

# Top Six Life–Health Insurance Industry Trends to Know

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*Insurance industry spend in technology and analytics has increased at significant levels, as companies continue to integrate innovation into business processes. The average insurance company increased spending by nearly 22% and roles within data analytics more than doubled since 2013. Companies are making big bets that emerging, innovation from InsurTech and leading outsourcers will streamline internal processes and improve the way that they interact with customers. In our 2018 Digital and Intelligent Innovation Survey, we found that 58% of insurers have reached the implementation phase on one or more elements of the new digital and intelligent innovation toolbox.*

As firms continue to change, it's important to take a moment to reflect on current and future trends that are shaping the industry. While many uncertainties still remain, one thing is for sure—digitization is a given in today's modern world. Advances in technology, artificial intelligence, and automation are rapidly impacting the financial services industry across all sectors. This is especially true for life-health insurance, where people comprise the very heart and soul of the business.

To determine best practices and examples of what companies should be doing to remain on top, every year we analyze and select industry leaders from a pool of over 700 life-health insurance companies domiciled in the United States with our [Ward's 50 results](#). Qualified recipients achieved greater levels of income returns and outperformed in key performance benchmarks. In this article, we uncover the top six trends that have shaped the life-health insurance, how our identified industry leaders compared to the overall market, and what's expected for the road ahead.

## #1 Premium Growth Remained Positive for Most Products

Total annuity sales for life-health insurance companies decreased in 2017, with the Department of Labor Fiduciary Rule having a definite impact on results. However, while there was a decline in overall annuities, most lines showed modest to significant growth rate in premium. This marked the fourth year in a row of continued premium rate improvement for the life-health industry.

## #2 People Are Still Essential

Changes in headcount serve as a constant reminder as to how automation is increasingly impacting certain functions and areas of the insurance business. Yet, the fact remains that actuarial headcount was up 17% and roles for new business and client services were up 7%. These positions are still in high demand, proving that people continue to be necessary assets to the business, even as we transition to greater digital innovation. Positions are simply shifting focus. Areas with top increases included actuarial, analytics, IT, product development, and risk management. According to our findings, IT was surprisingly only up 2.4% in direct headcount. However, overall, the industry was higher in expenses when it came to technology, as companies are more commonly turning to third party clients and consultants for their technology services—a tactic that is growing at about double the rate of internal hiring.

## #3 Expense Management is Front of Mind

Investment returns remain relatively low for life-health insurance companies, with bonds comprising the largest portion of assets. This ultimately places added pressure on expense management. Return on equity was 9.5% for total industry and remained relatively flat. The importance of organic revenue growth and expense management within the workplace is still front and center, as companies try to find ways to reduce spend as a result of declined premium growth.

## #4 Employee Costs are on the Rise

Our results found that total compensation increased 4% from 2014-2016. Increases were seen in defined contribution and health benefits, but were offset by sharp decreases in defined benefit plan costs, as more of these plans have been frozen. Salaries and benefits represented 6% of total premium, which was up from previous years. This further adds to the point that while investments in tech are prominent, people are still a vital component of the life-health business.

## #5 Top Performers Operate with Lower Expenses

Regardless of an increasing expense ratio relative to premium for each of the past three years, industry leaders have still determined a way to manage costs while delivering impressive results. Accordingly, our research consistently found that top performing companies operate with fewer resources without deteriorating the customer experience or financial stability of the company. Over a five-year period, general expenses relative to revenue were 13.1% lower for the Ward's 50 life-health companies, as a percent of revenue earned.

## #6 The Outlook Is Positive

Rising interest rates, seedlings of growth, and improving customer experience create enthusiasm for life-health insurance companies. This is tempered by a heightened sense of racing against looming changes that represent both opportunities and challenges.

To learn more about trending topics in life-health insurance, please [contact our team](#). You can also view the complete list of [Ward's 50 top performing insurance companies here](#).

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