduates want their work to serve a higher purpose and our industry has always provided that opportunity. We just need to clearly connect our purpose to our recruiting proposition.

WINIKOFF: Through early development and engagement of young talent and education of the good our industry provides to clients.

5 OPERATIONAL CHALLENGES

What do you think are the greatest operational challenges the life industry faces in 2018? How can it deal with these challenges?

BREADING: Balancing traditional operations with the opportunities and demands of the digital world will stress many life insurers. Insurers need just as much attention and as many resources to manage channels, products, regulations, and operations as they always have. At the same time, insurers must wrestle with the potential to introduce or enhance digital channels, create innovative new products, partner with InsurTech startups, and leverage emerging technologies across the enterprise. Success will require true innovation—rethinking and reimagining many parts of the business, enabling available funds and resources to be balanced across the traditional and the new.

CARLSON: Making the commitment to transition from legacy systems to updated technology is a challenge. While this can be a time consuming and costly venture, it is important that the industry make the investment in infrastructure to be better positioned to service their clients. Over the past few years, Ohio National has made such commitments to position us for continued growth.

CARTER: Taking the friction out of the purchasing cycle for customers will be the greatest operational challenge. This challenge will be overcome with improved digital shopping and acquisition experiences and removing the obstacles in the underwriting process via technology.

CONCANNON: The greatest operational challenge our industry faces is keeping up with customer experience expectations, which are being set in the retail and tech industries. Modernizing life insurance transactions isn't just a matter of updating your website or app—it requires using new sources of data, updating legacy IT systems, creating new frictionless multi-channel communications, and overhauling customer service processes from end-to-end.

DEKONING: We are still waiting to see how the [proposed] fiduciary ruling plays out and in addition to that, I think we will be facing challenges in distribution. Our traditional distribution force is aging and our products are not very simple or well understood, so they cannot be easily sold without an advisor and our new business process (underwriting and issue) is expensive and inefficient. How we will sell our products in the future (and to whom) is a fundamental challenge we need to overcome.

D'ONOFRIO: Changing client expectations are challenging insurers to design more simplified and personalized solutions. Insurers need to reimagine the client purchase journey to understand and eliminate friction points. Claims are becoming increasingly complex. An increasing trend in complex co-morbidities and mental health issues calls for innovation in living benefits claims adjudication, especially around helping clients get treatment as early as possible.

Another area ripe for transformation is the siloed legacy systems that offer a limited view of the customer and what is going on in the business on any given day. Insurers need to integrate technological innovations into the enterprise architecture that will help break with tradition in terms of approach to underwriting, claims cycle times, systems and processes, and increase operational efficiencies.

Extracting deeper insights from Big Data has the ability to transform the insurance industry with applications ranging from enhancing pricing mechanisms, understanding consumer behavior, and designing insurance offerings that are more intimately grounded to the needs of the clients, but it comes with unique set of regulatory, security and technology challenges.

In the current demographic, economic and regulatory environment, where variables are constantly changing, all risk cannot be mitigated. There is a need to test and learn, have the courage to accept failure quickly and move on. This will enable insurers to learn from their mistakes, minimize their losses, increase organizational efficiencies quickly and help explore more possibilities.

EHREN: The operational challenges in 2018 will not be that different than the challenges we have been facing over the past several years. With the life insurance customer acquisition process continuing to evolve due to advancements in data analytics, less invasive underwriting approaches and digital capabilities, the need for change management inside of home office operations teams, distribution operations, risk management and the regulatory environment has been, and will continue to be, significant.

On top of that, many insurers continue to base their operations on legacy systems that were built to address very straightforward business processes. Going forward, Securian is considering how to best leverage technology that is economically feasible and flexible enough to address a wide array of customer needs. Mobile access, digital, self-service, real-time access and transactional simplicity are capabilities we will build and provide to our customers—focusing on how the customer wants to engage.

FERIK: We have complicated businesses with old systems and regulation—while all well intentioned—designed around "traditional" ways of doing business. One thing we do know is that tomorrow's client is rapidly evolving past these structures. We have to find ways to overcome this inertia, ensure we have the right infrastructure to adapt and serve our clients better, and enroll our regulatory partners in how we're adapting. If we don't, somebody else will.

GAUMOND: I would say our greatest operational challenge as an industry is our legacy information technology (IT) environment—something we've had to deal with for many years and something that won't go away overnight. It sometimes hinders our ability as an industry to move quickly. It can make things more complicated than they need to be. It can sometimes hurt the customer or advisor experience. And it can be costly.

There is no easy solution. Some industry players will continue to chip away at the problem, while others will take a big bang approach and go with bigger transformational projects. The root problem is that we have long-tailed business while technology continues to evolve.

