

INTRODUCTION

The world is experiencing a unique situation. Over the past months hundreds of millions of people from all over the globe have been forced to stay home, overnight. The economy, supply and demand came to a halt. The current pandemic determines what we talk about, what we can do and what our future looks like. Every sector feels the consequences, insurance as well. Besides all the necessary short-term measures that are taken, insurers also need to think about the future beyond the current crisis. Most probably, the world we were so familiar with has changed. We identified four post-covid trends that are most relevant to insurers. Four key trends insurers should definitely tap into.



WAKING UP IN A DIFFERENT WORLD – AND RAPIDLY ADAPTING TO IT

During the first couple of weeks we found ourselves in a post-apocalyptic movie like Mad Max. High streets turned into ghost towns. Mass panic buying popped up; of all types of shelf-stable food, survival gear and water. In the US, according to Yelp, gun interest went up 360%. As if people were preparing for the end of time. But human adaptability turned out to be astonishing. Very quickly everyone tried to make the best out of the changed situation. Where we cannot follow our old routines anymore, like going to the supermarket to get groceries, people immediately find an alternative by meeting their needs online. And when we could not work at the office anymore, we almost seamlessly continued at home. Even while combining this with home-schooling for kids. Forced but still: the scale of changes in consumer behaviour, in such a short period of time is gigantic and unprecedented.

TRYING OUT NEW THINGS

For a lot of people, the current situation provides a reason to try new things. DIY stores and garden centres watch their revenues rise. Baking pies and playing board games have become popular activities. Alcohol consumption went up by 42% in the San Francisco Bay Area and in China the amount of divorces significantly increased. This must be an unprecedently interesting time for behavioural scientists.

THE WORLD IS ABOUT TO OPEN UP AGAIN, LITTLE BY LITTLE

In many countries the lockdown measures are alleviated little by little. Now that the world is becoming open to us again, we can start giving more attention to the post-pandemic future.

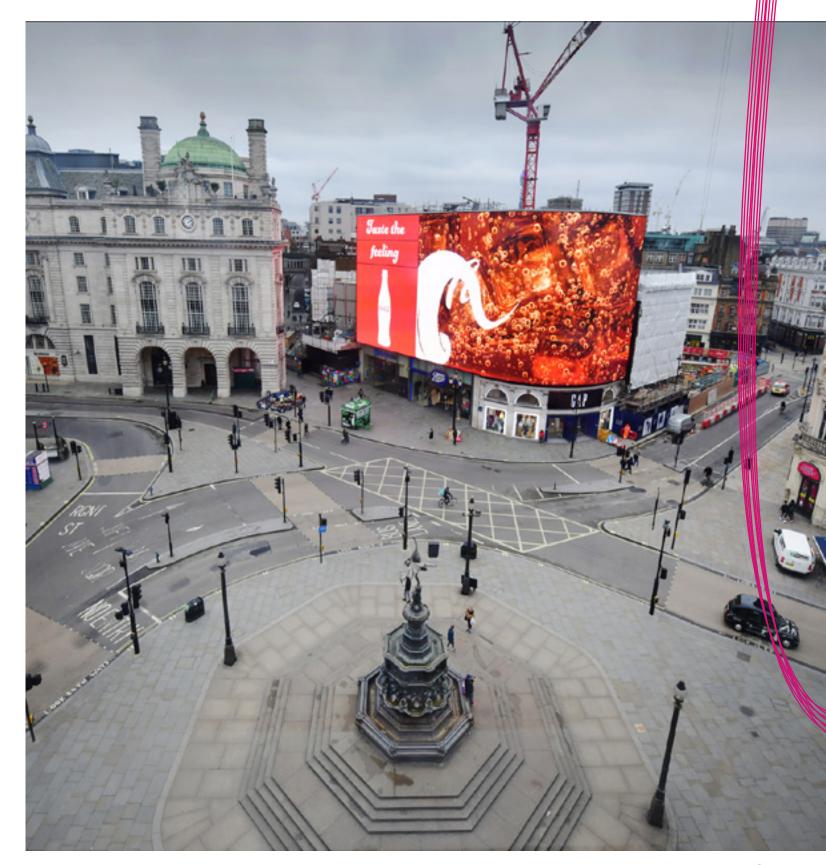
Some expect, or hope, that everything will get back to how it used to be. We believe that because of covid we entered a new era. Not only because of the impending economic crisis, but mostly because covid has the potential to create more permanent changes in customer perceptions and behaviour. A number of covid-related shifts in customer behaviour are temporary, purely based on coping with the crisis, but other, more fundamental shifts are here to stay.



