



Life insurance: Bridging the customer experience divide

Capgemini

This article comprises an excerpt from the World Life Insurance Report 2025, produced by Capgemini Research Institute.* The report explores how life insurers can make innovative choices today to drive customer centricity in the future in ways that will resonate with key customer segments even as demographics shift. The key is to offer adaptability, flexibility and coverage and an array of personalised policy types and engagement channels.

In this first installment we examined the great customer experience (CX) divide which presents as a threat to the long-term viability of the industry.

The great CX divide

Between 2007 and 2023, life insurance penetration in mature markets dropped from 5.4% to 3.6%, prompting many carriers to rethink their customer engagement approach. However, outdated legacy systems, limited adoption of emerging technologies, cost-oriented cultures, and ongoing regulatory scrutiny have hindered transformation. In addition, the low success rate of transformational initiatives perpetuated a cycle of underperformance and outdated practices.

With today's technologies, including Generative AI (Gen AI), insurers can navigate these challenges, drive experience innovation, create a future-ready workforce, and transcend long-time performance constraints.

Customer experience has been a business mantra for decades. Corporations across industries have invested significantly to understand customers more intimately and offer more satisfying experiences. Firms that successfully transform their CX typically generate higher customer satisfaction and loyalty, produce more repeat revenue, and run more efficient operations. Some leaders have converted deep customer centricity into high-value brands and market dominance. Few, if any, of them are in the life insurance industry.

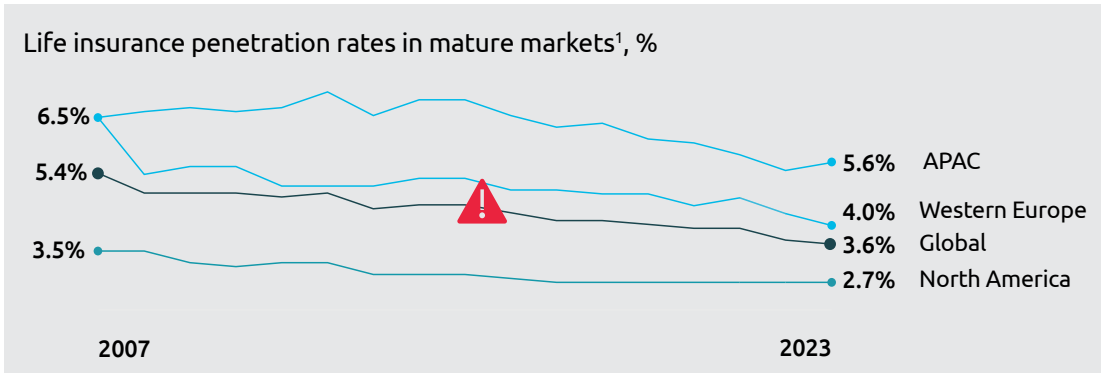
Lisa Wardlaw, the president and founder of 360 Digital Immersion, USA, put it like this:

The life insurance industry has historically treated CX as a vertical, siloed approach, focusing on digitising individual touchpoints as isolated experiences. Instead, it should adopt a latitudinally integrated strategy considering the customer's entire policy lifecycle, viewing CX as a long-term journey encompassing changing customer needs from onboarding to claims.

Where is the industry heading?

The experience of the last several years suggests that the life insurance industry may be sliding toward irrelevance, meriting concerted action on multiple fronts. Despite the recent rebound in financial performance, mainly due to higher interest rates, growth in mature markets has been flat for the past 16 years (-0.2%), with penetration declining from 5.4% in 2007 to 3.6% in 2023, as illustrated in Figure 1.¹

Figure 1. Life insurance penetration rates have declined across mature markets



Source: Swiss Re – sigma explorer.
Note - Mature markets: APAC includes Australia, Hong Kong, Japan, NZ, Singapore, South Korea, and North Korea. North America includes Canada and the United States. Western Europe includes Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Switzerland and Sweden.



The quote

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Customers are voting with their wallets—life insurance’s share of all consumers’ assets has declined from 7.5% to 5.8%, while equities increased from 15.9% to 23.4%.²

However, the trends vary across markets; in some regions, unit-linked insurance products have gained significant traction during the prolonged low interest rate environment. This trend underscores a broader demand for simple, flexible solutions that offer transparency and potential short-term gains while still providing an element of risk coverage.