"The back office systems in too many companies are ancient. Thirty to fifty years old ancient."

My advice to the industry: do what we can to avoid having this challenge impact the customer and advisor experience. That may mean focusing on digital interfaces rather than admin[istration] platform conversions. And that also means we need smart, forward-thinking IT professionals who can take a customer perspective.

HENDERSON: Legacy systems continue to be a major operational challenge. Like many carriers, Nationwide has policies well over 50 years old on systems that are old as well. We have taken on a multi-year and large investment project to streamline our systems but they are worth it. Associates who work with these systems every day are already reporting positive results, and our customers are satisfied. This year, Nationwide was ranked as a Top 5 carrier by JD Power in overall customer satisfaction. We're confident that these investments are paying dividends.

In order to continue to deliver on our promises to members in a highly regulated environment, we need to attract the right talent to align creative solutions on how we design, build and deliver our products. Companies also need to be creative with partnerships they establish to help deliver cutting edge solutions for potential customers. Strong partnerships and cutting edge solutions would attract a diverse pool of talent to organizations.

LISLE: Life insurers are highly complex organisations, many with long history and legacy. While the industry has made good strides in modernizing, there are still areas in which the industry has scope to improve, particularly around digitalizing operations.

AIA is a big believer in integrating technology and digitalising processes across the value chain to improve customer experience, efficiency and productivity. We have made significant progress on this, and were one of the first insurers in Asia to equip our agents with technology such as our proprietary iPoS and iMO, which has played a key role in facilitating an improved customer experience, with paperless sales. However, we believe there is room for further improvement, and we are currently rolling out iMEET, which will enable customers to video chat with our agents and also provides enhanced sales and servicing functionalities.

We also recently launched our Greenfield operations in Cambodia, which is now our first paperless market, and we intend to replicate this across our other Asia markets in the near-term.

REED: Again, speaking from the annuity perspective, improving "industry pipes" is a Jackson goal to address a formidable industry operational challenge. Currently, advisors who want to include variable annuities in their clients' portfolios need to work "off-platform" by working through either a paper-driven process or through a third-party intermediary. Customer service is handled principally through call centers and company websites, with the ongoing reliance on the postal service. Straight through processing from distribution platforms, through intermediaries and on to manufactures will help Jackson provided annuity solutions to many more advisors and their clients. Industry partnership and education continue to influence platform providers and distributors with proprietary solutions to build their half of the pipes to connect data and services capabilities.

SCALES: Technology, or lack thereof. The back office systems in too many companies are ancient. Thirty to fifty years old ancient. Too many processes are still manual and the entire process takes too long.

Transformations are complex, expensive, and have risk, but insurers need to recognize they are way past end of life of their systems. It is time to seriously invest. From new business, to underwriting, to call centers, to claims—it all needs attention. Robotics process automation (RPA) can buy time, but isn't the permanent solution.

SPRACKLING: Updating, replacing or integrating legacy admin[istration] systems remains a big challenge and in many cases a hindrance to growth. The most successful firms are those who can ring fence old systems and invest in new technology and platforms for the consumers of today and the future. Another less obvious opportunity is to harness the value of the inforce policyholder base, to improve profitability and upsell new products.

WILLIAMS: The biggest problem is the persistently low interest rate environment we are operating in. Expected Fed rate increases may help, but we won't come out of the woods in 2018. This continues to put tremendous pressure on expenses just when significant investments need to be made in technology and in improving the customer experience.

WINIKOFF: Our greatest challenges are regulations and taxes. We can deal with these challenges by banding together as an industry.

6 BUSINESS DISRUPTORS

What has the greatest potential to disrupt business-as-usual in the life industry? The proposed fiduciary ruling? Non-traditional competitors such as Amazon and fintech companies? Something else?

BREADING: I do not believe the greatest challenge will come from the so-called GAFA tech companies (Google-Amazon-Facebook-Apple), although they will have an important role to play in the industry. I also do not believe that FinTech/InsurTech companies pose the greatest challenge. If anything, they provide new opportunities for partnership to enhance distribution, products, or operations. Rather, the greatest challenge may be one that has been recognized for some time—how to address the under-insurance problem and reach the middle market. InsurTechs and GAFA may be able to aid in reaching middle market segments, but insurers still need to dramatically rethink and re-engineer internal processes to improve speed to market and efficiencies. Technologies such as AI will play a role here, but they must be coupled with innovative thinking and new products.

CARLSON: Non-traditional competitors that promote turnkey, quick turnaround to issue programs will continue to emerge over time, which, in turn, will further encourage the industry to continue to evolve. Further regulatory oversight and potential changes to accounting and tax treatment of the industry are issues that the industry will continue to track/adapt to over the coming years.

