

PartnerRe Worldwide Survey Results

Impact of Covid-19 on the Life & Health Insurance Industry

Survey information

This is the first Covid-19 survey to directly ask worldwide Life & Health insurance industry experts for their view. It was run during the second half of January 2022.

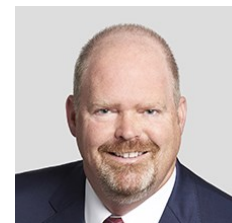
We are extremely grateful to the 212 respondents from across North America, Latin America, Asia Pacific, Europe, Africa and the Middle East, who kindly gave their time to complete this survey.

In these high-level result slides, we present an unbiased, substantiated market opinion to help the industry to plan for the future.



John Mok

CEO Life & Health Asia Pacific
john.mok@partnerre.com



Chris Shanahan

CEO North America Life
chris.shanahan@partnerre.com



Kevin O'Regan

CEO Life & Health EMELA
kevin.oregan@partnerre.com

For more on our Life & Health risk solutions: partnerre.com/risk-solutions/

Executive introduction

PartnerRe



Marc Archambault
CEO Life & Health

Covid's impact has been severe and far-reaching. With Omicron's high transmission rate and widespread vaccination, we have taken a moment to find out what worldwide Life & Health industry experts think about Covid's impact thus far on the industry and what the future holds.

The findings overall show that considerable change has already taken place and that there is an expectation for further change - from increasing claims' incidence, through the acceleration and wider application of digitalization and analytics solutions to further improve the customer experience, to an evolving product landscape. Grasping the momentum of change and global increased awareness of the need for protection is seen as critical. Not doing this is seen as a major threat.

I hope you find this report of interest, and that it supports you as you plan for the future. At PartnerRe, we have a clear medium to long-term view of how Covid will impact underwriting and claims, as well as world-class analytics capabilities that are supporting our clients with digitalization and innovative predictive modeling solutions, including for accelerated underwriting and claims handling. Please contact us if you would like to find out more about how we can help your business to succeed through these challenging times.

Content overview

PartnerRe



1. **Impact on underwriting, pricing and claims** 5-10
2. **Expectations for distribution channels and customer needs** 11-13
3. **Changes to company processes, customers' needs and strategies** 14-25
4. **Key industry opportunities** 26-28
5. **Key industry threats** 29-32



1. Impact on underwriting, pricing and claims

Key findings from this section



The market is evenly split on whether previous contraction of Covid-19 should be an underwriting factor - but is clearer (64% agree) that vaccination status is a differentiator.



65% think that pricing should not be impacted by previous contraction - and despite vaccination being a differentiator for underwriting, half of the survey respondents also do not think it should impact pricing.



75% agree that there will be a long-term increase in the incidence of mortality and critical illness claims.



54% expect the disability product to undergo a long-term increase in claims' incidence due to Covid. 29% expect to see both more and lengthening disability claims.



Our deeper analysis of the survey results identified a correlation between those agreeing that previous contraction and/or vaccination status should be a differentiator for underwriting or pricing, with those expecting a long-term increase in the claims' incidence of mortality, critical illness and/or disability.

Do you think that insurers should be able to differentiate medical underwriting of an applicant based on:

Previous contraction of Covid-19?



Indicating ongoing uncertainty around Covid's long-term health impact, respondents were 50-50 as to whether previous contraction should be an underwriting risk factor.

In contrast, there was much clearer consensus that vaccination status impacts an applicant's health and is therefore an important risk factor for the future.

Vaccination status?



Do you think that insurers should be able to differentiate pricing based on:

Previous contraction of Covid-19?



Most respondents consider that previous contraction of Covid should not impact pricing, even though 51% felt that this is a risk factor (slide 6).

Similarly, despite a clear consensus that vaccination status is a risk factor (slide 6), not everyone who thinks that believes it should follow through to pricing. One commentator noted that, regarding contraction and vaccination, “Broad brush declines or price increases that prevent cover, while easy, further reduce the pooling of risk and don’t benefit customers or society.” Another noted that doing this would be bad publicity for the industry.