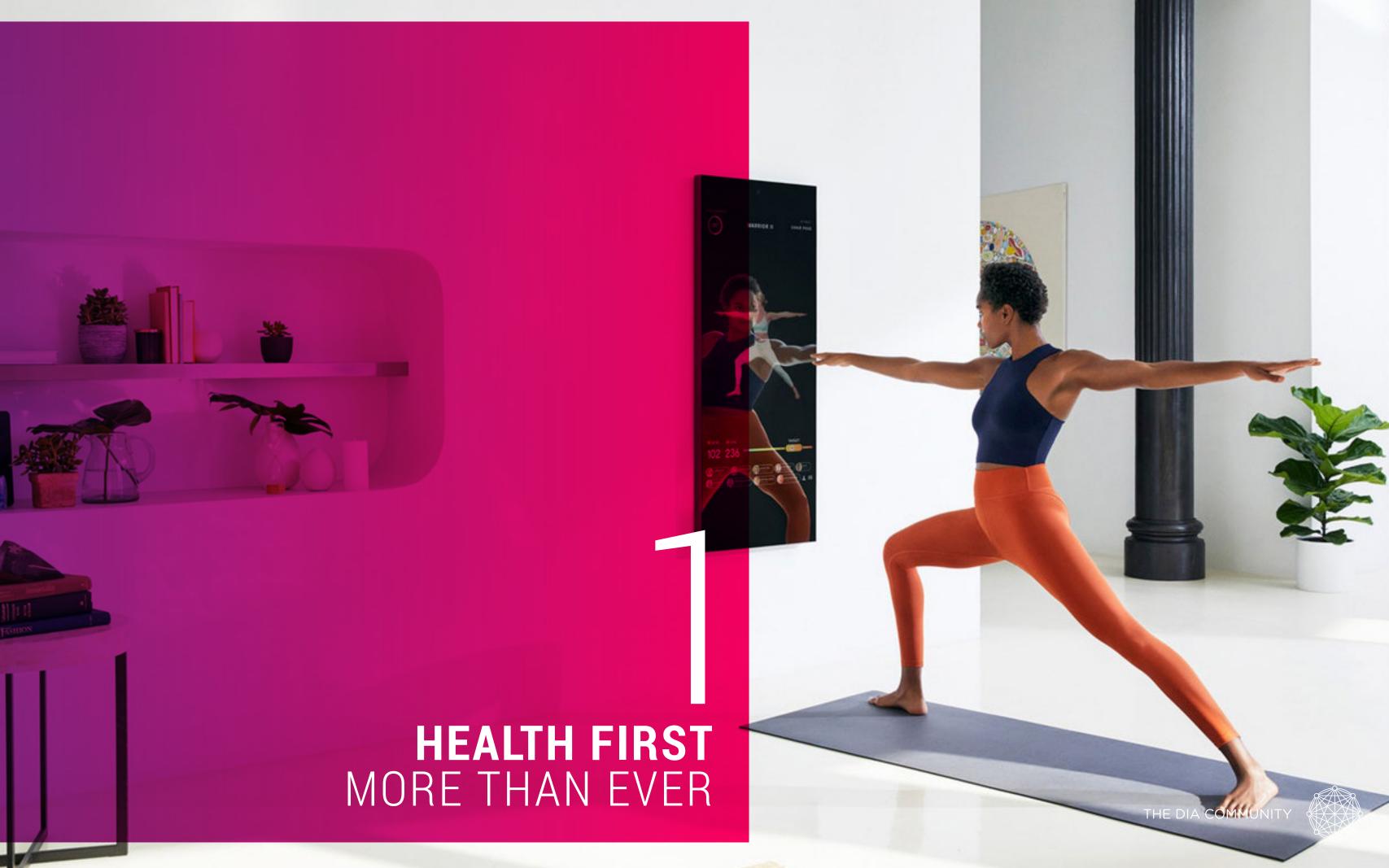
Although we know that the pandemic will eventually wane, a significant part of our new behaviour will stick. Insurers that also want to be successful after the crisis have to understand this new behaviour and turn this understanding into propositions and experiences that strike the right chord. They should start thinking ahead and reimagining the way they can stay relevant after the dust has settled.

FOUR KEY POST-COVID TRENDS INSURERS SHOULD TAP INTO

We believe that, specifically for the insurance industry, the current crisis amplifies four consumer trends that determine the priorities of insurance customers and what they will value in a post-covid world. These four trends should serve as inspiration to reimagine the future of insurance beyond covid. Let's take a closer look at each of these trends.







NOTHING MORE IMPORTANT THAN HEALTH

If one thing became clear during the last couple of months, it is that at the end of the day there is nothing of greater importance than your life and health. And almost everyone agrees to that. Individuals, governments, and businesses around the world do everything to protect themselves, their families, their citizens, and their employees. Virtually everyone is prepared to make huge sacrifices; to drastically change the way we live. Even to put our entire economy in jeopardy.

We also notice that in the behaviour of people. Not just by staying at home but also by paying way more attention to health than before. What we learn about the virus contributes to that. Not only pre-existing conditions such as cardiovascular diseases and diabetes increase the chances of complications and death but also not so serious features, such as being overweight and excess belly fat do so. As a result, they are starting to exercise more and eat healthier.

MORE EXERCISE

The millions stuck-at-home are keen to exercise. Not only because they are bored, but also because they want to improve their lifestyle. According to Yelp, interest in home fitness equipment has shot up 344% and hiking is up by 116%. Yoga mats, kettlebells, but also bicycles are selling like toilet paper. The online wellness industry is booming as well. Meditation apps, digital fitness classes and online platforms such as Peloton, a home exercise-bike company, are growing fast. Subscriptions to workout video channels more than doubled. Videoconferencing platform Zoom, through which many workout, yoga and dance classes are broadcasted, has in fact become one of the most important 'social wellness' platforms.



MORE HEALTHY FOOD

Food trends that were already on the radar are now becoming even more important. Data shows that as social distancing persists, home cooking is on the rise. Online cooking courses are booming. People becoming more health-conscious and spending more time in their own kitchens, will further the already growing demand for fresh, healthy, and additive-free food. They are looking for products that suit their lifestyle and the life stage they are in, and that reduce health risks. Fruit and veggie shops are up by 102%, according to Yelp. LiveHelfi, a leading online functional food and supplement retailer, saw a sales increase of 75% in just three months. Personal nutrition schemes increase as well; to optimise health or to prevent getting sick.

MORE SELF-TRACKING

All sorts of health apps experience a growing popularity. People value the sense of 'having control' over things. Now even more than before. To monitor what you do, how you sleep, what you eat, how you feel, how much you exercise and so on. Self-knowledge through self-tracking with the use of technology. An increasing number of people wear self-tracking devices on their skin providing data that even goes under the skin. It doesn't get more personal, more intimate.

MORE WILLINGNESS TO SHARE DATA

With an identified contamination you want to have a quick and complete understanding of who that person had contact with to control the spread of the virus. Several countries immediately made efforts to use data from smart phones.



- The government of Singapore came up with a community-driven contact tracing app called <u>Trace Together</u>. The app is able to identify people who have been within 2 meters of coronavirus patients for at least 30 minutes, using bluetooth. Infected individuals can choose to allow the Ministry of Health to access the data in the app to identify those close contacts.
- YiTong Health, from China, launched a monitoring platform for employers to monitor the health of employees. The tool generates daily health reports of employees, an automatic evaluation of covid risks, and provides precaution courses for employees.
- <u>LingBan</u> provides a chatbot solution for communities to monitor the covid situation. It automatically makes daily phone calls to the community members with a high risk of infection to check the health status of the neighbourhood and with covid. Al helps to perform tracking, monitoring, and reducing further risk.

All examples in the box are Asian. But although the importance attached to privacy differs per geography, we notice the adoption of similar solutions in other regions as well. In just a few days, the Australian government's COVIDsafe app had been downloaded millions of times. In Norway, more than 25% of the population have downloaded the coronavirus tracker smartphone app Smittestopp (Infection Stop) of the Norwegian Institute of Public Health in its first week. Apparently, many Australians and Norwegians are willing to play an active role themselves to prevent the spread of the virus and to share some of their personal data since it provides substantial benefits. It just proves that reciprocity is the only way to solve the privacy issues that consumers have with sharing data.

