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From Crawling to Walking

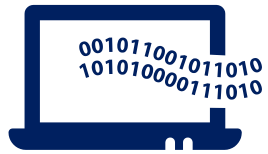
The evolution of AI across the Life insurance industry

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The implications of the rapid advancement of AI capabilities for insurance and wealth are significant



A massive wave of **new sources of data** is becoming available to enable differentiating insights – e.g., computer vision technologies with wide application



Billions of dollars of investment is spawning a complex ecosystem of new analytics vendors and solutions



Analytic innovation is increasingly enabling carriers to underwrite completely new risks, making **product innovation** a source of advantage



Real-time monitoring – and the feedback loops enabled by analytics – will continue to change the underlying behaviors of the insured



There is an emerging “arms race” for **technical talent** and analytically-savvy business leadership

Despite significant investment over the last 3-5 years the life industry has struggled to meaningfully address effectiveness

Cost to serve customers has increased over the last two years, indicating a lack of fully realized automation capabilities

+8%

Increase in average **cost per new policy** from 2017 to 2019¹

The industry didn't leverage COVID as an opportunity to innovate

+40%

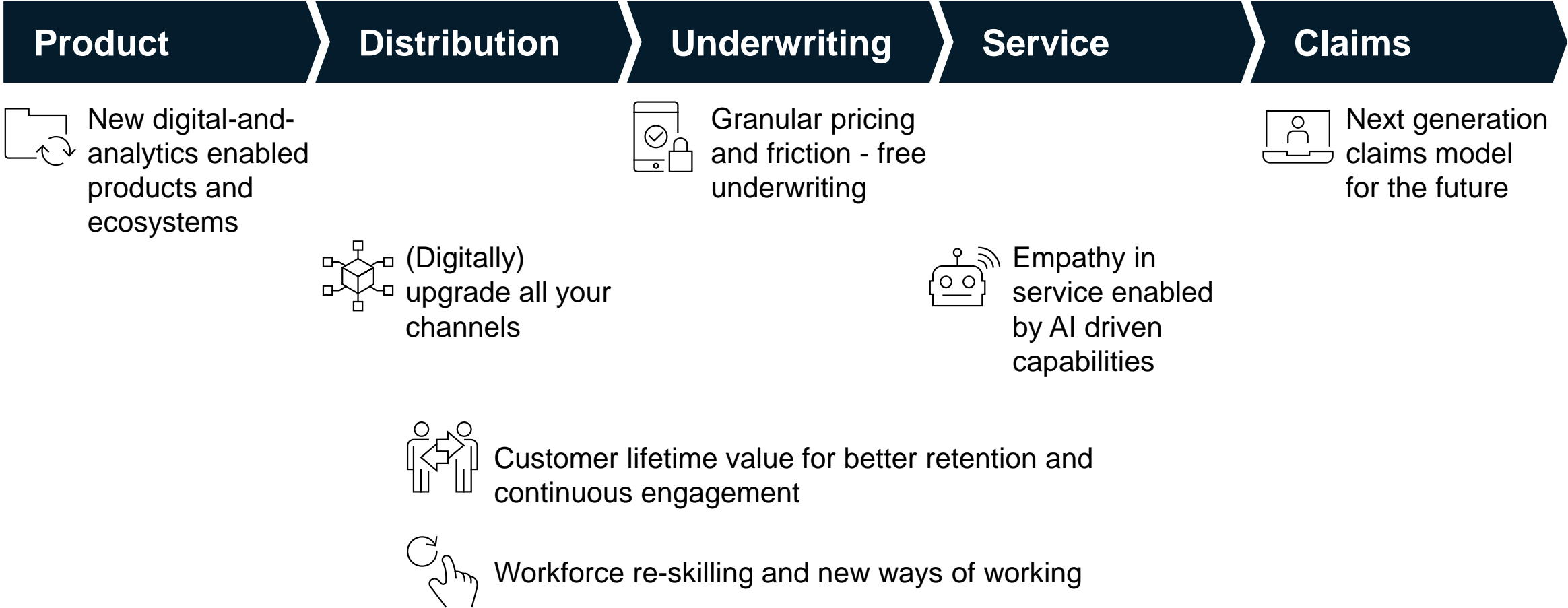
Expected increase in **turnaround times** in 2020 due to complications from COVID

