

Life assurance



Plus ça change...



Tom Murray explains that while demand for life products

remains the need to adapt their delivery has changed

... plus c'est la même chose. The old French proverb about the more things change, the more they remain the same seems particularly apt when considering the speed at which society is changing and the impact that change is having on the life and pension sector.

The way society operates has changed dramatically over the past few years. The COVID-19 global pandemic ushered in a new world, one where the importance of the workplace reduced; as many employees moved either to working from home on a full-time basis or alternating between home and the office in a hybrid scenario, reducing the daily commute. This has transformed the attitude of employees toward their work-life balance, particularly those of the younger generation. They no longer expect to spend their working lives in an office but want to have the freedom to work from wherever they are and increasingly at times that suit themselves, within the bounds of their employers' needs.

This expectation of having more personal control also extends to their consumerism. They want on-demand services available at their own convenience rather than under the constraints of a vendor. Businesses are under pressure to meet the demands of this new generation, including the financial

services sector, where millennials and Gen Z expect on-demand financial management and services.

I want it now!

As people's lives change, on-demand general insurance products will continue to grow in popularity; where customers can just buy the insurance they need for the timeframe they need it. Similarly, in life insurance, the expectation is that demand will grow for insurance that just covers a particular event or timeframe.

The product design of financial products will have to change to reflect this shift. We can expect an increase in the demand for micro-duration products – products that have been designed to be purchased to cover a specific need for a specific timeframe. The key thing about these products is that they are easy to buy and enable the purchaser to identify the trade-off – their goals versus their means – and make their decisions accordingly.

It ain't going to stop

Look at how much society has changed in the past 15 years; In 2007, Apple introduced the first iPhone, primarily appealing to the technically-minded. 2007 also saw the arrival of streaming service Netflix. Working from home while employed was a privilege

reserved for a small few. Now smartphones are ubiquitous, Netflix has moved centre-stage - along with lots of other streaming services it inspired - seizing large parts of the traditional TV market, and significant portions of the population are working from home and will most likely never return to working in the office full-time.

This gives us an idea of the scale of the changes which can be expected in the next 10 years. As technology drives change faster than ever before, much of what we believe to be hi-tech today will become mainstream and commonplace - or maybe even outdated. There are many examples of companies from history that have gone obsolete. Look at Blackberry, which was once at the cutting edge. Unfortunately, they didn't innovate quickly enough and were quickly passed out by the market and eliminated. They thought their technological lead would last forever. They were wrong.

Minimal change

The rate of change in society needs to be matched by an equivalent uptick in the speed of change in insurance companies. Technology has led to a major shift in the work environment, exacerbated by changes wrought by the pandemic, with many employees and customers now preferring to deal with businesses remotely rather than in situ. This acceleration of change means that companies must rapidly adapt to thrive in this new digital environment.

Insurers have had to adapt their processes due to the pandemic, albeit in some cases reluctantly, implementing new processes to manage their business. However, patching existing processes to survive in this new world is not the same as rethinking them completely to identify new available opportunities. All companies need to give their products and processes a shake-up in the new environment, and insurers are no exception.

Baby... Bathwater?

Many companies operating in the life insurance industry understand this. There is a surge of digital strategies being implemented as the sector rushes to adapt. The feeling is that the new hi-tech entrants into the market have all the aces and that existing insurers need to throw in their hand and get a new one.

This approach ignores the fact that existing insurers have a huge amount to offer. Despite all this societal change, the fundamental truth is that people's basic needs are still exactly the same. Their key driver for purchasing financial products is to have financial security; protection against loss is their first priority, closely followed by providing for their future.

The fundamentals, therefore, that led to the birth of the insurance sector in the first place remain the same. If anything, the pandemic has reinforced these needs by emphasising

just how quickly things that we take for granted can disappear. As a result, general conservatism is growing, which drives people's fears and makes them put financial security right at the top of their wish list.

For generations, the financial sector, and in particular the life and pension industry, has provided the peace of mind that people needed, being there to help them in times of crisis and helping them plan securely for the future. These strengths are still there, but changes in how we live our lives mean that how this peace of mind is delivered has to adapt.

Basics remain the same

Traditional approaches to the sales and servicing of financial products don't match the changing way they need to be delivered. When the majority of the public worked in a single job all their life, married and had a family, raised them and moved into retirement, their needs were predictable across their lifespan and could be easily planned. The plan seldom needed to be adjusted, except for rare significant events such as the birth of a child.

Yet behind all this is the traditional need to make the most of their income to provide themselves with financial security into the future and protect themselves against adverse and unpredictable events.

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Everyone needs to feel more secure

Insurers are knocking on an open door when promising security to millennials who are finding their preconceptions of the world turned on their head. The idea of their careers being based on one job for life was already changing before the pandemic; that upheaval in the world of work has led to a rapid rise in the gig economy, both of necessity and from choice. Some employers embrace it as it allows them the flexibility they need in their cost base to manage the fluctuations in their business cycle and avoid taking major costs onboard in the form of

salaried workers while protecting themselves from further lockdowns and Government-enforced reduced hours. On the other hand, many people have rethought their work/life balance and are looking to make their work fit in with their lifestyles.

A major consequence of this shift is that these workers earnings are likely to fluctuate regularly. Life assurance products that will appeal to this market segment will need to deal with this, requiring a model that can cope with fluctuating contributions, receiving more premium when earnings are high and dropping when earnings are at a lower level.

They also need services that enable those employees to get the advice they need and adapt their financial plan regularly without penalty as their circumstances change.

Evolve or disappear

Some insurers are like dinosaurs lumbering around; they should be extinct. They need to learn how to evolve at speed in order to meet the changing needs of the market. Not only do insurers need to meet the market's current demands, but to future-proof their business, they need to build in the flexibility required to allow them to adapt their products and services quickly and cost-effectively so that they can react to future technology and society-driven changes.

However, this needs to be achieved without abandoning their core values. The point is that among all this rapid change, the key demand that people have of life insurers remains the same - financial security. In truth, the appeal of financial security is likely to be enhanced in an environment that is shifting under the feet of consumers and making them look for some stability to hold onto.

Change while staying the same

Inspiring a culture of change throughout the organisation remains the primary task of senior management in Life and Pension companies. As we enter 2022 and the final effects of the pandemic restrictions are gradually removed, a huge challenge remains. Having adapted to the initial pandemic shock, some insurers will resort to their old ways and rest on their laurels. As the fate of Blackberry shows, this can be disastrous. The need is to adapt to the changes in how the industry operates while not abandoning the strengths they have that delivered so well for their customers in the past.

Without abandoning their core values, life insurers need to innovate to fulfil the same basic needs, but in a different way. Consumers need new products and services better suited to this century, delivered with the same trust and reassurance they expect from their life and pension provider. The choice is that or to wither away.

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