MORE PRESSURE ON THE HEALTH SYSTEM

The lockdowns had much to do with the pressure experienced on every part of the health system. In hospitals, the occupancy rate of intensive care units has been way above 100% for months. Taking care of elderly relatives is massively impaired by the corona crisis. GPs quickly adopted online channels to avoid unnecessary movement and physical contact. They found that online appointments are more time efficient and most will continue to use online channels more than they used to. The sense of urgency for digital health solutions as well as the benefits are now clearer than ever.



TREND 1 HEALTH FIRST - OPPORTUNITIES TO SEIZE

1. HEALTH INSURANCE WILL GROW

Many expect the volumes in health and life insurance to grow in the next few years. The current pandemic enhances the overall concern for personal health and wellbeing. It will make consumers more aware of the importance of adequate life and health insurance plans.

2. PRO-ACTIVE AND PREVENTIVE SERVICES BEYOND TRADITIONAL INSURANCE

This has been widely discussed for some time now. The added value of an insurer is shifting from only covering risk when there is damage, to rendering pro-active and preventive services as a substantial part of the offering. It will take a while before a vaccine is developed and everyone is vaccinated. Instead of simply waiting for that to happen, efforts can already be made to prevent contamination and to promote a healthier lifestyle. By eating better and exercising more you become more resilient. Insurers should play an active role, or even take the lead, in promoting a healthier lifestyle with tangible services. This would also immediately increase the social impact of the insurance industry.

3. DATA DRIVEN HEALTH AND WELLNESS PLATFORMS

Platforms that combine self-tracking, data and all sorts of incentives to help customers with healthier habits will become even more relevant than they already are. In the long-term personalised nutrition may even accelerate the cross-over between food, tracking and advanced analytics. Connected health devices combined with these platforms form the foundation for entirely new business models in the health insurance sector; shifting from a transactional to a relational, collaborative, participatory model, assisting customers to manage their health over time. Quite a few insurers are already exploring such platforms; either by developing these from scratch themselves or by teaming up with an existing platform and immediately leveraging the expertise of an experienced provider, such as dacadoo , PAI Health, Virgin Pulse, Vitality or Wellmo. Insurers need to move from exploration to adoption at scale.

Former boxer and three-time Olympic medallist Arnold Vanderlyde, who also promotes sports as a way to reduce the effect of the virus, uses the following boxing metaphor: 'The more you move, the less likely you are to get hit'.



4. ACTIVE PARTICIPATION BY CUSTOMERS

Trackers and platforms provide actionable information and insights that users can act upon. In turn, this allows a much more active role for customers within insurance products and services. The 'quantified self' movement and the adoption of covid-tracking apps clearly show not only the consumers' need for more control and empowerment, but also the desire and readiness to take a more proactive approach themselves; in personal health and wellness in general, but also in assessing symptoms, connecting with healthcare providers and improved self-management of care. Active participation allows customers to take more responsibility, leading to more equality in the relationship with insurers. This is a fundamental shift in the relationship and a great new perspective on innovation.

5. ECOSYSTEMS WITH HEALTH PROVIDERS

Current health systems are not sustainable due to the rapidly aging population and rising healthcare costs. Connected healthcare devices allow healthcare providers as well as health insurers to extend their reach and interactions with patients. Sharing data among all stakeholders, optimal use of this data and remote patient monitoring have the potential to change the way of working entirely, keeping healthcare efficient, affordable, and accessible. The application of all sorts of connected devices, telemedicine solutions and advanced algorithms improve patient care. While also decreasing total health care costs across the health ecosystem. These applications need to be taken to the next level as well. For instance, providing home-care solutions and flexible opportunities to engage with care providers for the elderly and the individuals that live independently.



Examples of the wide variety of innovative tech providers that link insurers to health ecosystems:

- <u>Telemedi.co</u> (Poland): Decreasing medical costs for insurance companies using telemedicine and AI solutions.
- Mediktor (Spain): Supports health insurance clients from symptoms to the best action within 5 minutes.
- <u>Medlanes</u> (Germany): On-demand digital network, leveraging blockchain to access quality-assured medical providers while controlling costs for health and life insurers.
- <u>Infermedica</u> (Poland): Al-powered platform which makes it easier to pre-diagnose, triage, and connect patients with the appropriate medical services.
- <u>Breathomix</u> (The Netherlands / Romania): Cloud-based breath analysis solution for rapid and efficient diagnoses of different types of diseases, empowering personalised medicine.
- <u>reFit Systems</u> (Mexico / Germany): Digital therapy system for individual rehabilitation, developing state-of-the-art digital solutions for healthcare and medical technology.
- <u>Vayyar</u> (Israel): Provides valuable insights into the health of elderly persons, reducing costs of emergency medical services and long-term hospitalisation.
- <u>HiNounou</u> (China / Singapore): Wellness ecosystem and platform for seniors and their families.
- Neurotrack (USA): Cognitive health platform helping to assess risk for memory loss, and providing tools to prevent and manage cognitive decline.
- <u>Somnox</u> (The Netherlands): On a mission to improve people's lives by sleeping with a robot.





SHIFT TO DIGITAL ON FAST-FORWARD

Covid put an already ongoing shift to digital on fast-forward. The whole planet just had a crash course in connected living. Working from home, days filled with virtual meetings on Zoom, Teams or Meet. Shopping for everything online, from groceries to fashion and electronics. Remote classes for children instead of going to school. Streaming movies. Online workouts and yoga classes. Ordering food, even from the finest restaurants. Having drinks with friends on Zoom. Worshipping from home. Even attending a funeral online in real time. It all became kind of normal in a short period of time.

After years of incremental change in small steps digital routines were embraced, forced though, within a few weeks. The longer we keep on following new routines, the bigger the chance that these changes will stay. Consequently, all kinds of aspects of connected living have become normal. What we currently experience is a fundamental shift in how people will live and work. Connected living is the new norm. It will reframe our daily life.

- Under quarantine, time spent online in China was up by 20%, according to research by Nomura.
- In some European countries Vodafone's internet usage has surged up to around 50%. The increase in data comes from a wide range of activities, from housebound school children logging on to Fortnite, from watching movies on multiple devices, as well as from people using bandwidth because they work and videoconference from home.
- The demand for online porn has increased massively because of the corona crisis. So much that the government of France requested sex sites to decrease the quality of their footage just to unburden the internet.
- In the US, according to streaming media intelligence provider Conviva, streaming during the pandemic has climbed sharply (26%) as well.
- Those stuck inside are desperate for social contact. Almost 45% of global consumers are devoting more time to social media and over 10% are also creating and uploading videos themselves, says Global Web Index.