Shrinking penetration and decreasing customer interest explain the life insurance industry’s waning appeal to investors. Relative to other financial services firms, life insurers’ market capitalisation fell from 15% in 2007 to 9% in 2023, with asset managers and securities brokers receiving most of the redirected investment.³

While current consumer trends are not encouraging, they do signal opportunities. Helping policyholders reach financial stability will allow insurers to regain wallet share and restore relevance. Elevating the life insurer’s role in customers’ lives will require insurers to swiftly and nimbly adapt to fast-evolving market needs.

By amplifying digital capabilities and embedding flexibility into products, life insurers can seamlessly adapt to evolving policyholder expectations while elevating their role in customers’ financial wellness journeys.

Daisy Tsang, CEO, HSBC Life, Hong Kong & Macau.

What consumers need now

Life insurers have an opportunity to prioritise engaging and customer-centric experiences to help policyholders achieve long-term financial security and peace of mind. Today, 54% of US households have no retirement account savings.⁴ In Europe, 39% are not saving for retirement through a voluntary pension.⁵ The cost-of-living crisis makes matters worse. According to Capgemini’s *World Retail Banking Report 2024*, 72% of consumers

said high inflation has significantly impacted their financial well-being.

Many older individuals, once steadfast in financial planning, have delayed retirement to maintain their lifestyle. For others, multistage retirement is an economic need, not a choice. Meanwhile, more than half of younger consumers—52% of US consumers 28 to 43 years old—say they do not have enough income to save for the future.⁶

Life insurance customers struggle to prioritise future financial planning and wealth preservation. Currently, policyholders direct only 8% of surplus funds toward increasing life insurance coverage, according to our 2024 *Global Voice of the Customer* survey, a study of 6,186 customers in 18 global markets. These findings make clear that life insurance has gone from a ‘must-have’ to a ‘may-be’ purchase for individuals across generations.

The state of the life insurance customer experience

How did we get here?

We believe that sub-par customer experiences are the root cause of the industry’s challenges. We also believe that an enhanced CX is the heart of the solution. Of the policyholders we surveyed, 59% said they were dissatisfied with policy pricing. It was not the cost of premiums that sparked dissatisfaction but the lack of visibility into the how and why of policy pricing. Specifically, the top three reasons for policyholder dissatisfaction were:

- a lack of transparency in premium calculations
- the impact of lifestyle choices on the rates they pay, and
- hidden fees.

However, this dissatisfaction extends beyond pricing and permeates the entire customer journey. Approximately half of the policyholders we interviewed reported underwhelming experiences relative to product offerings (51%), onboarding processes (51%), service (48%), and claims/surrenders (55%).

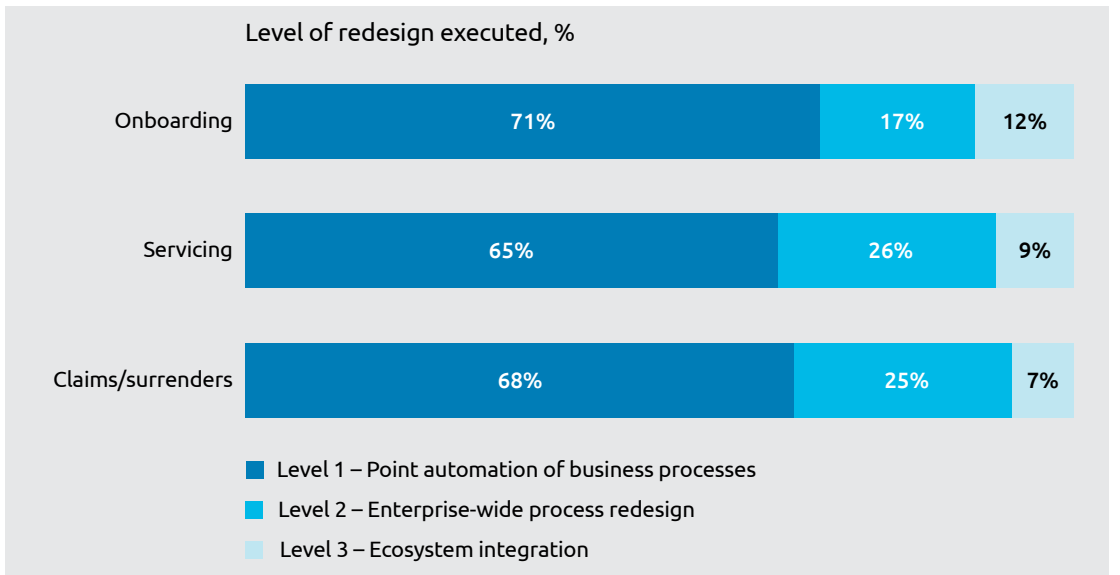
Despite customers’ struggles to save for the future and their implicit need for more flexible insurance