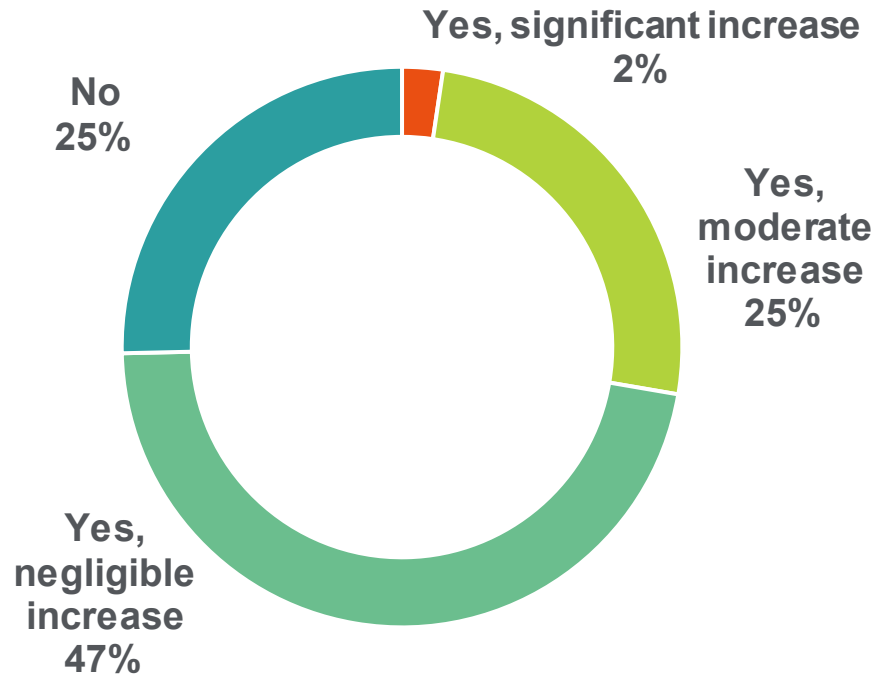
Vaccination status?



Our deeper analysis of the results showed that of those who considered that vaccination status should impact pricing, respondents in managerial roles were the most likely to agree, and respondents in the Americas* were the most unanimous on this.

*: North America and Latin America

Do you think Covid-19 will have a long-term impact on the claims' incidence of mortality?



75% believe that yes, there will be a long-term increase in the incidence of mortality claims - although the majority expect this increase to be negligible.

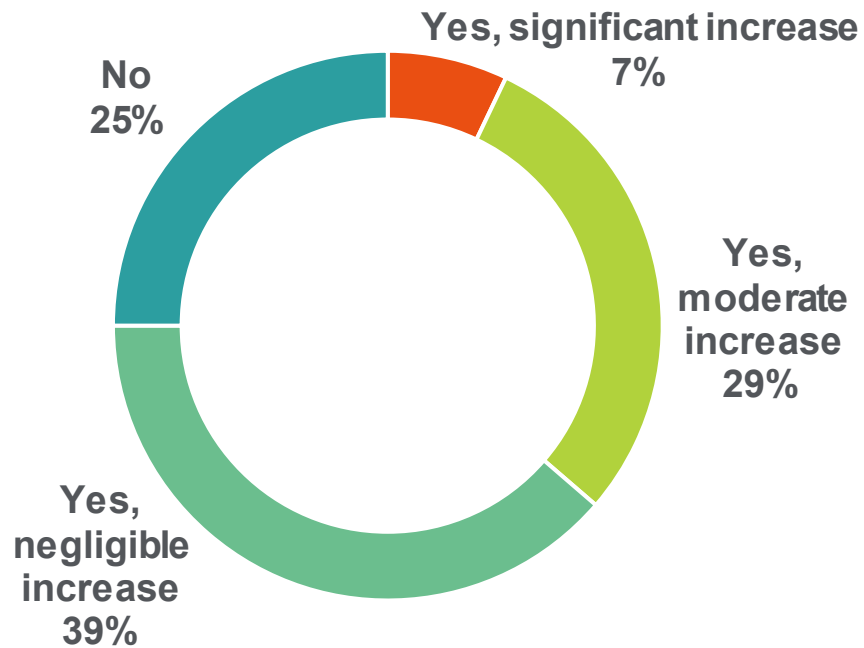
It's likely that the expectation of only a low-level increase reflects the anticipation that the upward mortality trend emerging now – i.e., the extra mortality from direct Covid deaths and indirectly from delays in diagnosing and treating other diseases - will improve over time and then settle back to previous levels.