MORE REMOTE WORKING

Humans are creatures of habit. Every morning you got out only to await the daily traffic without ever thinking whether it could be done differently. Millions of people now got the chance to experience days without long commutes. The pandemic could permanently shift working patterns. Until recently many companies were reluctant when it came to remote working. But even with the functions which we thought could not be performed from home earlier this year, it seemed possible a couple of months later. Before the crisis for instance, many companies assumed working from home would be completely unthinkable for call agents. Business owners and managers are discovering that solutions such as Zoom, Teams and Google Meet are adequate for a fair share of meetings and that much knowledge work can be carried out remotely. Many employees are starting to question why they had to go into the office in the first place. It looks increasingly as if the situation will not go back to how it was. At least not entirely.

In response to the crisis, Nationwide, a top 10 US insurer, announced plans to permanently work-from-home in 16 of its 20 locations. When the company was forced to transition quickly to a 98% work-from-home model it turned out it could serve their customers and partners without compromising the quality of service. "Our goal is to ensure that when a recovery comes, we're prepared to win business with competitively priced solutions while enhancing our resiliency and operational efficiency," says CEO Kirt Walker.



SMARTER AND SAFER HOMES

The fact that consumers in general will be integrating all sorts of new technologies into their daily routines will have its impact on their homes as well. Homes around the world are going to become more connected and smarter in the coming years.

Remote working also leads to new risks. Most people are working in environments which are simply not set up for work. Take Zoom, which became extremely popular in a short period of time but is also under attack because of security issues. According to Bitdefender the number of digital attacks in March was no less than 475 percent higher than in February. Hackers create false domains for Zoom sessions and send phishing mails containing 'covid news' in the subject line. Safety and reliability are more important than ever.

MORE CHANGES IN MOBILITY

The impact of covid on mobility is multifaceted and because of that hard to predict.

People are happy that they are allowed to leave the house again, but for the time being they will be careful. People will, at least when they can afford to, prefer not to make use of public transportation. Those who can, will use their own car to get to work, and prefer to commute alone. Among others China, the Netherlands, Turkey and the UK already report an increase of sales of new and/or used cars. Obviously, this could lead to more traffic and consequently more accidents. On the other hand, as people and organisations get more used to remote working, they will be reconsidering commuting to work. Mobility patterns will definitely shift.



- German PHYD insurers that use <u>SwissRe's</u> telematics solution have seen the weekly number of car trips plummet by 41.4% in March and April compared to February. In the same period speeding has increased by 21.3% in average.
- Insurers using <u>Amodo</u> technology noticed a 56% decline in number of active drivers, 35% decline in number of recorded trips, and a 32% decline in the recorded distance through all users on the platform in April compared to March.
- The Floow saw a huge drop in journeys being recorded, such as a 90% overnight drop in South Africa, and a slower initial response from the UK which eventually led to a 30% drop in journeys on 24th March, the day the lockdown was announced.

MORE DEMANDING CUSTOMERS

Consumers now experience the convenience of mobile and online services even more. They expect comparable service levels from insurers as well. Customers will increasingly reach out to their current providers to meet their needs digitally. And if that doesn't work, they will turn to another supplier that does a better job. A lot of insurers found out the hard way. When governments put a halt to face2face meetings, the sales of traditional insurers, brokers and agents collapsed.

WEAKNESSES OF TRADITIONAL MODELS REVEALED

The gap between digital leaders and laggards has become wider. This development has already started and is not new. It just accelerated. The impact goes beyond the daily operations. It is about the business model. While many incumbents have always viewed their face2face channels as an important differentiator, during this crisis they do not even appear to be a qualifier. And even worse, it made incumbents vulnerable. The traditional distribution model turned out not to be competitive and sustainable. On top of that it was not agile enough to respond fast to changing conditions and a less physical world.

The digital models on the other hand, have proven to be resilient and successful in these difficult times. Just check the box on the next page to find out what the executives of digital players in the DIA Community shared with us. It seems that digital models are better protected against the crisis and more future proof. Advanced technologies allowing for remote transactions lead over traditional models. Never before have these differences become so clear. That the insurance industry needs to become much more digital is nothing new. But the outbreak made clear how slow the digital transformation of insurance has been to date.





- Steven Mendel, Co-Founder and CEO <u>Bought by Many</u> (UK): "Our sales rocketed up at the end of March and start of April as the lockdown set in - with sales doubling YOY."
- Federico Malek, CEO at <u>iúnigo</u> (Argentina): "During the first weeks of the lockdown we suffered just like the traditional companies. But in eight weeks, we've experienced a full recovery, with new business similar to the pre-lockdown period, while the traditional business is still on minus 40% vs pre-lockdown. This means we are gaining share."
- Jamie Hale, Co-Founder and CEO <u>Ladder</u> (USA): "Yes, we're picking-up market share at an ever-greater rate than before. What is happening in ecommerce is happening in insurance as well."
- Martin Fleischer, board member <u>BavariaDirekt</u> (Germany): "There was no decline during or after the shutdown. On the contrary. We saw an increase, especially in dog liability insurance."
- Bill Song, CEO ZhongAn Tech Global (China): "While covid hit the Chinese insurance industry quite heavily and virtually every incumbent in the Chinese market saw a decline in sales, ZhongAn achieved 33.7% top line growth and 122.4% bottom line growth."
- Fleur Dujardin, CEO <u>InShared</u> (The Netherlands): "We are lucky to experience a strong growth and increase in sales and customer satisfaction. People increasingly look for fair online offerings with a good price. On top of that customers really value our unique proposition. The money we don't need this year to pay out claims, will be returned to our customers."
- Christian Wiens, Co-Founder and CEO <u>Getsafe</u> (Germany): "At Getsafe, we are already seeing a shift from physical sales towards online sales: Since the covid outbreak our sales numbers have grown by 20% and we had the strongest months in our company's history."