The quote

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Figure 2. Life insurers struggle to redesign onboarding, servicing, and claims/ surrenders



Source: Capgemini Research Institute for Financial Services analysis, 2024; World Life Insurance Report Executive interviews 2024.

options, they say policies remain rigid, complex, and confusing. They find the value of life insurance to be opaque and complex to quantify over decades-long commitments. These factors contribute to suboptimal customer experiences. They also represent missed opportunities for insurers to strengthen engagement and for policyholders to increase their financial well-being.

Life insurers that recalibrate their focus can enhance policyholders' core experience. Instead of unnecessary add-on features, we should consider streamlining the basics to meet core customer needs, fostering trust and loyalty.

Diana Steinhoff, President and CEO, Renaissance, USA

Rob Schaffer, the head of product solutions, individual life insurance at Prudential Financial, USA observed:

Life insurers are tasked with catering to a triad of stakeholders: advisors, customers, and employees. The challenge lies in balancing their diverse expectations while overcoming legacy technology constraints to consistently deliver superior CX.

The high cost of not upgrading legacy systems

Life insurers are aware of heightened consumer expectations. Yet, most find themselves shackled by significant internal constraints that make it difficult to upgrade the experiences they offer customers. Similar barriers have also limited returns on past transformation investments.

Legacy technology remains a significant hurdle for 52% of insurers, according to our 2024 *Global Insurance Executives Survey*, which included 213 global life insurance executives in 16 markets. Existing infrastructure,

which may be several decades old, offers little connectivity for data sharing. It was designed to record transactions, not engage customers or connect with partners, and as a result cannot effectively support superior customer experience. Limited adoption of advanced technologies—another byproduct of legacy systems' rigidity—further stifles insurers' ability to deliver an exceptional CX.

Complex and intensifying regulation is yet another impediment, according to Mutual of Omaha's chief executive, Lorenzo Ball who noted:

Regulatory limits on what can be fully automated make intelligent automation crucial. Insurers can focus on human augmentation to streamline back-office operations and improve customer service interactions.