However, a quarter of respondents answered “Yes, moderate increase”, which indicates the need to watch this space carefully. In addition, many respondents included uncertainty over mortality impacts as a key industry threat (slides 29 - 32).

Our deeper analysis of the results showed that respondents from the Americas* had the highest percentage of yes (all levels) responses to this question compared to other global regions.

*: North America and Latin America

Do you think Covid-19 will have a long-term impact on the claims' incidence of critical illness?



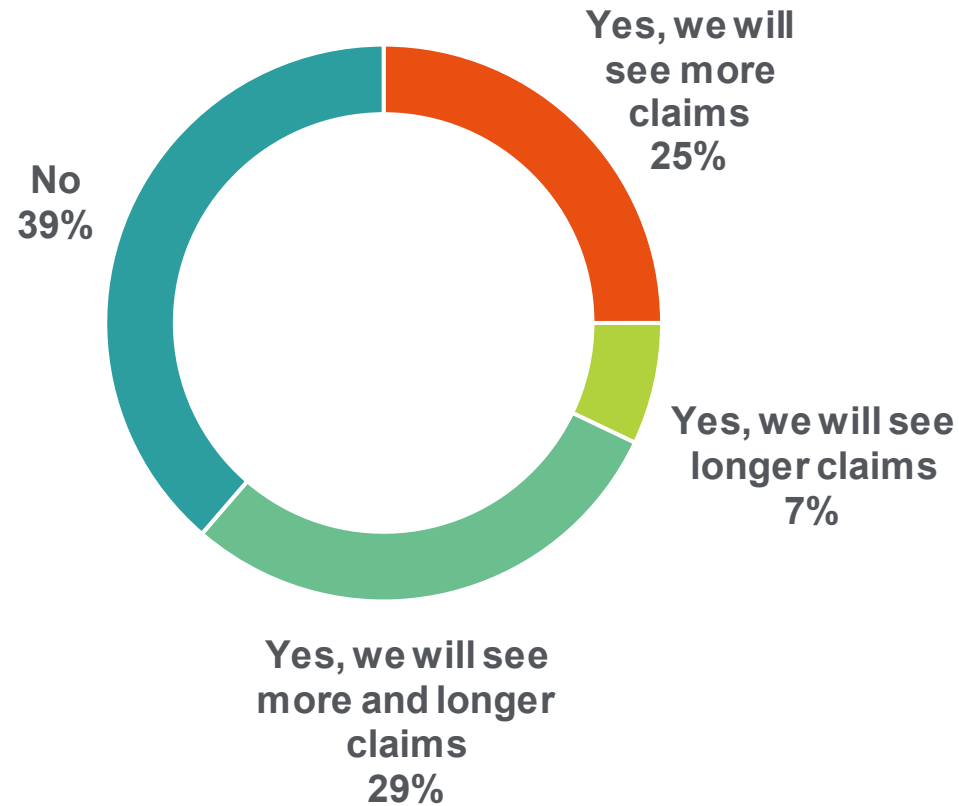
In identical results to the expected impact on mortality claims incidence (slide 8), 75% expect there to be a long-term increase in the claims' incidence of critical illness claims, though the percentage expecting the increase to be significant or moderate was slightly higher than for mortality.

Again, the likely reason for low-level increase expectations is that the increase is expected to be short-lived, and that incidence will thereafter, i.e., in the long-term, adjust back to previous levels.

As for the expected impact on mortality claims incidence, respondents from the Americas* had the highest percentage of yes (all levels) responses.

*: North America and Latin America

Do you think Covid-19 will have a long-term impact on disability claims?



Once again, the majority, in this case 61%, expect Covid to have a long-term impact on disability claims, primarily an increase in claims' incidence (54%). That 29% expect both higher incidence and longer disability claims is significant.

Many respondents included uncertainty over Covid's impact on disability as a key industry threat (slides 29 - 32).

