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**Transition to a 'New Normal': The baseline scenario**

The world is expected to transition to a 'New Normal' post-pandemic. Many trends that were already underway have been amplified by COVID-19, and a number of lasting effects are expected to fundamentally change the risk landscape and operating environment for insurers, too.

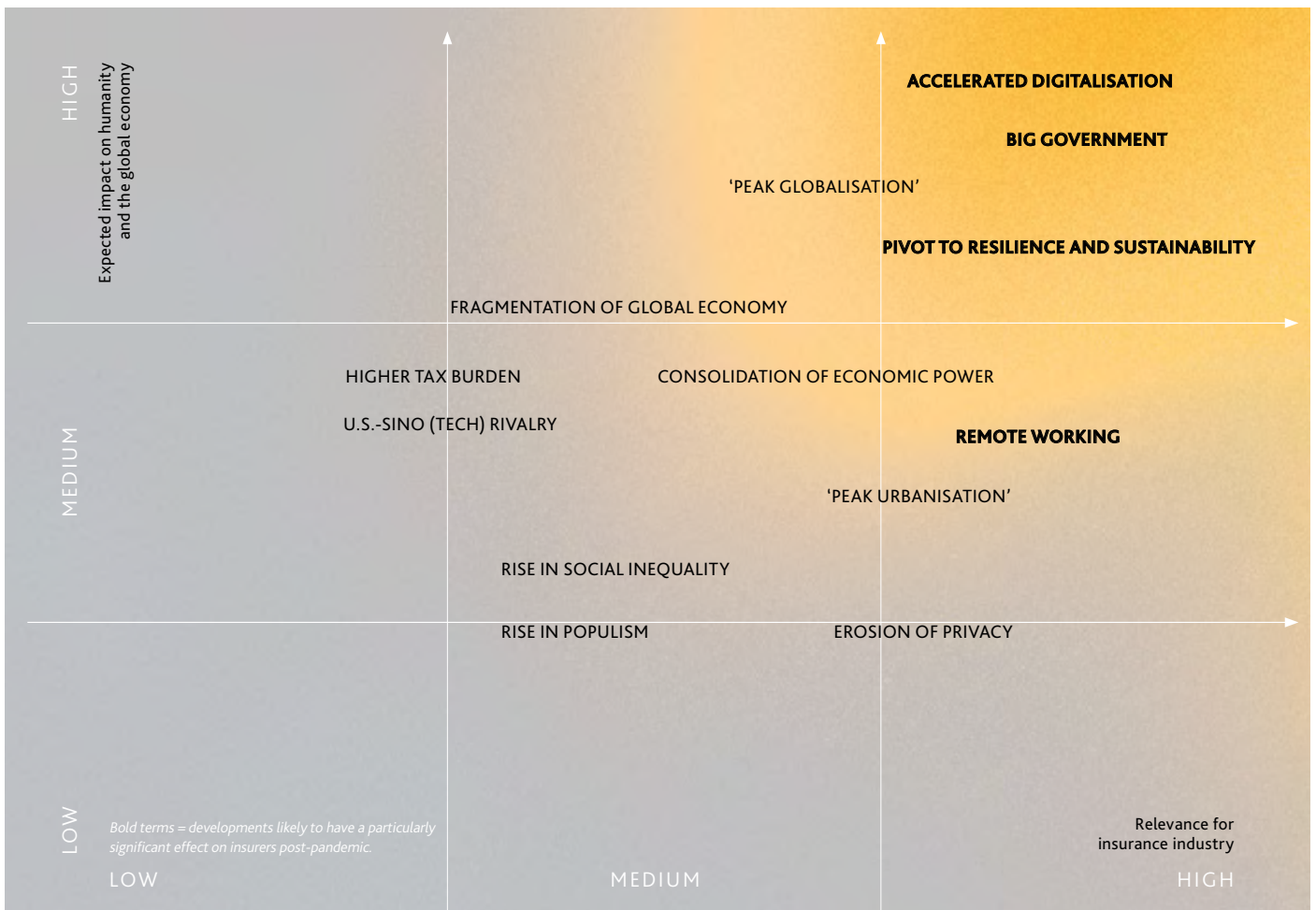
Based on desk research and in-depth interviews, the key elements of which include changes to the political, economic, social and technological environment, we put forward a

baseline scenario for the post-pandemic risk landscape. Based on this baseline scenario we believe that accelerated digitalisation, 'Big Government', the pivot to sustainability, and the shift to remote working – in that order – are likely to have the most significant effects on insurers and their role in the post-pandemic world.

*Accelerated digitalisation*

The pandemic has hastened and amplified digitalisation and will accelerate consumers' embrace of e-commerce – for good. This

**Figure 1: The relevance of the baseline scenario for insurance**



Source: The Geneva Association

offers new opportunities for insurers and their customers but also entails risks associated with strategic business objectives.

