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DEC 2022
Eleni Digalaki

Spotlight: US Life Insurance Technology Spending Forecast

How Providers Can Allocate Budgets for Success

Rapid innovation is key to a life insurance provider's success and ability to maintain a competitive edge. We forecast that US life insurance IT and technology spending will top $5.99 billion next year, following 2022's surge in modernization. This eMarketer report reveals where life insurance companies are investing their tech dollars, why vendor partnerships increase go-to-market speed, and how decision-makers can adjust to slowing growth while still positioning themselves for success.

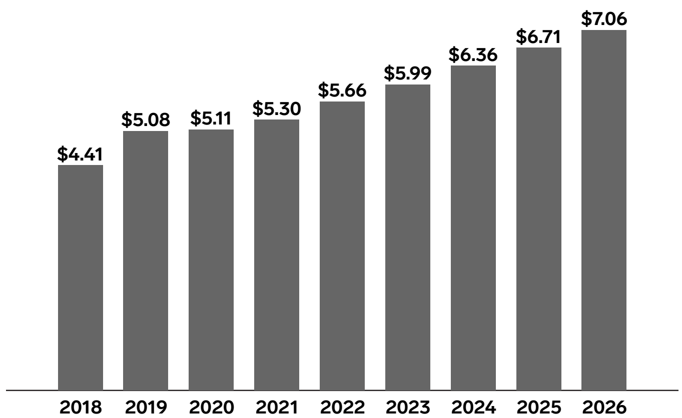
US Life Insurance Technology Spending 2022 Spotlight: How Providers Can Allocate Budgets for Success

In 2022, total life insurance IT/technology expenses will rise by 6.7%, the fastest rate since 2019. But annual growth will trend lower through 2026, upping the pressure on life insurers to allocate budgets carefully.

KEY QUESTION: How should insurers adjust to slowing growth and most effectively allocate budget dollars?

US Life Insurance IT/Technology Expenses, 2018-2026

billions



Note: includes expenses by insurance providers for creation and maintenance of technology for their group or individual life insurance products; expenses include core systems maintenance, modernization, innovation, transformative technology, data processing, equipment, software, digital initiatives, compliance, and cybersecurity, but does not include salary
Source: Insider Intelligence, Aug 2022

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KEY STAT: US life insurance IT/tech spending will rise to $5.66 billion in 2022, as companies push ahead with multiyear modernization initiatives while pursuing emerging opportunities.

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Behind the Numbers

Our US life insurance IT/technology spend estimates are based on the analysis of data from respective insurer corporate disclosures, reported and estimated noninterest expenses from major insurers, estimates from other research firms, historical trends, GDP trends, technology expense trends, and macro-level economic conditions. Our forecast collates 79 data points from 16 sources.

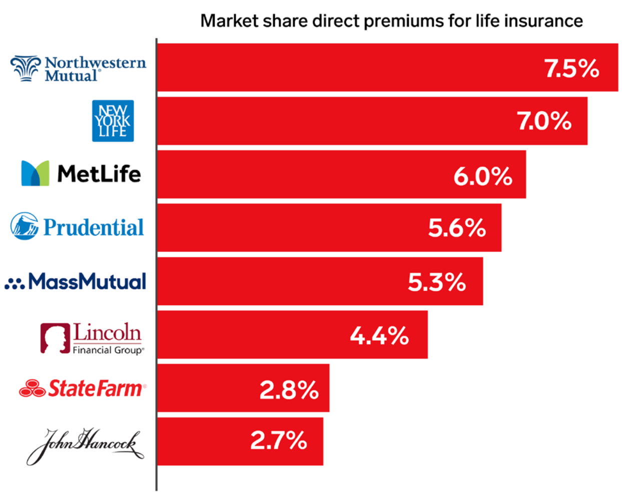
Life insurance IT/technology spend includes expenses by insurance providers for creation and maintenance of technology for their group or individual life insurance products; expenses include core systems maintenance, modernization, innovation, transformative technology, data processing, equipment, software, digital initiatives, compliance, and cyber security, but does not include salary.

Life Insurers Face a Make-or-Break Moment

The ability to innovate rapidly is key to providers' success. Upkeep continues to suck most IT/tech budgets. But life insurers must spend sufficiently on technological agility if they want to capitalize on emerging priorities and fend off competitive disruption. Optimizing tech budget allocations will be key, especially as challenging market conditions keep a lid on tech spending growth through 2026.