TREND 2 CONNECTED LIVING - OPPORTUNITIES TO SEIZE

1. PREREQUISITE:

INSURERS NEED TO BECOME MORE CONNECTED AND AGILE

Being digital is paramount. More and more insurance executives are realising this. The current crisis is a wake-up call to many. They see the strategic importance and there is a clear sense of urgency. Simple digital products, online services and customer experiences, delivered at lower cost; becoming more connected and agile – they have become essential for continued growth. For many also essential for survival. It is no longer an option to press the snooze button once again.

This will also lead to an energising quicker adoption of new technologies and a bigger role for insurtechs that enable the acceleration of digital transformation and innovation - since the time frames to achieve this have been compressed.

Among the 2,500 tech companies in the DIA Insurtech Database around 80 percent are 'enablers'. They focus on assisting established carriers, to improve or renew specific parts of the value chain or help them to create new ones. This ranges from offering platform solutions to allowing a specific part of customer interaction to take place remotely. It is definitely interesting to take a closer look at these solutions to spark new ideas.

Innovative platform solution providers include companies such as <u>Bambi Dynamic</u>, <u>DIG</u>, <u>Evari</u>, <u>iptiQ</u>, <u>Keylane</u>, <u>msg global</u>, <u>Tieto</u>, <u>UiPath</u>, <u>Vlocity</u> and <u>vlot</u>.

Companies that make remote digital interaction possible include for instance <u>BDEO</u>, <u>boost.ai</u>, <u>Quattroruote Professional</u>, <u>Scanbot</u>, <u>Surfly</u>, <u>TechSee</u>, <u>Tractable</u>, <u>Xtract</u> and <u>Zelros</u>.

2. USAGE BASED CAR INSURANCE WILL BECOME MAINSTREAM

Especially when people will use their car less it will lead to an increase in the demand for simple solutions that reflect actual usage. Why pay a flat rate for a car that most of the week won't leave your front porch? It could be that covid will push for usage-based car insurance to finally become mainstream.

3. NEW GENERATION OF HOME INSURANCE WITH CYBER AND SERVICES

Thanks to connected devices, insurers will be able to offer personalized services meeting the lifestyle needs of customers. The more time we spend at home, the more important such services become as an extension of home insurance. More and more connectivity at home and all the new data streams that come with it open up all sorts of new ways, which add value. New services that help customers manage their house better and decrease the total cost of ownership. With people working more from home, also after the crisis, the importance of cyber security will further increase. It is therefore likely that the scope of home insurance will broaden already in the short term; new propositions combining home insurance, IoT, cyber security and services.

Sample insurtechs that help established carriers to launch usage-based car insurance: Amodo, Cambridge Mobile Telematics, DriveQuant, The Floow, Kruzr, Octo Telematics, Sentiance and TrueMotion. Most providers look beyond mileage and more sophisticated pricing. They are missioned to promote safer driving. CM Telematics for instance, found that distraction by smart phones can be more dangerous than alcohol. By providing feedback on driving behaviour that drivers can act upon they allow a much more active role for customers within car insurance products and to take more responsibility.

Ideally, we would think of intelligent combinations of what companies such as mitipi, Shayp and ROC Connect have on offer in terms of combining smart home technology, property assistance services, insurance and improving customer engagement; with cyber solutions such as offered by CyberCube, CyberDirekt, CyberWrite and F-Secure. We call this 'Innovation Multiplied': combining innovations to come up with something that is even more innovative and that unlocks totally new economic value.



4. RECIPROCITY TO SOLVE PRIVACY ISSUES

The use of customer data means fresh grounds for concern over privacy. Obviously, insurers need to manage concerns that many consumers have. Reciprocity is the answer. Consumer's perceptions about the use of data by insurers will flip if they use the data to put customers in control and to offer something meaningful in return. It's all about giving more than you take. The added value insurers deliver based on consumer data should be perceived as bigger than the cost of handing over privacy in return. They should combine things the customer can't combine themselves and/or that customers would never think of.

5. DATA PROTECTION

For centuries, insurers were engaged with offering protection to their customers. It would make a lot of sense to also assist customers in protecting their data. Not just by offering cyber insurance, but by offering new services. The so-called PODS (Personal Online Data Storage) introduced by Zurich are a great example. The customer owns the data and solely decides whatever part of the data they would like to share with e.g. a third party. When you think about the enormous new data flows this immediately triggers numerous ideas for new value propositions.