The gap between top and bottom performers is widening

200%

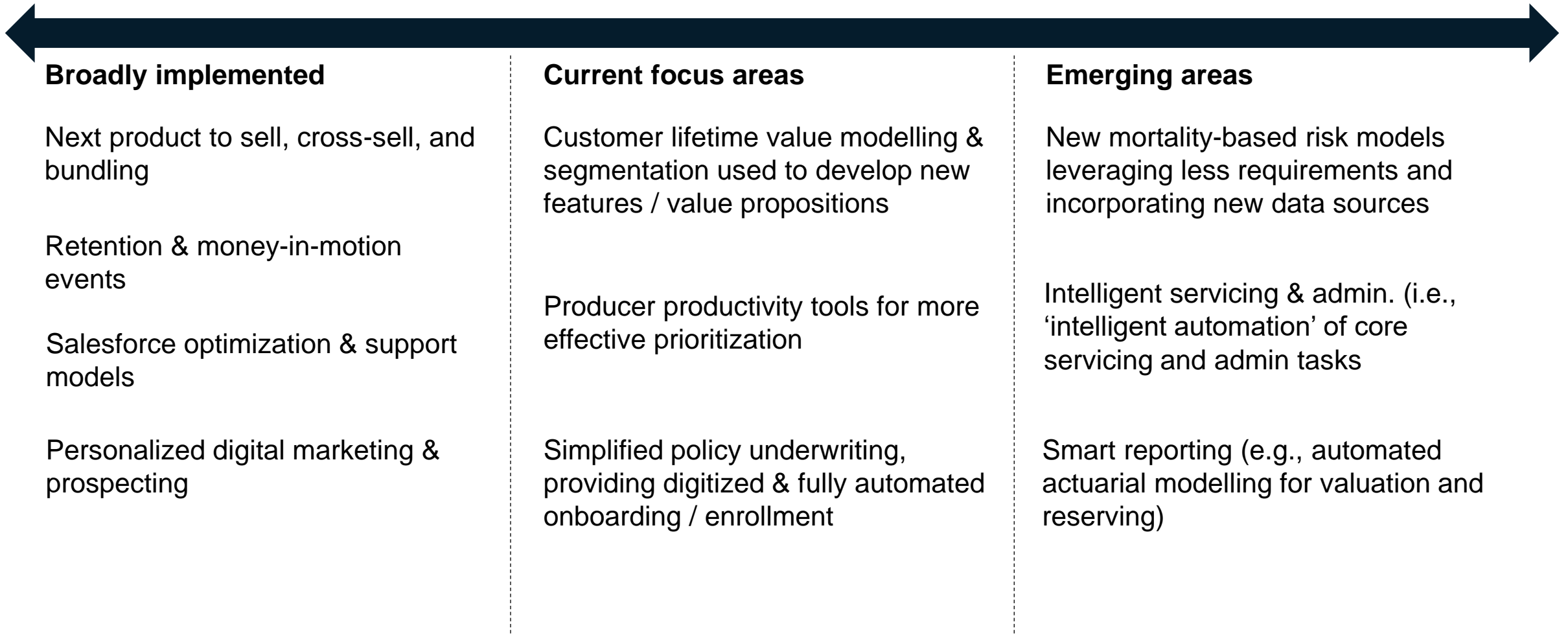
Difference between **top and bottom quartile cost** performance for 2019 and 2020

Life industry has made progress, especially in the past 12 months with leaders investing in 7 key areas