2. Expectations for distribution channels and customer needs

Key findings from this section

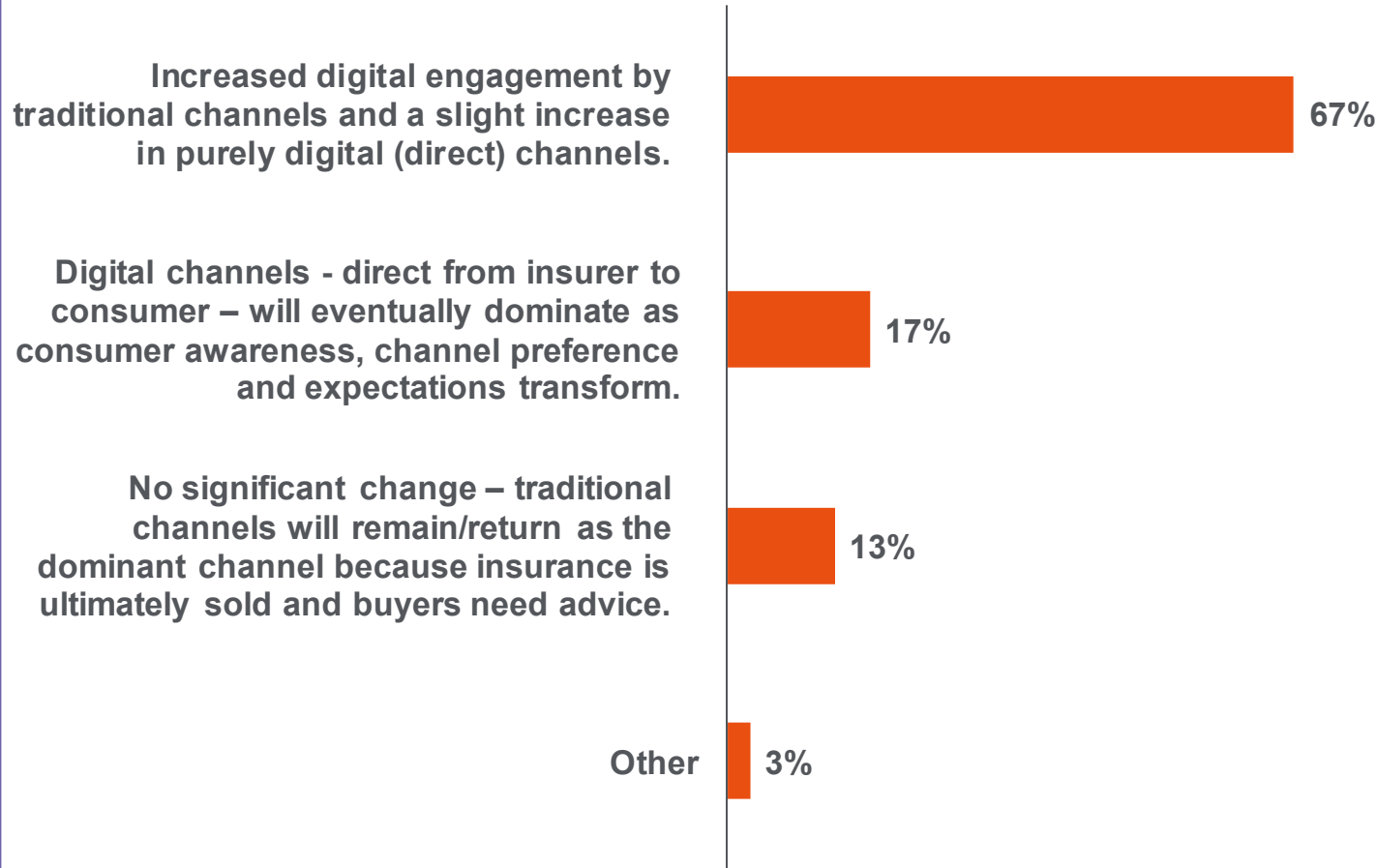


The expectation is for a shift towards digital distribution – 84% see digital increasing in importance. While the majority see this primarily as an increased digitalization of traditional channels, almost 1 in five respondents expect digital channels to dominate. Interestingly, in comments given regarding key industry threats and opportunities (slides 26 - 32), digitalization is considered to be a key opportunity (to meet customer expectations) and also a key threat (if not implemented and as a digitalized market will encourage new, digital competition).



59% expect customer needs to change in some way – of these, the majority expect an increase in products that dove-tail into health management frameworks.

How do you think the distribution environment will change as a result of Covid-19? Please select one answer.