Top US Life Insurance Spenders

Based on direct premiums



Source: National Association of Insurance Commissioners, 2021
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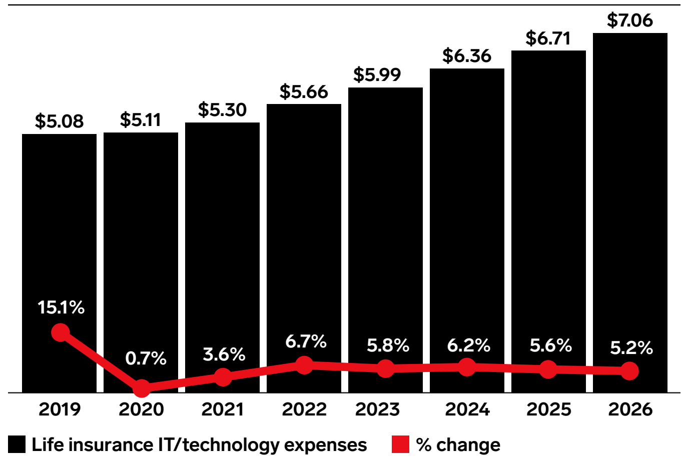
US Life Insurance Tech Spending: A Closer Look

Insurers' investment in IT modernization is surging in 2022, driven by strong financial performance in 2021. The growth builds on an uptick that began last year, when providers scrambled to capture opportunities—and remedy shortcomings—revealed by the pandemic.

US Life Insurance IT/Technology Expenses, 2019-2026

billions and % change



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Source: Insider Intelligence, Aug 2022

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Our complete estimates for life insurance IT/technology spending in the US can be found in our forecast module.

Looking forward, growth will be suppressed by the market downturn. The rate of growth is expected to drop from 6.7% in 2022 to 5.8% in 2023. By 2026, the growth rate will settle lower still at 5.2%, partly due to the completion of many multimillion-dollar, multiyear modernization programs that are currently underway.

Powering exceptional customer experiences with personalized content

This sponsored article was contributed by Acxiom.

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Personalized content is king. In theory, it works better, gets more attention, and drives better engagement with members and prospects than non-personalized content. In practice, it's getting harder to measure, harder to keep up with savvy digital marketers, and harder to find the right balance between personalized content and more general content. The June 2022 Arizent/Acxiom study, "Getting Up Close and Personal with Personalization," offers actionable insights to help get personalized content right.

Not surprisingly, people love when personalized content hits the mark and they can see themselves enjoying an activity or an experience featured in an ad. Conversely, if an ad's imagery doesn't work for them or they feel like the brand doesn't "get them," the effect is not neutral and could lead customers to other brands that are a better fit. Our study shows that three-quarters of people shop online for quotes or to purchase insurance, which means meeting their expectations for personalization is essential. And while 18% of study respondents said that "no brand gets me," the good news is that less than 5% said "I don't want a brand to get me."

Action step: Start with knowing people better. Manage first- and third-party data with an eye on actionable insights about likes and interests.

People's reactions to personalized content differed quite a bit by generation as well as by how much information they will or will not share with brands. People who are willing to share information really want to see ads and offers based on their interests and hobbies. The happily anonymous web surfers and cookie blockers understand they will not get personalized content and are okay with more general information. In what seems to be a big shift, 88% of people say they are likely or highly likely to open a prospect email if a brand can save them money or satisfy a need.

You would expect that about half of consumers would notice that content is being created just for them. But it's actually a bit higher, with 62% noticing that online advertising is being tailored to them most of the time. Gen Zers and millennials are more focused on this than other groups. Where generations differ is when the personalization misses—baby boomers are the most likely to get upset.

Action step: Personalize content so that the right offer reaches the right people. And make sure offers have value: A bad offer that's personalized is still a bad offer.

These insights are the tip of the iceberg from a comprehensive research effort to better understand where and how insurance customers are looking for and at information. Based on who customers are and where they are shopping, there is a wide gap in both the reaction to and impact of personalized content. Understanding a bit about what customers want to see based on who they are is both interesting and informative as brands work to get to know people better, figure out where to reach them, and how to make them feel like brands "get them"—but not well enough to go over their own comfort level.