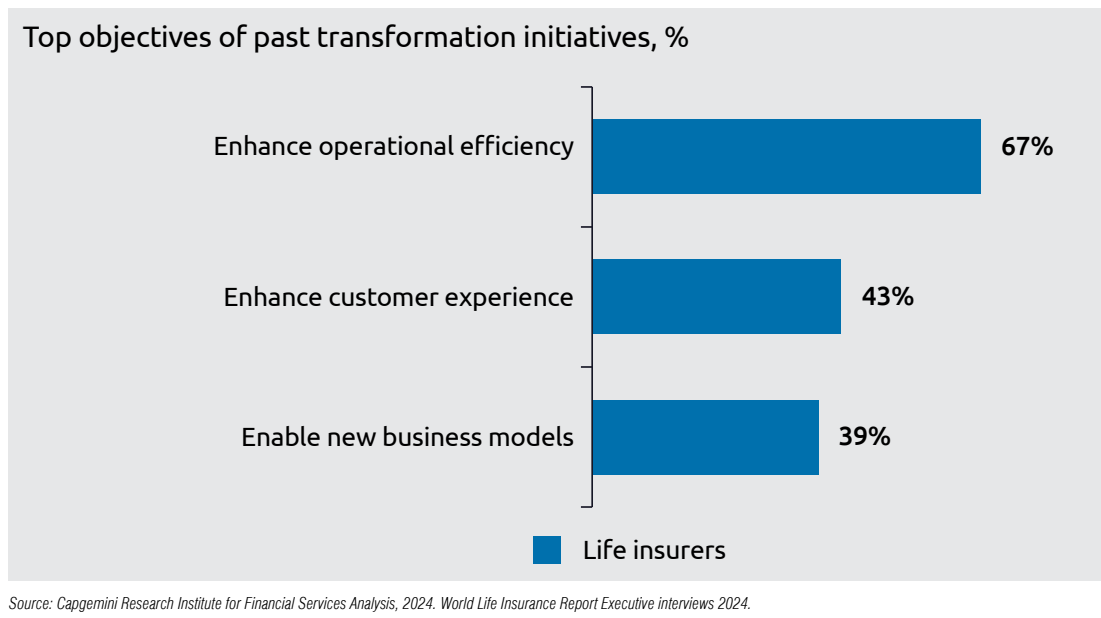
Outdated technology and limited digital options create hurdles for customers at touchpoints with insurers, which results in excessive paperwork, lengthy wait times, confusing communication, and slow, unclear processes for filing claims and surrendering policies. Customers find interactions with insurers less efficient, convenient, and personalised than in other industries.

However, not all friction is negative. At critical stages, customers may benefit from processes that provide more time to work through decisions with long-term implications, and feel confident about them. Positive friction of this type is particularly valuable in life insurance as it helps customers fully grasp policy terms and benefits. Balancing efficiency with appropriate deliberation time can strengthen customer trust, increase knowledge, and boost overall satisfaction.

The path to customer centricity

For life insurers seeking to prioritise policyholder needs and their CX, revamping core processes—particularly

Figure 3. Life insurers prioritised multiple goals in past transformations



The quote

Balancing efficiency with appropriate deliberation time can strengthen customer trust, increase knowledge, and boost overall satisfaction

onboarding, servicing, and claims—is crucial. Our research, illustrated in Figure 2, shows where insurers are on their journeys.

- Most insurers have achieved point automation within business processes (Level 1 in the chart) by digitising specific tasks in existing workflows. For example, optical character recognition can automate data entry, and digital forms can replace paper-based policy applications.
- Fewer insurers have redesigned processes across the enterprise (Level 2 in the chart) to connect the entire organisation. Fully integrated customer relationship management (CRM) systems offer unified views of interactions and activities across all touchpoints, allowing better coordination between sales, service, and claims. Centralised data management breaks down silos and creates a single source of truth that is continuously updated and accessible by all relevant functions and users.
- Not many insurers have integrated ecosystems (Level 3 in the chart) that capture data from multiple sources and deliver seamless, personalised experiences through policyholders’ preferred channels. Such ecosystems automate third-party data streams for evidence-gathering during onboarding, underwriting and claims while navigating a complex regulatory landscape. Wearable devices can deliver real-time

Insurers lacked genuine customer experience-focused transformation efforts in the past. They were caught up focusing on outdated business models centred on products and operational efficiencies rather than addressing customers' needs. It's time to prioritise and invest in initiatives that deliver superior customer experiences."

Rory Yates, Chief Strategy Officer, EIS, UK

data for dynamic underwriting and wellness tracking, while sophisticated application programming interfaces (APIs) enable secure connections and robust collaboration with ecosystem partners.

Previous transformation challenges

Past transformation investments have generally fallen short of delivering the target returns. “Insurers now have a valuable opportunity to learn from past transformation initiatives,” said Pankaj Gupta, the managing director and chief executive of India’s Pramerica Life Insurance. “By setting realistic timelines, addressing integration complexities, and leveraging skilled resources, we can achieve successful execution and sustained momentum, ultimately enhancing customer experiences”.

Competing goals are common pitfalls. When operational excellence is the main objective, customer experience and innovation often take a backseat, refer to Figure 3.

Technical and talent challenges hindered past transformation initiatives, including:

- unexpected integration complexities (50%)
- lack of alignment with business objectives (42%), and
- insufficient skilled resources (42%).