CARTER: Too often, as leaders, we look outward for an external force or decision that has the potential to disrupt business as usual. In reality, internal cultural pressures and business-as-usual decision practices stop leaders from deviating from norms to explore new approaches to solve customer needs.

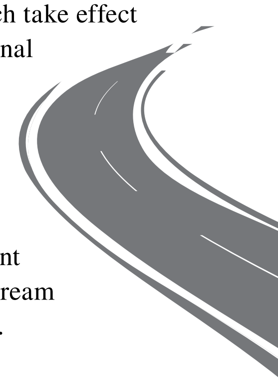
CONCANNON: The value chain that has existed in the employer group life industry stands to be disrupted by the rapidly changing requirements of customers in terms of simplifying and supporting their experience. Engaging through flexible technology, powered by efficient data and analytics, and reinforced by social validation will continue to accelerate a changing way of doing business. This will likely result in a combination of a) increased investments by existing participants and b) new technology, data driven entrants who will partner with traditional and alternative sources of risk taking capital to challenge the status quo.

DEKONING: Business-as-usual needs to be disrupted. There are so many amazing discoveries taking place that disruption is the new normal and we have got to be ready to embrace change, fail fast, adapt quickly and move on. We have an eye on startups and new technologies. In fact, Munich Re was the first reinsurer to plant roots in Silicon Valley at the InsurTech Plug and Play accelerator and we have innovation labs and dedicated resources around the world engaging with the best and brightest who are looking at revolutionizing the industry. Interestingly, most startups are looking to partner with reinsurers and carriers because we are the pricing, mortality and underwriting experts. I don't think they are looking to supplant us completely, but rather they recognize that they need our help opening doors and providing expertise.

Of course, this could change completely. Amazon didn't buy Whole Foods because they wanted or needed to sell organic lettuce. But they wanted access to the data to understand who buys organic lettuce and then, what products they could recommend to go with that lettuce like salad dressing. Amazon can take it one step further with delivery too. It comes down to analyzing the data to make the journey easy for the customer. That's where we need to be. The companies that focus on improving the customer experience—whether they are a century old mutual company or a peer-to-peer app that focuses on ease-of-use and flawless service will emerge as winners.

I see InsurTech companies becoming very active in our business. The biggest threat will not likely be on the product and/or legal entity side as I don't see any of these companies (or players with huge amounts of data like Amazon, Apple or Google) wanting to get into the risk business. But I do see them wanting to sell our products through a variety of online or affiliated (e.g., "Amazon Prime Life Insurance") and earning a distribution fee for this. This could become a threat and/or a complement to our traditional distribution methods. Companies will need to make that choice.

D'ONOFRIO: DOL fiduciary rules will not impact Canadian insurers. Regulations that will have near-term implications in Canada are changing capital rules—that is, the life insurance capital adequacy test (LICAT)—which take effect in 2018 and the implementation of International Financial Reporting Standards (IFRS17) by 2021. As insurers improve their understanding of the key drivers of changes in capital ratios under LICAT as well as profit flow and volatility under IFRS17, there could be changes in risk appetite and/or investment strategy. These changes could have downstream implications on product design and pricing.



Eventual application of enhanced fee/commission disclosure to individual variable insurance contracts / segregated funds stemming from ongoing focus of regulators on transparency, fair treatment of clients, and elimination of perceived conflicts of interest, will also have a significant impact on the industry and some advisors business models.

Millennials' do-it-yourself approach, lower tolerance for inferior service, inclination toward faster responses, and digital touchpoints as preferred platforms for engagement will disrupt business-as-usual and trigger innovation in product design and delivery, process automation and creation of seamless omni-channels.

Technological innovations will profoundly change the industry as we know it now. Data analytics, predictive modelling, virtual assistance, automation in underwriting and process revamping will redefine product design and delivery and the role of advisors. Non-traditional data sources, especially external data and data partnerships, are emerging as a potential for enhanced understanding and predicting the need for insurance.

> **"Insurers need to reimagine the client purchase journey to understand and eliminate friction points."**

EHREN: Macroeconomic factors and regulatory changes always offer the potential for disruption to our industry. However, changing customer expectations and preferences represent a broader systemic potential for disruption (as well as opportunity). The winners will positon themselves to deliver new value propositions (experiences, products and services) that better meet customer needs and support them along a decision making journey. I believe there is room for incumbent carriers, traditional distribution models, InsureTech startups, and new/adjacent market entrants to be successful here, as there are many different types of customers and their expectations are constantly evolving. The future is uncertain, so from a Securian perspective, we are focusing on being prepared by developing new capabilities, testing hypotheses, and being able to pivot based on what proves to meet marketplace demand.