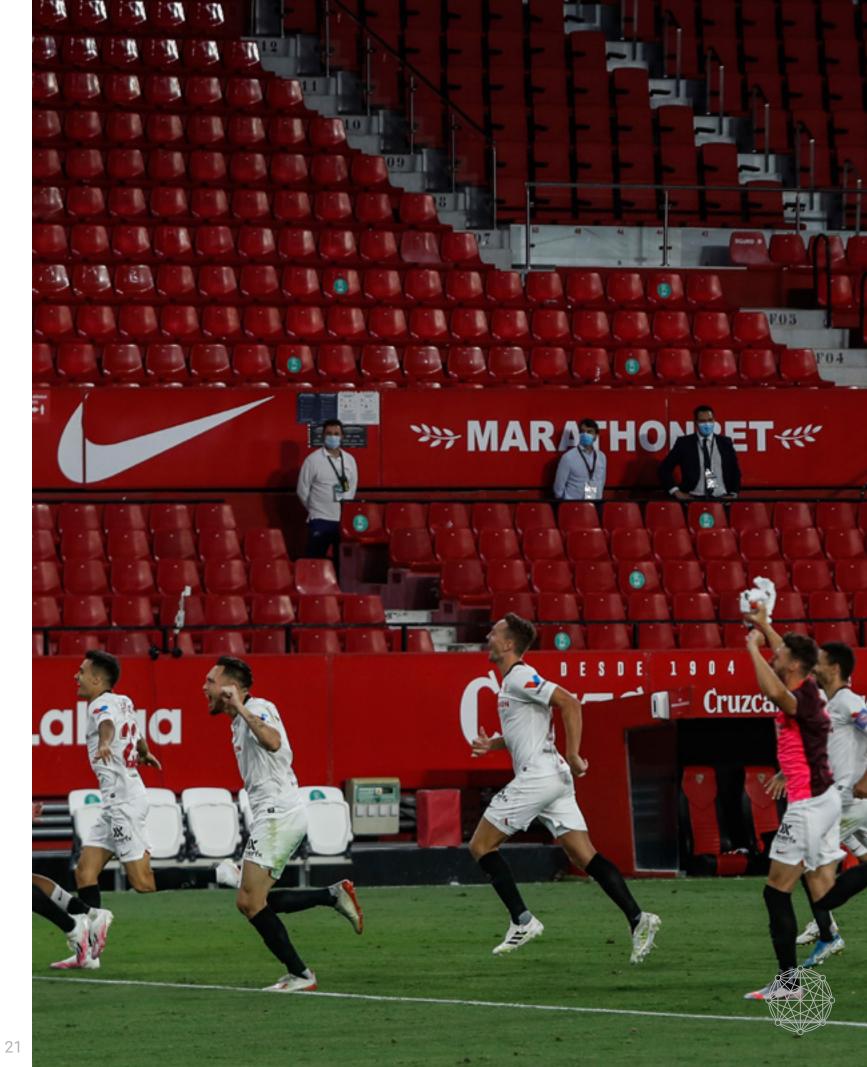


THE SENSE OF CONTROL IS FAR AWAY

In recent decades, technology has given us more and more control over the way we live. Just think of something as mundane as navigation systems so we never have to get lost again. Or search engines that provide all information at our fingertips. And the possibilities seemed endless. Literally even: Elon Musk was well on his way to colonize Mars. It is only June, but we already know that the year 2020 will forever be known as the year of biblical disasters. The immense bushfires in Australia, the grasshopper plagues in Africa, Pakistan, and India, and on top of that covid. In a few months' time it seems we have been thrown back to the Middle Ages, where plagues lurk around every corner. We've suddenly woken up to the reality that the world is much more fragile than we once believed. Nothing is as certain as it once seemed. The sense of control seems to be very far away.

ONGOING CONCERNS ABOUT HEALTH

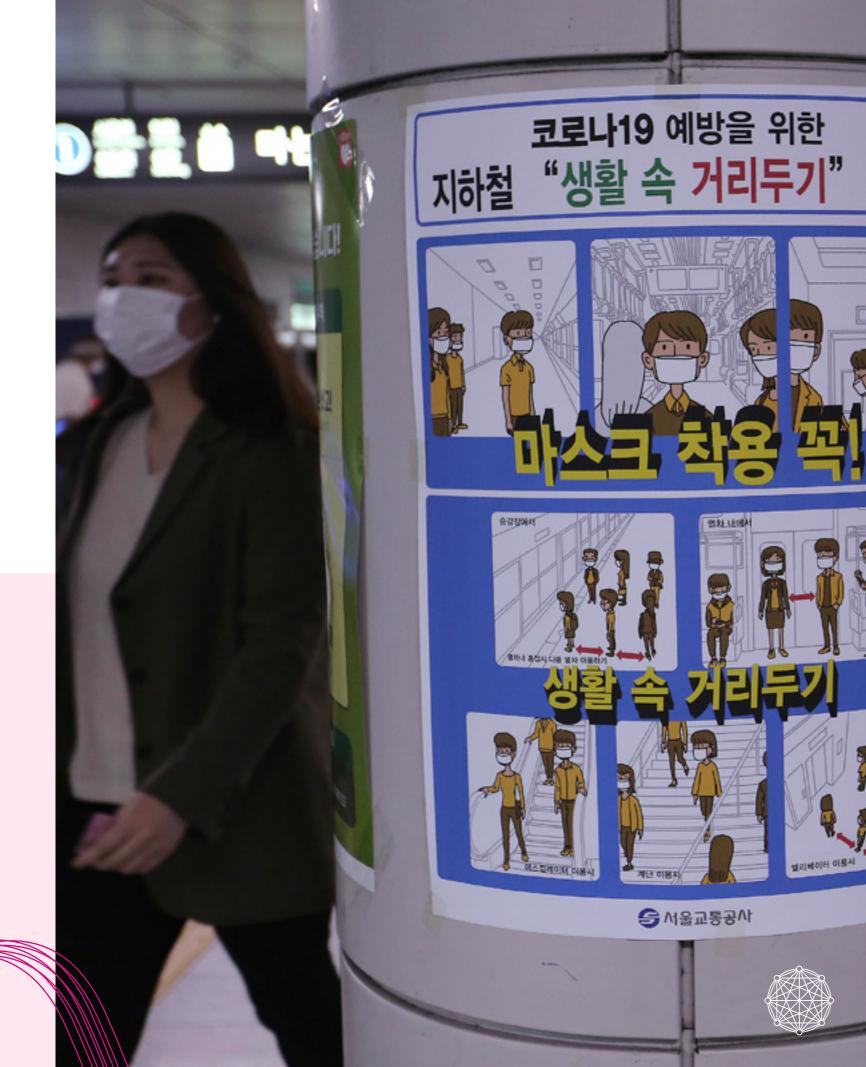
In the first place, people are obviously concerned about the virus and their own health. What exactly is covid? Could I have it? If so, what can I do about it? How can I prevent my parents from getting infected with the virus? When will there be a vaccine? There is an enormous hunger for information. Thanks to the internet the amount of information available is overwhelming, but unfortunately for us not always reliable ...



MORE QUESTIONABLE INFORMATION

Alongside the pandemic an infodemic is also taking place. Disinformation and misinformation occur on an unprecedented scale. The arrival of the virus immediately resulted in panic buying of toilet paper, because, according to social media, this is produced in China and would therefore soon not be available anymore. Looking back on this situation most of us can have a laugh about it. However, we also see conspiracy theories on Facebook, the spread of well-meant but non-factual tips via WhatsApp and a world leader who suggests that disinfectant injections might help. According to the World Health Organization the infodemic is as dangerous as the pandemic itself. When people do not know what to believe and who to trust anymore, it becomes more difficult to have proven solutions and advice from scientific experts followed.

- MyHealthDiary (Indonesia) is specifically missioned to tackle this
 problem of misinformation by offering trustworthy medical information only. People who download the app have access to free
 webinars about topics like why social distancing is important, how to
 identify symptoms,knowing if a rapid test kit is effective and weeding
 out hoaxes about covid in the media. By providing this information,
 MyHealthDiary educates Indonesia about covid.
- Other tech companies that immediately created solutions to tackle the misinformation problem include <u>Mediktor</u>, <u>Wellmo</u>, <u>SDA</u> and <u>Infermedica</u>.



MORE VULNERABLE ECONOMIES

In addition to uncertainty about the pandemic and individual health, covid has painfully exposed the Achilles' heel of individual companies and the economy. Think of too much dependence of distant countries for production and supply, and operating models that did not turn out that robust after all. Even a giant like Apple only had stock for ten days. Many brick and mortar companies did not have their ecommerce in order. Others turned out to be too dependent in their sales on customers in distant, suddenly unreachable countries.