To hedge against overcommitment and drive successful transformation, insurers can shift from product-centric to customer-centric approaches. This action involves prioritising initiatives that enhance customer experiences, setting realistic timelines for integration complexities, leveraging skilled resources in insurance and technology, and continuously gathering and incorporating data and customer feedback.

Such a strategy enables insurers to address evolving consumer needs while learning from past transformation



The quote

Gen AI can be a catalyst for solving insurers' most significant challenges—high costs, low customer satisfaction, and a considerable talent gap

efforts and overcoming traditional operational challenges. A focused strategy and technology development approach increases the odds of success, as illustrated in the following case study in which a Europe-based global multi-line carrier expanded its embedded insurance business by enabling consumers to buy coverage at the point of sale.

Case study: A strong digital platform unlocks growth and boosts CX for the embedded era

Business challenge

A leading global insurer recognised the need to expand its presence in embedded channels across the Asia-Pacific region. The objective was to make it easy and intuitive for customers to purchase insurance products through preferred retail channels. The insurer sought to improve customer experience to drive sales and establish a robust digital platform and flexible operating model to support embedded insurance sales across multiple markets.

Business strategy/implementation

The insurer partnered with Capgemini to shape the vision, define the venture strategy, design a target operating model, and create a mechanism to monitor implementation progress. After assessing the technical architecture, the team developed a robust product and API strategy to facilitate seamless integration with retail partners. A secure, cloud-native platform enabled interoperability with diverse retailers. After successfully launching in one market, the insurer is rolling out the solution in multiple countries through various retail channels.

Business results

The insurer built infrastructure to expand its customer base and realise its ambitions for embedded insurance. The robust digital platform means consumers can efficiently and conveniently protect their experiences. Thanks to the platform's scalable design and a framework for rapidly onboarding new retail partners, the insurer is well-positioned to scale its embedded offerings through more channels and markets.

The promise of Gen AI

Insurers have struggled with strategic, technological, and product-related issues for at least a decade—with only slight improvement. Now is the time to consider a fresh approach to transformation. Gen AI can be a catalyst for solving insurers' most significant challenges—high costs, low customer satisfaction, and a considerable talent gap.

Our research shows that primary adopters of Gen AI—defined as the top four buyers of Nvidia H100 chips in 2023—achieved 15 percent gross profit growth in 2022/23 while maintaining high customer satisfaction.⁷ It is noteworthy that these Gen AI adopters grew profits while reducing headcount. Increased growth and customer satisfaction have historically required significant workforce expansions. However, Gen AI pioneers are lighting a new path, where

one—admittedly expensive—AI-skilled individual can produce deliverables equal to multiple employees working in operations or customer experience enhancement.

This paradigm shift shows how life insurers can address long-standing CX challenges by innovating with leading-edge technology and building a future-focused workforce. Specifically, Gen AI can help insurers address talent constraints—a critical consideration given that upcoming retirements and an aging employee base will exacerbate future talent needs. With the right skills and capabilities, insurers can enable customer-centric profitability by bolstering workforce productivity through AI augmentation.

The opportunity for life insurers and the necessary steps to prepare for broader Gen AI deployment are clear.

Insurers can unlock immediate business results by:

- Enhancing system connectivity by implementing a cloud-based centralised data hub for seamless integration.
- Strengthening data capabilities by investing in data management tools and upskilling teams in data science and prompt engineering
- Deploying advanced encryption and access controls to protect sensitive information
- Implementing a robust governance system to establish clear AI policies, ethical guidelines, and data security protocols.

In the next instalment, we will look at how insurers can leverage intelligent and streamlined processes to convert the CX into a strategic advantage providing lifetime value for clients. **FS**

* The full report, *World Life Insurance Report 2025* can be accessed at: www.capgemini.com/insights/research-library/world-life-insurance-report.

The *World Life Insurance Report 2025* draws data from two primary sources: the *Global Voice of the Customer Survey*, administered during May and June 2024, and the *Global Insurance Executive Survey*, conducted during May and June 2024.

This primary research covers insights from 20 markets: Australia, Belgium, Brazil, Canada, Finland, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, the United Kingdom, and the United States.

Notes

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