FERIK: Regulation and tax reform have strong potential to disrupt our businesses today, and we have seen the potential for that. That said, the availability of medical information and other types of data, as well as potential new entrants and platforms that leverage this data more effectively can bring fundamental change to our business over the medium to long term.

GAUMOND: The life insurance and annuity industry has always been more of a "push" model than a "pull" model. There's the old adage: life insurance is sold, not bought. I think the biggest disruption to our industry would come from someone who creates a pull, where the broader consumer base actively looks to them for life insurance or annuity products. This could come from a fintech company, a non-traditional company like Amazon, or even a current carrier or distributor. The ability to adapt to such a disruption will determine winners and losers.

HENDERSON: Industry players have come to understand that we need to disrupt ourselves to prevent non-traditional competitors from doing so first. One example this year is our Guaranteed Retirement Income from Nationwide (GRIN) pilot product. We identified that there are many consumers who lack access to traditional retirement income savings vehicles that don't require a large initial investment. In response, we designed a way for these customers to research and buy guaranteed retirement income with small monthly payments. Pilot programs like these are allowing carriers like us to understand how to reach the consumers who don't have traditional financial advisors and meet their unique retirement planning needs.

Additionally, FinTech innovators will continue to disrupt parts of the value chain and we are actively working to discover what these startups can bring to the table. Instead of trying to stymie innovation, learning how to take advantage of these ideas through partnering or purchasing will accelerate growth and profitability in our industry.

The life Insurance market will be disrupted such that only the most nimble companies will remain, resulting in fewer, but larger, carriers to serve the majority of the market. The remaining carriers will serve as boutique providers for a sub-standard market. Customers will expect faster underwriting, a non-invasive underwriting decision process and hassle free offers. In order to grow as an industry and cover more members, new distribution models will be needed. Companies who can best align with the future distribution companies would be in the best position to succeed.

LISLE: In parts of Asia, we have seen the emergence of non-traditional insurance players such as e-commerce companies, digital finance companies and fintech players who have been successful in acquiring insurance customers through digital channels.

Within life insurance, to date there are few examples of such non-traditional models being sustainably profitable at scale. However, incumbents in the industry cannot afford to be complacent and we must look at ways to continue to evolve our business to compete with new types of non-traditional market entrants that can be expected to emerge in future.

REED: The Department of Labor (DOL) [fiduciary] rule remains the most likely disrupter of the business. One unintended consequence of the rule, if it stays on the current trajectory, is it harms the middle-class families it is purported to help. Many draw parallels to the U.K.'s Retail Distribution Review regulation overhaul in 2012, which also restricted commissionable sales. Many U.K. advisors have already stated that they will disengage with smaller investors rather than take on the burdensome rules and the higher risk. Others have claimed they would rather quit the industry. Neither option helps the insurance industry, which has been largely reliant on intermediary distribution through advisors. Finding other avenues to solve for investor need, distribute solution-based product and find new clients is a necessity.

While Fintech companies and robo-solutions also pose a challenge, and will certainly disrupt business-as-usual, they also provide an opportunity. All insurance companies must determine how best to address these threats and find ways to keep pace with other companies and remain cognizant of where the business is going.

SCALES: I go back to instant underwriting. It's a game changer. I do think non-traditional players, like Amazon or Costco will get in and that will be good. I think they'll be brokers, not carriers. Why take risk?

The Department of Labor (DOL) [fiduciary] rule is a taste of the future. It won't happen as quickly now, but transparency is coming. You just have to look at other countries, like the U.K. and Australia, which have already made the process almost completely transparent.

The life insurance industry is ripe for an investor to do a true new company. No legacy, no baggage, fresh technology. It would be an exciting time.

SPRACKLING: Regulatory and specifically tax reform changes will be a key focus for 2018. As tax reform unfolds, we will need to determine how this affects the attractiveness and profitability of all our products. Other regulatory change like [the Department of Labor (DOL) fiduciary rule] remain outstanding and will clearly seep into 2019 as well. We will continue to see disruption particularly in access and distribution channels, although how effective and sustainable it is remains to be seen. New entrants have found the direct to consumer play a very difficult area in which to achieve scale. It will grow for sure but we need to be realistic about how quickly.

WILLIAMS: I may be guilty of recency bias here, but the biggest potential disrupter on my mind today is tax reform. Our industry is perceived as a potential funding source for tax cuts. The immediacy of the potential changes makes this particularly disruptive.

WINIKOFF: The greatest potential to disrupt our industry in the near term are regulations and taxes. In the longer term, we foresee disruptive players posing a threat. ❖