

# Life and pension insurance

Life and pension executives are making significant progress on their digital journeys. In 2021, 28% report producing results from their digital strategies versus 16% the previous year. Further, among the 92% of executives with a digital strategy, 33% are extending their strategy to their ecosystems and trading partners.

These are just some of the insights shared by life and pension executives this year. Read on for more insights into their top trends and priorities, along with recommendations for key actions they can take now to accelerate their digital journeys.



# Delivering a digital customer experience through data and modernization

The pandemic and fast-changing customer expectations are pressuring life and pension executives to focus more on driving business transformation through digitization, data and modernization. The percentage of executives with digital strategies that are producing results increased from 16% last year to 28% this year, while customer journey digitization (92%) and predictive analytics (76%) are among their top digital initiatives. Further, top spending trends cited by executives include innovating the customer experience (89%) and data analytics (83%).

Executives who are producing results from their digital strategies are modernizing more (54%), compared to those who are in the building or launching phases of their digital plans (50%). Further, 33% of executives are increasing their IT budgets for new applications and infrastructure. Executives are pushing to modernize because many believe their legacy systems are a top challenge to achieving their business priorities and successful digital transformation (36%).

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our 2021 CGI Voice of Our Clients discussions with 56 life and pension insurance executives, along with recommendations for banks to accelerate their digital journeys.

## About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from 56 life and pension client executives.

### Interview demographics

<b>45%</b> Business leaders	<b>55%</b> IT leaders
<b>71%</b> C-level	<b>29%</b> Ops-level

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 68% of the world's IT spend across all economic sectors.

# Top trends and priorities

Fast-shifting customer product and digital servicing expectations remains the dominant trend for 2021, while top business and IT priorities focus on the customer experience and IT modernization, respectively.

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## Top trends

- 1 Fast-shifting customer product and digital servicing expectations
- 2 Managing costs to maintain/improve combined operating ratio
- 3 Meeting and optimizing regulatory compliance

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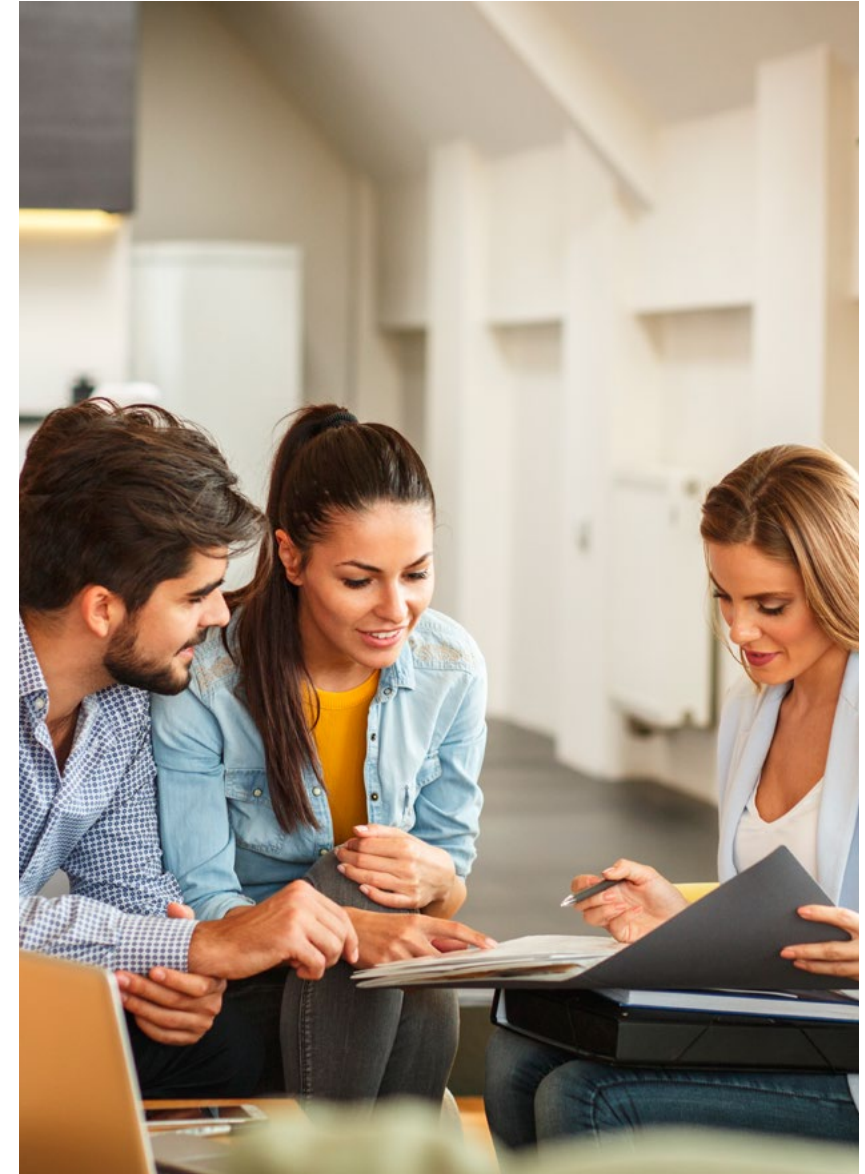
## Top business priorities

