



WHAT MAKES PERSONALIZED LIFE INSURANCE THE NEXT MUST-HAVE FOR INSURANCE INNOVATORS

Abstract

The loss of a loved one, especially if they were the primary earner, can create a financial domino effect for families. Struggles to pay everyday bills, mortgages and debts can quickly become overwhelming, along with the long-term concern of affording children's education.

Life insurance has traditionally aimed to provide a safety net, catching you when life throws a curveball. While it has become a cornerstone of financial security, the one-size-fits-all approach often falls short in today's dynamic world. This paper explores how data and technology are transforming the insurance industry. Personalised coverage options are taking centre stage, allowing individuals to tailor their life insurance to their unique needs and risk profiles.

The seeds of security

Have you ever wondered how the idea of protecting loved ones financially came about? The answer stretches surprisingly far back in history. Here is the fascinating evolution of insurance as we know it today:



Ancient Rome: The rise of benevolent societies

Benevolent societies pooled resources for funerals and family support, laying the groundwork for shared financial protection.

Medieval guilds: A stepping stone to group insurance

Associations of artisans and merchants offered financial aid to deceased members' families, similar to early group life insurance.

17th century England: The birth of modern life insurance

The Amicable Society became one of the first companies to offer formal life insurance policies.

19th century America: Life insurance takes root

Life insurance companies boomed in the US, expanding access to policies for a wider population.

20th century: Life insurance becomes a cornerstone

Life insurance had diversified into various categories such as life, health and liability coverage. However, as lifestyles and financial needs evolve, these traditional categories might not always provide the perfect fit for everyone. [Insurance innovators must keep pace](#) with customers' dynamic requirements.



Meet Maria & Michael

Maria is a 28-year-old freelance graphic designer. She prioritises healthy eating and practices yoga. Michael is a 50-year-old construction worker, faces a physically demanding job and enjoys unwinding with friends after work. Both Maria and Michael get offered the same life insurance policy and pay the same premium. Yet, their lives couldn't be more different. Do generic life insurance options reflect their unique needs and risk profiles? The answer is a resounding no. Maria might be overpaying while Michael may be underinsured. This one-size-fits-all system

often leads to customer dissatisfaction and a lack of choice.

But there is a solution: [personalised life insurance](#). Recognising the need for tailored experiences, insurance companies are embracing this innovative approach. By considering individual factors like health, lifestyle and profession, personalised life insurance caters to each person's specific needs and risk profile. This shift is key to unlocking customer satisfaction, loyalty and ultimately, market dominance in the insurance industry.

Why personalised life insurance matters

According to LIMRA, 42 per cent of millennials are more likely to buy life insurance if it is personalised. Several factors fuel this shift in preferences:



Increased awareness and demand for transparency

Consumers are more informed about financial products, thanks to online resources and education. They want clear explanations and pricing based on their unique risk profiles, not generic policies.

Evolving lifestyles

Today's diverse lifestyles, from remote work to evolving health priorities, are leaving traditional life insurance options behind.

Industry experts weigh in.

"Personalisation is transforming the life insurance landscape," says Jessica Mahone, CEO of a leading insurtech company. "By leveraging data and technology, we can create policies that are not only relevant but also engaging for today's tech-savvy consumers."

The power of personalisation in action

Beyond fixed classifications and different coverage amounts, personalised life insurance delves deeper into individual circumstances to tailor policy features, pricing and even communication styles. Let's see how:

Data-driven risk assessment

Traditionally, life insurance companies used age, gender and family history to assess risk. Personalised life insurance incorporates a wider range of data points such as fitness trackers, health records, driving history, etc. for a more precise risk assessment.

Take Maria, the health-conscious graphic designer, for example. Data analysis of her fitness tracker data can translate to lower premiums for her.



Flexible coverage options

Customers can choose add-ons and customise benefits to fit their specific needs, subject to eligibility requirements and policy limitations.

For instance, someone with a young family might add a "Child Rider" to extend benefits to their children.

Remember Michael, the construction worker? He might benefit from Accidental Death and Dismemberment (AD&D) insurance as an add-on. He could also choose to increase his overall death benefit to ensure his family is well-protected in case of an unforeseen event.

Dynamic pricing structures

The beauty of personalised life insurance lies in its adaptability. As your lifestyle changes, your policy can adjust accordingly. For example, if you quit smoking or transition to a less physically demanding career, your premiums might decrease based on your reduced risk. Or, should Maria transition from freelance work to a corporate job with employer-sponsored health insurance, her policy could adjust to reflect the reduced need for individual health coverage.