Action step: Learn how Acxiom can help you fine-tune your personalization strategy.

88% of people say they are likely or highly likely to open a prospect email if a brand can save them money or satisfy a need.

Beyond the Metaverse: CX Predictions for 2023

Our top 5 CX trends for 2023

A customer experience revolution is underway. To understand where brands are in this transformation, we surveyed 200 businesses across the US and UK about their plans. We also surveyed 2000 consumers about their behavior today and what they expect in the future.

#1 Everything-is-an-ad-network

As the privacy landscape evolves and the foundations of digital advertising shift, 2023 will be the year many businesses launch their own ad networks.

#2 Anything-as-a-Service

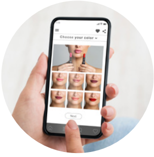
Brands are exploring how a shift from selling goods to offering products as-a-service can extend their customer relationships beyond the point of purchase.

#3 Seamless Service

Brands are combining automated tools and technologies with human-centered approaches to deliver best-in-class customer service and support.

#4 Intuitive Technology

Intuitive technologies that can interpret and understand our intentions look set to transform how we interact with products and services.



#5 Immersive Shopping

Immersive shopping uses simulation-based technologies such as augmented and virtual reality to create interactive and highly personal shopping experiences.

ACXIOM

Visit **acxiom.com/trends** for the five most important CX trends in 2023.

Where Are Life Insurers Allocating Their Tech Budgets?

US insurers' tech budgets are split 65-35 between maintaining the business and changing it, per 2021 Forrester Research data. In 2022, most life insurers are working on enterprise-wide modernization initiatives that touch everything from data and platforms to processes and execution capabilities. Below, we take a look at areas in which insurers are focusing their investment dollars.

Key Technologies' Spending Growth Among Life Insurers

AI and machine learning	$ $ $
Cloud storage and computing	$ $ $
Data acquisition, processing, and analytics	$ $ $
Integration technologies/API architecture	$ $
Robotic process automation	$ $
Mobile technology	$ $
Internet of things	$
Distributed ledger technologies	$

Source: Insider Intelligence, 2022; Deloitte, 2021; Computer Economics, 2021
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Automated Underwriting

Automation is a major focus for life insurers, including New York Life and Prudential, allowing providers to meet increased demand for life insurance products and real-time policy issuance. In 2021, more than 80% of Prudential's policy approval process was automated, compared with less than 20% pre-pandemic, per a 2021 Fortune interview with Prudential CFO Ken Tanji. And the time it takes to underwrite an individual life policy has dropped from 22 days to 22 seconds, said CEO Charlie Lowrey in the company's Q3 2022 earnings call.

Self-Service Capabilities

Life insurers are investing in website and mobile app improvements to enable touchless servicing—including features such as online claims submission, digital signatures, and chatbots. MassMutual, for example, launched new capabilities in 2021 that allow customers to check the status of a service request on the mobile app and submit disability claims online.

Shortened Development Cycles for New Products

Achieving agility and speed to market with new products is a key area of focus, led by major providers such as MetLife, MassMutual, and Lincoln National. In 2021, MassMutual enhanced its digital end-to-end platform to enable a quicker introduction of new products, per the company's 2021 Annual Report.

Personalization

Life insurers are looking to personalize products based on consumer data and behavior. In particular, providers are focused on capturing opportunities enabled by internet of things (IoT) devices—such as wearables—and biogenetics. And the time is ripe for this: In its Q2 earnings, Manulife reported a spike in sales of products with the John Hancock Vitality PLUS feature, thanks to increased consumer interest in health improvement.

Who's Partnering With Insurers on Tech Priorities?

Life insurers often rely on partnerships with tech vendors to adopt new technology more quickly and at reduced costs, and to accelerate speed to market for new products.

Click here to view our interactive **Life Insurance Tech Vendor Ecosystem chart**.

As life insurers prioritize agile delivery partnerships with both legacy and startup tech vendors, players will pick up the pace. Software as a service (SaaS) partnerships in cloud computing will proliferate, along with data provider partnerships. For instance, New York Life partnered with Cerner in 2021 to streamline electronic health record (EHR) retrieval and speed up underwriting. The company also signaled it will continue to add more health data to its underwriting models to enable the issuance of policies in real time.

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