- 1 Drive a differentiated, seamless customer digital experience
- 2 Continue to drive end-to-end process automation internally and across the value chain
- 3 Comply with stream of regulations

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## Top IT priorities

- 1 Rationalize, simplify, modernize applications and infrastructure
- 2 Improve service quality and productivity
- 3 Protect through cybersecurity



# Top 10 insights for life and pension insurance

## 1 **A keen focus on the customer experience and data analytics continues to drive digital transformation.**

Executives cite driving a differentiated, seamless customer digital experience as their top business priority this year, while customer journey digitization (92%) and predictive analytics (76%) are among their top digital initiatives. Further, top spending trends cited by executives include innovating the customer experience (89%) and data analytics (83%).

## 2 **Those producing results from their digital strategies are more aligned on their business and IT priorities than those in the building or launching phases.**

For executives who are producing results from their digital strategies, alignment between their business and IT priorities sets them apart from those who are in the building or launching phases of their strategies. This year, this alignment increased from 60% to 69%, which is 28% higher than those in the building or launching stages (41%). However, for 60% of executives, business and IT alignment remains a key challenge to modernization.

## 3 **Concerns about cyber crime and the impact of cyber attacks increases.**

Cybersecurity moves up on the list of top IT priorities, from fifth place in importance last year to third place this year. Cybersecurity also is a top-three investment focus for the next three years. Both business and IT executives are concerned about protecting their businesses and customer data from increasing cyber threats and attacks.

## 4 **Regulatory compliance increases in importance as a business priority, but budget allocation remains low.**

Regulation continues to evolve across the life and pensions sector. Further, regulations that once applied only to banks are now being superimposed on insurers. Despite the increasing importance of regulatory compliance, budget allocation for compliance remains low when compared to other financial sectors. A higher percentage of life and pension executives, for example, spend less than 10% of their IT budget on compliance than executives in financial services overall (36% versus 24%, respectively).

## Top 10 insights for life and pension insurance

### 5 **Sustainability and climate change are impacting investments and emerging as a business priority.**

This year, 51% of executives believe strongly that environmental sustainability is core to their organization's ability to continue creating value in the future—reflecting a shift toward “green” strategies. Fewer property and casualty executives view sustainability as a core issue (34%). Executives who are producing results from their digital strategies view sustainability as more important (58%) than those who are in the building or launching phases of their strategies (45%).

### 6 **Core system modernization remains the top IT priority, as well as a top challenge for achieving business priorities.**

Rationalizing, simplifying and modernizing applications and infrastructure remains the top IT priority for more than 3 consecutive years. Executives who are producing results from their digital strategies are investing in modernizing (54%), compared to those who are in earlier stages of their digital journey (50%). A third of executives are increasing their IT budgets for new applications and infrastructure, while slightly more (36%) cite legacy systems as their number one challenge to success.

### 7 **End-to-end process automation remains a top business priority.**

As executives modernize their systems, a parallel focus is on process modernization, especially straight-through processing supported by automation. Continuing to drive end-to-end process automation internally and across the value chain remains the second top business priority, year over year. Further, 78% of executives cite automation and/or the use of robotics as a top digital initiative for 2021.

### 8 **Partnering with technology companies is the most preferred approach for ecosystem building.**

41% of executives say they are connecting with technology companies as their primary approach for building a partner ecosystem. This is more than double the percentage of executives who embrace the second most common approach, which is to build an ecosystem on their own terms. This trend is growing quickly, with 28% of executives sharing that their ecosystem strategies are already operational and producing results.



