

# Life insurance trends to watch in 2024

While research suggests that the impact of higher inflation and interest rates is likely to recede in 2024, the average South African is navigating an uncomfortable reduction in disposable income amid a mounting cost of living crisis.



Source: Supplied. Mark Neil, chief distribution officer at Bidvest Life.

It is a time of heightened financial insecurity and the industry is being compelled to evolve. As the ‘safety net’ of the financial services industry, life insurers must adapt to meet the shifts in workforce, technology, and societal expectations if they are to remain profitable and relevant.

In this sense, trust continues to be an active cultural attribute guiding customer sentiment and behaviour, particularly in their interactions with the sector and brand choices. An insurance industry that lacks trust will struggle to build strong customer relationships or grow its market share.

2024 will see life insurers make the most of market challenges by placing a renewed focus on organisational culture, tech infrastructure, and enhanced products and services to help alleviate clients’ financial strain and mitigate the pressure that intermediaries face.

We anticipate seeing these three drivers continue to shape the South African life insurance market: greater client empathy, a growing need for income protection, and the use of technology to improve service delivery.

## **A renewed focus on client-centricity**

The importance of personalised advice will remain essential as trust and integrity continue to be the most prized currencies. The current financial climate is prompting more clients to seek out financial advice directly and in person, where previously they may have looked to online information and resources to fulfil this need.

To this end, financial advisers have had to expand their expertise; focusing on risk solutions that not only address their clients' current budget constraints but also provide greater financial understanding and long-term stability.

According to research conducted by EY, "...more precise customer knowledge is the foundation for more personalised service and richer client experiences delivered via preferred channels." Flexible product solutions paired with a more personalised customer experience suitable for a challenging interest-rate environment will see greater success for insurers and advisers alike.

## **Prioritising income protection**

Income protection has come to the fore as a product that continues to unlock value for financial advisers as a means of catering for affordability challenges and superior claims processes for their clients.

Product features like shorter waiting periods on income-protection policies can make or break the client experience. Income protection is usually sold on either a seven- or 30-day waiting period. Introducing a 14-day waiting period, as Bidvest Life did for salaried lives, goes a long way towards minimising the financial burden an injury or illness might have should a person be unable to work.

The speed of paying claims is particularly important for income protection. In 2022, the fastest income protection payout by Bidvest Life was 2.25 hours, with the average time being less than 17 days. This compares favourably to the several months it can take for lump-sum payouts. After all, to be truly customer-centric, life-insurance policies and specifically income-protection policies, must provide quick access to funds when clients need it most.

## **The ongoing emergence of technology**

The role of technology in the life-insurance sector is more pronounced than ever. Digital tools have not only streamlined operational processes but also enhanced client-adviser relationships. For instance, Bidvest Life's digital-client application process has reduced the turnaround time for new applications to four working days, positively impacting the overall customer experience.

The industry is leveraging data and analytics to develop simpler, more targeted products. This approach not only addresses the current economic strain but also caters to the unique needs of each customer. The integration of advanced technologies ensures that the products are not only cost-effective but also highly personalised.

According to Deloitte, insurers must adopt new technologies which include generative artificial intelligence if they are to harvest the insights necessary to provide customised solutions at scale.

## **The way forward**

We believe 2024 offers a pivotal opportunity for all players: the chance to fulfill growing customer needs while returning to profitability and growth. As we navigate through these changing times, winning strategies will be those that outperform on cost-effective and customer-centric products. Relationship-building, product enhancement, and technological integration will accelerate industry progress and yield greater benefits for both financial advisers and South African customers in the months ahead.

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