**Big Government**

Governments have assumed a vital, unprecedentedly active role during the COVID-19 crisis and temporary and unconventional emergency stimulus measures may well become permanent. These programmes may negatively impact insurance demand by fuelling the perception that governments will intervene and provide disaster assistance in the event of a truly disastrous pandemic. To alleviate rapidly growing sovereign debt, governments might be tempted to condone higher levels of inflation, with adverse consequences for insurers’ future claims costs on current policies, the adequacy of their loss reserves and the demand for long-term life insurance.

**Pivot to resilience and sustainability**

COVID-19 has also exposed protection shortfalls that affect people’s livelihoods, lives and health. For insurers, this represents a major opportunity to build resilience by addressing protection gaps for three major insurable risks faced by society: natural disasters, premature death and catastrophic spending on healthcare.

**Remote nature of work**

Many companies are implementing a shift to remote work. This has implications for companies’ risk exposures in various areas and requires amendments to existing insurance coverages. The shift is expected to reshape the advance of urbanisation, with greater differentiation between cities that are merely aggregations of economic activity and genuinely smart cities

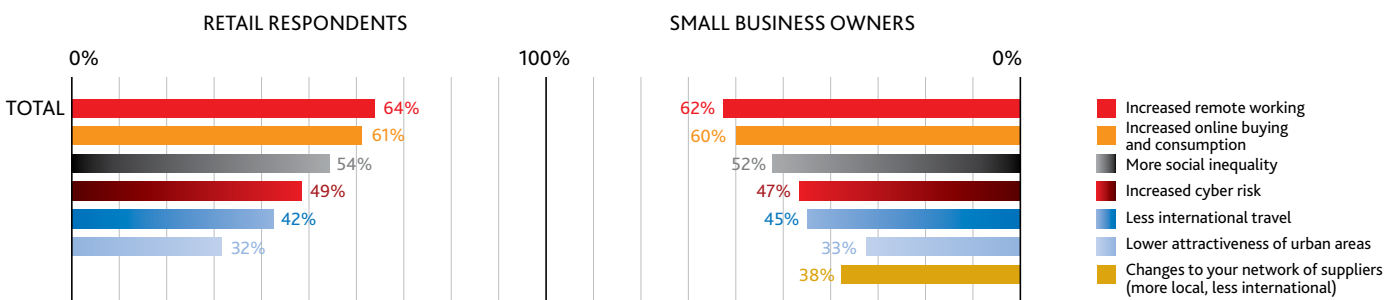
where people choose to live. We may also see a protracted period of higher social inequality.

**The Voice of Insurance Customers – Findings from a global survey**

To test the hypotheses formulated from the desk research and interviews, a global survey of 7,200 retail and 800 small commercial insurance buyers covering eight countries (Brazil, China, France, Germany, Italy, Japan, the U.K. and the U.S.) was commissioned. It finds that:

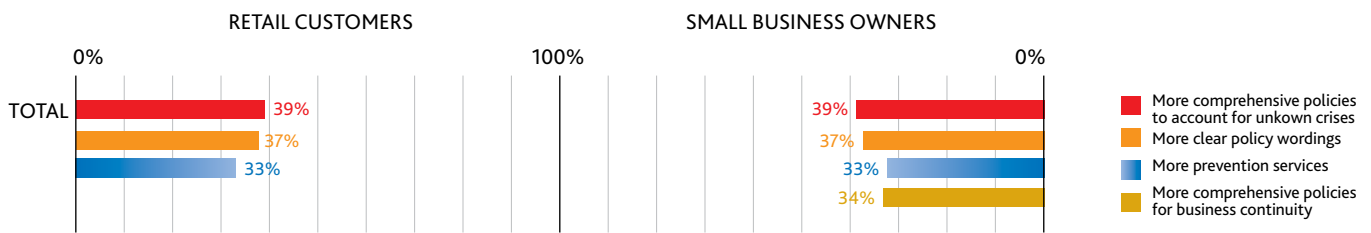
1. Over 50% of both retail and commercial respondents believe that remote working, the shift to digital and increased social inequality are the trends that are most likely to endure post-pandemic. More than a third of small business owners expect supply chains to shift towards more local suppliers.
2. Almost two thirds of retail customers are concerned about a higher risk of extended hospitalisation and a loss of income or wealth. For small business owners, furloughing employees, a deteriorating financial position of the business and the need to close down rank highest among post-pandemic concerns.
3. More than 40% of retail customers consider health and life insurance as more important post-pandemic, though only a fifth intend to buy (additional) coverage. More than 50% of small business owners value business interruption (BI), group life and health, and liability insurance more highly; just over a quarter expressed their intention to purchase (additional) insurance. ‘Other priorities’ (i.e. insurance not being on top of mind) was given as the main reason for not purchasing (additional) insurance, despite valuing it more highly.