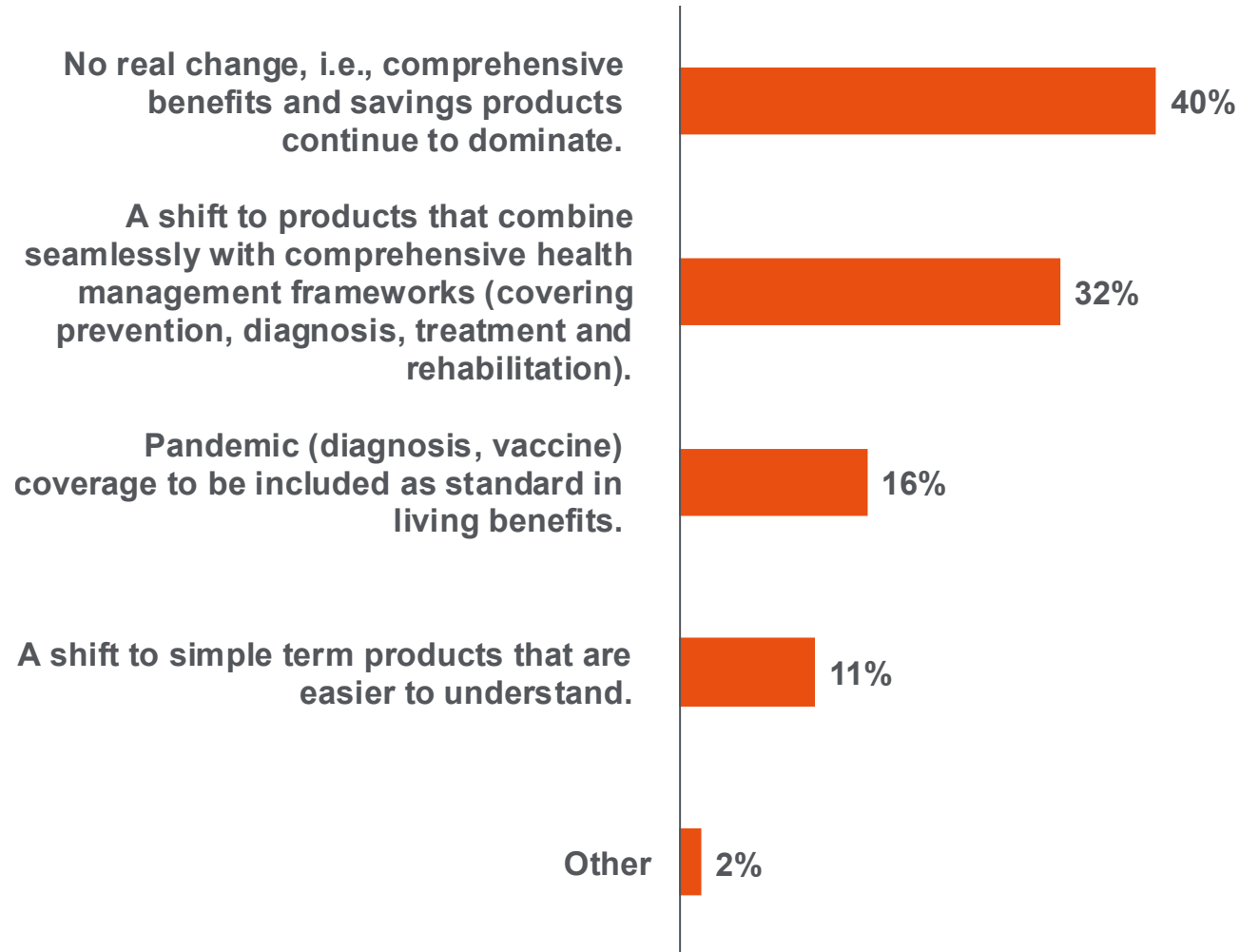


There was wide agreement from respondents in all global regions that Covid is driving a change in the distribution environment toward digital solutions. The majority see this shift as an increased digitalization of traditional channels - as we navigate through the pandemic, the relevance and value of traditional advisers for insurance remains clear and strong. That 17% see digital channels eventually dominating is significant for the industry.

In comments, several respondents noted expectations for a 50-50 split between traditional and digital channels. Others noted that Covid is not driving, but rather accelerating, an increase in digital solutions that was already underway.

Interestingly, digitalization is seen as both a key industry opportunity (customer expectations) and threat (complacency, digital competitors) by respondents (slides 26 - 32).

How do you think customer product needs will change as a result of Covid-19? Please select one answer.