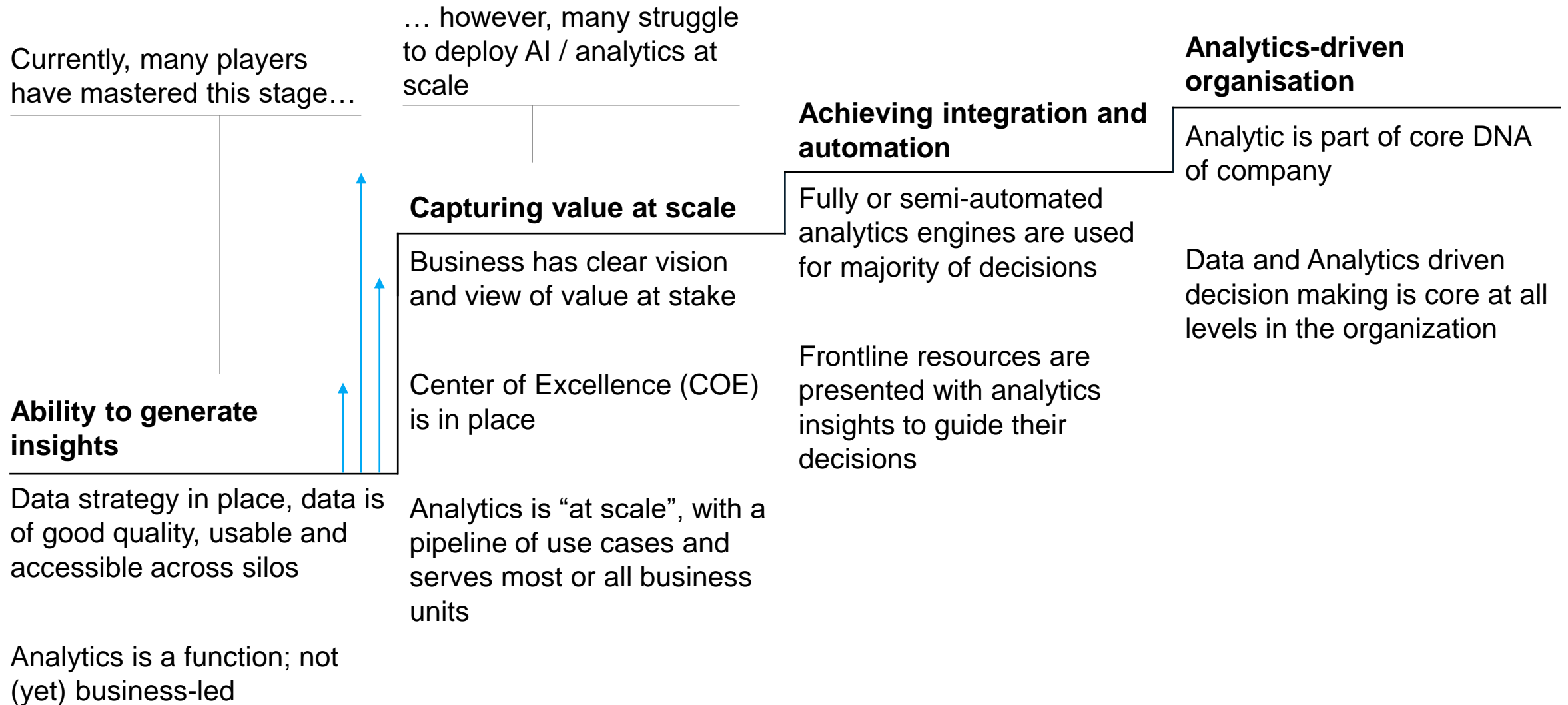


Leading carriers are investing in a portfolio of use cases which range in short vs. long term value creation

Not-exhaustive



While there is much interest in AI most insurers are still in the early stages of becoming AI-driven organizations



Most carriers are struggling to scale their AI programs, with a common set of pitfalls



... Only 17% have a defined, sustainable analytics roadmap in place



... less than 13% are able to fully integrate analytics insights in business processes



... As a result, less than 7% feel they are “very effective” at reaching their primary objectives on data and analytics, while a staggering 48% stated they were “neutral” or ineffective”

Typical pitfalls:



Perception of large upfront investment for future returns



Analytics capability is in poorly coordinated siloes which are separate from the business



No properly qualified translators in the business



Limited tracking of benefits from analytics initiatives



Separate data & analytics roadmaps



No formal emphasis on the “last mile” adoption

Achieving AI at scale requires a distinct combination of capabilities, mindsets and assets

Strategy



1. Business-led roadmap

Develop a **common language and bold vision**

Prioritize by business domains not use cases; be clear on the business problems to solve

Commit to a business case and be clear about resourcing

Develop clear build, buy, partner guidelines

Capabilities



2. Agile delivery

Develop a **repeatable method** to create new solutions

Gain frontline inputs quickly and adjust if needed



3. Talent

Rethink HR practices and ways of working to attract talent

Train both business and tech leaders



4. Technology

Build **scalable analytics platforms**

Management of tech debt (especially in admin systems)



5. Data

Right size investments, in line with use case delivery

May be the only **true competitive advantage**

Execution



6. Adoption and operating model change

Solve for two discrete problems: **adoption and operating model change**

For every **\$1 invested in technology** development, plan another **\$1+ to realize the value**

Key questions we are hearing from our clients

Strategy

1. What is the right framework to contemplate build vs. buy vs. partner decisions given the rapid expansion of the insurtech and AI ecosystems?
2. How do leading companies navigate the inherent risks of AI (e.g., bias, reputational, and cyber) and a rapidly evolving regulatory environment?

Capabilities

3. How do we bring the right business & technical talent together more effectively to deliver at a higher pace across the whole business?
4. How critical is external data to building our analytics program? How do we build this capability into an industrial strength asset?

Execution

5. What are best practices for driving rapid adoption of advanced quantitative solutions for our frontline (e.g., the sales, UW, and claims teams who will be required to use the tools each day)?