In just a few months the situation and prospects of companies have changed drastically. The annual plans for 2020 have already been taken care of by the shredder. Companies are mainly working hard on saving what can be saved.

GLOOMY ECONOMIC PROSPECTS

The sudden drop in supply and demand also causes bleak forecasts for the economy. When it comes to the supply side of the economy it could be that we already experienced the worst. In more and more factories people are starting to get back to work again. The guestion is whether that is also the case for the demand side of the economy. The economic devastation of the pandemic is becoming painfully evident. In February, the unemployment rate in the US was only at 3.5%. As a result of covid this percentage went up to 14.7% in April. In just two months it went from an all-time low to the highest unemployment rate since the depression 100 years ago.

DECLINE IN PROPENSITY TO SPEND

Deep economic shocks and unemployment are normally accompanied by financial uncertainty, less consumer confidence, and a shift away from spending. Consumers prefer to save their cash amid uncertainty. According to research by personal finance company Bankrate 52% of Americans had already cut their spending in response to the pandemic. 54% of consumers are no longer considering the purchase of big-ticket items such as homes, cars, holiday trips, and luxury goods over the next three months. The situation may be more positive in Europe. To prevent unemployment many countries introduced schemes aimed at keeping people employed. This may also lead to higher confidence and propensity to spend.



UNCERTAIN EXIT PATHS

The upcoming period will be a critical one. The various exit paths across countries from lockdowns will be precarious. Locking everything and then opening up again is not as easy as it seems and creates alignment challenges across virtually every supply chain. When will the economy get back on its feet again? Will consumers and businesses start spending more? Just as much as before the crisis? We do not know how uncertain consumers will deal with the new health protocols. Can we expect a new peak in infections in autumn? What will the consequences of the recession look like by then? Will it be even more severe than we already experience today?

MORE STRESS AND REDUCED MENTAL AND PHYSICAL HEALTH

A recession will further impact population health. Events that increase during economic downturns, such as becoming unemployed and losing financial and housing assets, result in more gloominess, more stress and reduced mental and physical health. This is further amplified by people's concerns about covid, their own health and those of their loved ones. In the last week of March, meditation app Headspace saw a 19-fold jump in users completing a calming exercise and a 14-fold increase in those doing a 'reframing anxiety' session. It's a bad omen.



TREND 3 UNPRECEDENTED UNCERTAINTY - OPPORTUNITIES TO SEIZE

1. SAFETY AND RELIABILITY ARE MORE IMPORTANT THAN EVER

Consumers will have a lower appetite for risks than they had before. Consequently, it is likely that they are more and more interested in protection than they were before. Insurers have the opportunity to explicitly confirm the feeling of protection and peace-of-mind to their customers.



2. SIMPLE, TRANSPARENT, AFFORDABLE PROPOSITIONS

The economic downturn and resulting thriftiness increase the demand for insurance solutions and price propositions which are simple, transparent and cost-efficient. We already mentioned that PAYD, usage based and on demand car insurance may become mainstream — so that you only pay for what you actually use. We expect the same for embedded insurance concepts; in which coverage is part of the purchase of a product or service — so that you don't have to worry anymore. Bsurance, Moonshot-Internet, Qover, Servify, and ZhongAn are examples of companies that already tap into this.

PSD2, the EU payment services directive, creates opportunities to all sorts of third parties to provide new opt-in services to banking customers. Although it is hardly on the radar of insurance carriers, we believe PSD2 has the potential to revamp the bancassurance model. Moving from bank partnerships for just distribution and using bank data in marketing and underwriting processes to really being much closer to customers. The right PSD2 applications offer great opportunities to link insurance to a certain payment, making insurance much more individual and much more real time.





3. EMPOWER CUSTOMERS

Most people want to make the right decisions in all areas of life. In uncertain times this is even more crucial than ever. Especially when there is a growing number of unreliable information sources, it is important to be a trusted source of information and to provide guidance. Data enables insurers to help consumers enhance their lives by drawing actionable insights out of their data sphere and by giving feedback to customers, for example suggestions to adjust behaviour that otherwise could lead to costs of damage, increased health risk or bad prospects. Insurers should aspire to give customers 'superpowers' with all the available data. Think of speech-to-speech language translators that free you from having to learn foreign languages. Of GPS car navigators helping you find your way without knowing your way. In the coming period we will see if insurers can give their customers similar kind of superpowers.

4. LEVERAGE RISK MANAGEMENT CAPABILITIES

Helping customers deal with uncertainty is the core business of any insurance firm. We believe there are ample opportunities to leverage these core capabilities to provide new added value to customers, in commercial and retail, beyond offering insurance. The current challenging times offer insurers a great opportunity to sit down with customers and leverage their expertise to actively help customers also with risk management advice (not just an insurance) on how to navigate through these difficult times.





RETREAT FROM GLOBALISATION

Globalisation was never perceived as a blessing by everyone anyway. Which makes sense; except for a tiny minority, most people find themselves in a very local community throughout the year. Due to the outbreak everyone really experienced the disadvantages of globalisation. The pace at which the virus spread worldwide as well as how fast supply chains stopped are in the perception of many the consequences of globalisation.

EACH COUNTRY ITS OWN STRATEGY

In the first place, citizens look to their national governments to protect them from the pandemic, which most of the governments did firmly. We have rarely seen governments making such rigorous decisions in such a short time. Leaders from major countries had to radiate decisiveness whilst often using strong language; with a certain eagerness they compared the pandemic to 'war'. To combat the virus each country uses its own solutions. Which makes sense looking at the large differences between countries. But soon the blame game started, every country primarily cared about themselves, and embarrassing fights about medical supplies such as respiratory equipment and masks took place. We haven't seen much of international coordination and later on of solidarity. The benefits of globalisation have been carefully hidden during the past period.

MORE SEARCH FOR SELF-RELIANCE

This retreat from globalisation had already started, think of Brexit and the White House trade wars. During the upcoming period countries and companies will keep looking for solutions to reduce current and future economic vulnerabilities. 'Self-reliance' is the most used word. Japan provides subsidies to companies to get supply chains back to the country again. The Prime Minister of India explicitly said that 'a new era of economic self-reliance has begun.' The reflex is control of one's own fate and search for strategic autonomy. Citizens in different countries are encouraged to buy products from their own country, city and neighbourhood to support local businesses and to rebuild the local economy. #supportyourlocal has grown into a trending hashtag.