Personalised communication

Personalised life insurance fosters proactive communication such as, targeted recommendations, updates and reminders based on their life stage and risk profile.

For example, Maria, as a freelancer, could receive information on income protection riders and emergency fund building, with reminders to update beneficiaries. For Michael, educational materials on critical illness and AD&D coverage are relevant, along with reminders for regular health screenings.

Challenges and considerations

Personalised life insurance offers a wealth of benefits, but it is not without its complexities. Here are some key challenges that insurance innovators need to weigh:



Data privacy

Balancing the need for personalised offerings with strict data privacy regulations is crucial. Transparency regarding data collection and usage will be essential to build trust.

Algorithmic bias

AI algorithms used for risk assessment can perpetuate existing biases. Insurance companies must be vigilant in ensuring fair and equitable practices.

Accessibility

Technology adoption can become a barrier for certain demographics. Offering alternative options to access personalised features is important.

By addressing these challenges, insurance innovators can ensure that personalised life insurance lives up to its full potential, offering a secure and equitable future for all.

The road to personalised life insurance success

Established insurers have a head start in personalisation thanks to their strong reputation, direct customer access and rich data sources. This potent combination allows them to understand customer needs better, enhance personalised

communication with customers and empower informed decisions. The result? Increased loyalty and tailored protection. Frequent, data-driven interactions can strengthen the insurer-insured relationship and ensure individuals

receive the specific coverage they need. Here is what insurance innovators need to do to thrive in the era of personalised life insurance:

Invest in data analytics



Robust data infrastructure

This involves building a secure and scalable data storage system capable of handling large volumes of information from diverse sources. This could include customer demographics, health records, wearable data and even driving history.



Data analysis expertise

Hiring data scientists and analysts with the skills to extract meaningful insights from this data is crucial. They will identify patterns, assess risks and develop algorithms to personalise insurance products and pricing.

Embrace innovative technology:

Harnessing AI and ML

[Utilise innovative technology](#) such as AI and ML to analyse customer data and automate personalised recommendations. This could involve chatbots that answer personalised questions, recommend relevant add-ons, or offer real-time quotes based on individual risk profiles.

Seamless user experience

Develop user-friendly mobile apps and online portals that allow customers to easily access their policies, manage data permissions and track their health and wellness goals in relation to their coverage.

Open and flexible infrastructure

Move away from closed, proprietary systems and invest in open-source technology platforms that allow for seamless integration with external applications and services.

API integration

Utilise application programming interfaces (APIs) to enable communication between your core insurance systems and various data sources like fitness trackers, health information exchanges and even smart home devices. This fosters real-time data exchange and unlocks the potential for dynamic pricing and personalised risk assessments.

Data sharing with consent

Develop secure protocols for secure and controlled data sharing with third-party vendors, allowing for a broader range of personalised services while maintaining customer privacy.



Prioritise customer trust

Transparency in data practices

Clearly communicate to customers what data is being collected, how it is used and how their privacy is protected. Offer clear opt-in/opt-out options and prioritise data security measures.

Explainable AI

Develop easy-to-understand AI models. Customers should understand the reasoning behind personalised recommendations and risk assessments. This builds trust and transparency.

Focus on value

Ensure personalised offerings provide tangible benefits to customers. This could include lower premiums, access to wellness programs or faster claims processing.

Conclusion

Personalised life insurance is revolutionising the industry. This customer-centric approach unlocks a new era of possibilities for insurers. It is a world where:



Your coverage adapts, not the other way around

Life insurance that seamlessly adjusts to your evolving needs, whether it's a career change, a growing family or a healthier lifestyle.



Protection is personal, not one-size-fits-all

No more cookie-cutter policies. Personalised options ensure you have the exact coverage you need, from income protection riders to critical illness benefits.



Peace of mind is priority

Personalised communication and proactive guidance empower you to make informed decisions and feel confident about your financial future.

Personalised life insurance is more than better coverage – it is about ensuring everyone has the security and peace of mind they deserve, every step of the way.

How can Infosys BPM help?

Our experienced team leverages a cutting-edge [insurance policy platform](#) designed to optimise your operations. We help you not only meet but exceed market demands and customer expectations. Are you ready to elevate your insurance innovation?

For more information, contact infosysbpm@infosys.com

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