**Figure 2: Which trends will continue/gain further momentum post-pandemic?**



Source: The Geneva Association Global Customer Survey 2021

**Figure 3: What are your future expectations towards insurance?**



Source: The Geneva Association Global Customer Survey 2021

- Retail and small commercial customers expect more comprehensive policies to cover future unknown disruptions, clearer and simpler policy wordings as well as more prevention services. More specifically, small business owners expect more comprehensive BI policies.
- Almost 90% of both retail and commercial respondents with at least one insurer interaction reported a positive experience with their insurers during the pandemic. This bodes well for insurers’ perception as a competent and reliable partner in meeting customers’ post-pandemic risk management and protection needs.

**Long-term strategic implications for insurance**

From the desk research, interviews and survey results, five key themes underpinning the role of insurance in the post-pandemic risk landscape are identified.

COVID-19 has demonstrated the fragility of modern life. This is set to translate into higher awareness of risk and existing protection gaps and, therefore, increased demand for risk cover. This could go hand-in-hand with higher expectations from both the public and private sectors on issues such as financial exclusion. Therefore, insurers should redouble their perennial efforts to **narrow protection gaps**, in both advanced and developing countries. Heightened risk awareness could offer a fertile ground for promoting risk solutions which, post-pandemic, will rank higher on peoples’ and businesses’ minds – a lack of prioritisation has frequently been found to be a major obstacle to considering insurance. Making progress towards narrowing protection gaps, however, also requires action from insurers: they need to successfully simplify their offerings. In addition, insurers must seize the opportunities offered by accelerated digitalisation and develop more affordable, accessible and appealing products and solutions.



The pandemic has also reinforced the **pivot to sustainability** across businesses and society, creating new opportunities for insurers. In light of the massive societal imbalances caused by the pandemic, insurers will have to pay more attention in the future to the social dimension of ESG. More generally, the pandemic has prompted a re-evaluation of the social contract, i.e. the division of risk among individuals, employers and the state. This could herald a new chapter for the welfare state and the role of private-sector insurance in complementing it. For insurers, these trends are a double-edged sword. On the one hand, there is a much heightened appreciation of the value of resilience and sustainability across society. This should help insurers, as providers of resilience and promoters of ESG objectives, to more compellingly carve out their corporate purpose, i.e. their core reason for being and their impact on the world. On the other hand, governments' role in pooling and underwriting risks became paramount during the pandemic, in particular for those risks that are uninsurable for private-sector risk carriers. The pandemic has demonstrated to everyone the extent to which governments can smooth shocks. If social inequality and redistribution remain at the top of the political agenda insurers will need to enter into a more pro-active dialogue with 'Big Government' on how they can contribute to what appears to be a new social contract, for example by mitigating the vulnerability of the growing group of labour-market outsiders, whose lack of job and income security was shockingly exposed by the pandemic.

Heightened awareness of vulnerability has led to a rise in mindfulness. For insurers, this shift offers additional opportunities to expand traditional business models predicated on paying claims and benefits to broader and more engaging customer propositions such as prevention services, facilitated by the increasing use of sensors and smart devices and the anticipated roll-out of 5G technology. Insurers can harness technology to expedite the transition to **more customer-oriented business models** fitting the post-pandemic risk landscape. IoT literacy and the understanding of its translation into insurance prevention services need to be strengthened. The development of data-driven and technology-based prevention services should be treated as a business transformation in its own right, rather than an isolated project. The economics of prevention services need to be recognised as different from payment-oriented models so they are commercially viable.

The need to embrace digital transformation could prove to be a 'blessing in disguise' for the insurance industry. Due to COVID-19, the way insurers work, the way they organise their core processes, and the way they interact with their clients have changed for good. The rapid **acceleration of digitalisation** brought about by the pandemic is a major opportunity for insurers to achieve greater speed, scale and simplicity, in terms of IT, product landscape, business processes and customer interaction. Those who succeed in decreasing time to market, digitalising the value chain, boosting productivity, trimming cost and personalising customer interactions will be among the winners. At the same time, especially in life insurance, the 'hybrid customer approach' is likely to remain most promising. It is based on a strong and digitally savvy agency sales force, complemented by direct sales capabilities and a comprehensive connection of all digital and non-digital distribution channels.

COVID-19 has demonstrated that the economic losses from a global pandemic are uninsurable. For some risks there is a gap between what insurers are able to insure and what clients and society expect them to cover. In order to avoid false expectations, **insurance contracts** have to be much more simple and accessible so that customers know which risks are covered. This will require insurers to clearly communicate what they promise and keep their part of the bargain.