VALUE OF FAMILY IS ON THE RISE

The retreat from globalisation is accompanied by turning inward and a shrinkage of our world.

We also see this on an individual level. During the period we had to stay at home people also rediscovered all kinds of long-neglected traditional life skills and pastimes. Baking bread, playing board games or simply spending a little more time with your loved ones. Self-isolation has forced us to rethink family time. The value of family is on the rise again. Not only because family acts as a safety net. In hard times, the connections we have with the people around us keep us grounded. Something we will need for quite some time.





It made us think of an Allstate commercial which was aired during the financial crisis in 2009, with actor Dennis Haysbert (who played the first African-American president of the US in the hit series '24') telling the viewers: "After the fear subsides, a funny thing happens ... People begin enjoying the small things in life ... A home-cooked meal ... Time with loved ones ... Appreciating the things we do have ... The things we can count on ..."

MORE SENSE OF CONNECTION AND TOGETHERNESS

The crisis also brought up something unexpectedly positive. Everyone is doing their best to help all of us get through this trying time. According to Yelp, interest in blood and plasma donation is up 204%. Clients are buying gift certificates from their favourite local restaurants to help keep them in business. Toy animals are placed in front of windows so that little kids can go 'bear hunting'. Applauding professionals and volunteers in the health sector. Italians started singing from their balconies to enhance the feeling of community. Beer brewers recycled stock to produce hand sanitizer. And of course the absolute posterchild: 99-year old Tom Moore raising millions for NHS staff by walking laps in his garden. The number of heart-warming examples during the outbreak is unbelievable; also in insurance and insurtech. Just check our article on 'how insurers and insurtechs are helping to fight the pandemic'. An unprecedented sense of connection and togetherness is noticed. People really care about each other.



TREND 4 EMPATHY IN EVERYTHING - OPPORTUNITIES TO SEIZE

1. TOUGH TIMES ARE AN OPPORTUNITY TO SHOW YOU CARE

Challenging times see people craving for institutions that care. Consumers expect their financial service providers to support customers who are facing difficulties. Show you care when customers experience moments of truth. In March, Kees van Dijkhuizen, CEO of ABN AMRO, said: "During the previous crisis banks were part of the problem. At this moment we are emphatically part of the solution." Standing at this crossroad insurers must actually ask themselves a similar existential question as well: As an insurer, do you want to be a part of the solution or do you want to be known for causing more problems?



- In response to the shelter-in-place orders, motor insurers in the US issued premium discounts to compensate policyholders for their reduced risk. State Farm for example, announced a 25 percent discount for all policyholders through May 31; a discount that implied a reduction of about USD 2 billion dollars in premium revenue.
- UK insurer Beazley offered a 60 day premium pause for commercial clients "because we understand our commercial clients are under pressure to keep their businesses running at the same time as sharing the responsibility to reduce the spread of covid-19 within communities".
- Hundreds of UK firms thought they were covered when the government told them they had to close their doors because of corona. Their business interruption insurance policy literally said that the insurer would pay out when a business was forced to shut owing to a notifiable disease. But when these business owners filed claims, the insurer said the policies did not provide cover for business interruption 'because of the general measures taken by the government' in response to the pandemic. A part of the companies is likely to go bankrupt.

2. EMPATHY IS A PILLAR FOR DIFFERENTIATION

The empathic, emotional part of the relationship will become more and more important for consumers. Demonstrate your company's commitment to individual customers and emotionally engaging with them. Actively reach out to clients. Act in the customer's best interest. Treat customers the way you would like to be treated. Simple gestures can make a big difference. The objective is to enhance your usefulness for the customer. In turbulent times, showing that you care will find an extra appreciative audience and certainly won't be forgotten. Customers are also likely to return favours by being more loyal and more willing to spread the word about their experiences with you. Furthermore, employees and executives alike find that it is more engaging to work for a company with a caring mindset.

Examples of tech providers which help carriers to empower employees, brokers and agents by using artificial intelligence to support human intelligence include <u>AdviceRobo</u>, <u>Force Manager</u>, <u>Glia</u> and <u>Helpshift</u>.

In all cases such applications lead to better conversations, higher customer satisfaction and improved conversion rates.



3. LEVERAGE THE HUMAN SKILLS OF CO-WORKERS, BROKERS AND AGENTS

Now more than ever, to relate to their customers, insurers need to secure the feelings side. Humans inject emotion, empathy, passion, creativity, and can deviate from the procedure if needed. The thousands, sometimes even tens of thousands of employees working at an insurance firm, as well as all the brokers and agents, are the most valuable asset to accomplish exactly that. The challenge is to use advanced technologies to empower them; making them even more effective and efficient. Creating the best of both worlds.





THE FOUR TRENDS SET THE STAGE

Covid is having a significant impact on people's lives, beyond 'social distancing'. It seems the Maslow pyramid is turned upside down; putting your HEALTH FIRST is the top priority. The trends towards CONNECTED LIVING shifted into a higher gear. The UNPRECEDENTED UNCERTAINTY that people experience regarding the health situation, the recession and their job security is not likely to change soon. The current crisis also highlights the importance of EMPATHY IN EVERYTHING and the human dimension. Consequently, consumers and businesses are looking for a new generation of products and services that fit these new circumstances.

Leaders of insurance companies therefore not only have the short-term challenge to keep their business afloat. At the same time, they also have to make sure the company remains relevant in the new market conditions once the dust is sort of settled. They need to fast forward digital transformation and reconsider not only processes, products and services, but distribution and operating models as well. Moreover, they should think of new business and revenue models, leverage the latest technologies and insurtech partnerships and seize new opportunities. The four trends set the stage.

NEVER WASTE A GOOD CRISIS

It's not all gloom and doom. A crisis usually functions as a great breeding ground for innovation. Innovation is no longer optional but urgent and crucial. It is impossible to fight this crisis with the same instruments that you use when everything is going well. The new conditions and constraints force us to think in new ways. Moreover, we see across industries and companies that executives and employees are more open to radical solutions and are much more efficient in realising these solutions. Think of how rigorously companies and colleagues have switched to remote working. If we abstract from the current situation, we can only conclude that we got exciting times ahead. If we know how to seize the opportunities.