## Top 10 insights for life and pension insurance

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### **Executives cite conservative use of the cloud for applications; concerns over regulatory and data privacy requirements might be a constraint.**

54% of executives plan to migrate at least 21% of their applications to the cloud over the next two years — a conservative percentage in light of the growing trend of cloud adoption across industries. Executives place a higher priority on regulatory compliance and cybersecurity, with each cited as a top trend and/or top priority. This might account for their restraint in migrating to the cloud.

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### **Most executives cite flat or increasing IT spend.**

76% of executives indicate flat (39%) or increasing (37%) IT spend. This compares with 61% for the financial services sector overall. For those executives who are increasing their IT spend, the average increase is 7.6%. Overall, IT budgets are shifting toward new applications and infrastructure to support digitization and the customer experience. This accounts for a third of increased IT spend.



# Digital leaders in life and pension insurance

While the percentage of executives with a digital strategy remains high (92%), the percentage of executives with an enterprise-wide digital strategy decreased from 64% to 59%. However; those with a strategy extending to their ecosystem increased from 21% to 33%. Further, significantly more executives are producing results from their digital strategies — 28% this year, compared to 16% in 2020. This percentage also exceeds the 20% average for all of the industries we cover.

Our table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies.

Common attributes for digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Evolving business model as a result of digitization	<b>100%</b>	90%
Better at aligning IT and business priorities	<b>69%</b>	41%
Use managed services for IT applications	<b>100%</b>	67%
Feel strongly that environmental sustainability is core to creating value for customers	<b>58%</b>	45%

Consumer pressure on digital strategies increases from 53% to 63% since 2020. Executives citing the impact of digitization on their business models also increases from 44% to 54%. In addition, 62% say their organizations' legacy systems pose a challenge to the successful implementation of their digitization strategy.

# 5 recommendations for achieving your top priorities

**1 Laser focus on the customer experience** to deliver not only new benefits, but also better educate customers on existing benefits of their purchased products. Because life and pension products sometimes can be difficult to understand, customers require support in learning how to use each to meet their financial security goals. Executives are investing in new technologies to address this need. This includes developing self-service capabilities that enable customers to manage their benefits with minimal human intervention. Advanced technologies, such as hyper-automation, also are creating opportunities for improving the front-end customer experience by enabling systems and applications to perform more straight-through processing.

**2 Align the use of technology with both business and IT priorities** to better understand your customers and solicit their feedback. Technology can align business and IT executives to innovate and differentiate their products in an increasingly competitive marketplace. Artificial intelligent-driven chatbots, for example, provide customers with access to information, such as details on their benefits, and the ability to act on that information, including making an appointment with an agent. This, in turn, generates data and insights that the business can use to become ultimately more engaged with its customers and better serve them.





## 5 recommendations for achieving your top priorities

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### **Continue to invest in cybersecurity**

to protect data and assets and to guard against increasing cyber attacks. There is great deal of personal identifiable information handled by life and pension insurers, along with highly valuable assets that they manage and borrow against. As a result, cyber crime is a major concern. Authenticating who customers are and protecting the enterprise from fraud incidences requires robust cybersecurity strategies and solutions. Further, regulatory schemes that once applied only to banking are now being applied to insurance. Under these schemes, chief information security officers and board of director members are required to attest to their company's security measures and are held civilly and criminally liable for security breaches. For these reasons, we can see why concern among executives over cyber crime and the impact of cyber attacks increased significantly year over year — from 79% to 91%.

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### **Take environmental sustainability seriously**

as younger generations, with money to invest in the future, demand that companies reflect their values. Over time, sustainability and climate change apathy are not an option. “Green” choices are becoming increasingly prevalent and working their way into investment products and asset investment strategies.

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### **Address the challenge of core system modernization**

to gain the benefits of modernization while controlling costs. Digital modernization is the existential requirement for life and pension firms. Costs for maintenance and support of legacy systems (and processes) are increasing at a rate that is higher than inflation, as well as the death rate. Moving to the cloud, digitizing platforms, and introducing modern innovation methods for product development and customer service are keys for reversing this downward spiral.



# About CGI

## Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 80,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit [cgi.com/voice-of-our-clients](https://cgi.com/voice-of-our-clients) or contact us at [info@cgi.com](mailto:info@cgi.com).