59% expect the product landscape to change in some way as a result of Covid, with products that dove-tail into health management frameworks leading the board. A sizeable remaining 40% expect the status quo, i.e., that traditional products will continue to have value, with US respondents the most in agreement.

Covid may not be driving a sea change, but it is certainly having an impact and insurers will need to ensure that their solutions meet the new spectrum of customer needs.

3. Changes to company processes, customers' needs and strategies

Key findings from this section

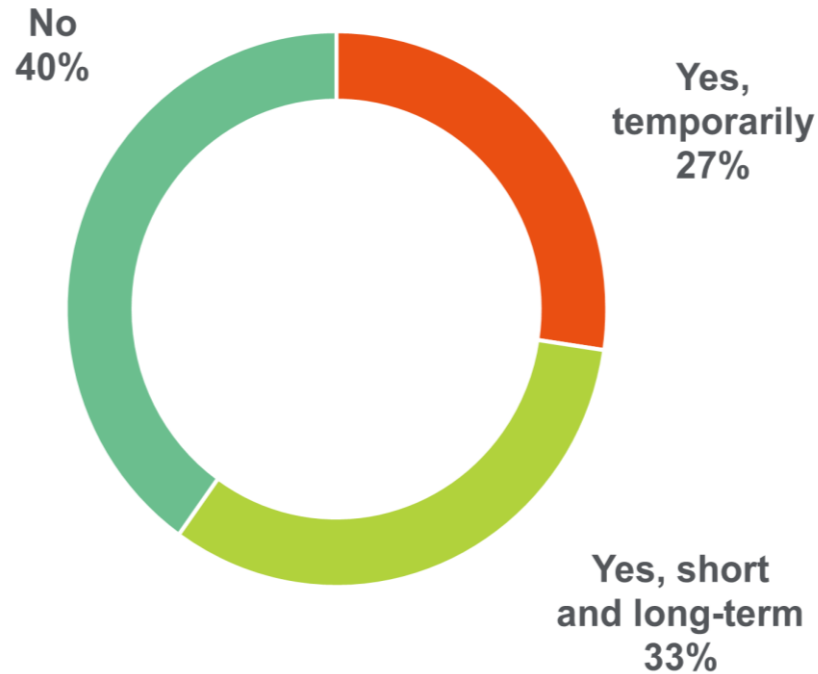


60% have made changes to their underwriting and sales processes, with 33% reporting that the changes are not just temporary. Long-term changes are primarily those that enhance the customer experience, most notably digitalization and automated underwriting.



The majority – 65% - have not adjusted their product innovation strategy and 50% have not adjusted their strategy with respect to new tools and data sources – this might seem surprising, but comments indicate that this is because many were already implementing increased digitalization and accelerated underwriting strategies – Covid has merely sped up this shift.

Have your underwriting or sales processes changed due to Covid-19?



60% have made changes to their underwriting and sales processes, with 33% reporting that the changes made will be long-term.

There were regional differences. North America saw the most changes – in Canada, for example, 88% of respondents answered “Yes, short and long-term”.

Comments (see following two slides) indicated that where changes have been made, they tend to be of a similar nature – an accelerated shift to digital sales and communications with customers, the introduction of Covid questionnaires, restrictions on older ages, accelerated underwriting, and simpler products. Some of these changes are expected to persist for the long term, primarily those that represent an improvement for the customer.

Have your underwriting or sales processes changed due to Covid-19?

”

Yes, temporarily – Example comments

“Increased sales through remote channels.” (Europe)

“In underwriting, we've included additional questions on the medical questionnaire. For sales processes, we've increased the digital communication with customers.” (Europe)

“Temporary restrictions on substandard and older ages.” (US)

“During shutdown distribution changed to Zoom, but that has since mostly returned to normal.” (US)

“Underwriting was strengthened initially due to unknown effects, but most have been reversed now” (LATAM)

“A COVID questionnaire is now mandatory.” (Africa)

“Policy delivery questions are asked specific to Covid-19 and possible policy cancellation with possibility to reapply 30 days after diagnosis.” (Canada)

“In the detailed subscription process, proof of vaccination is being requested.” (LATAM)

“During lockdown, reduction of additional medical questions, replacement of (medical) examination by requests for documents in possession of the insured.” (France)

“Alternatives used in lieu of labs and restrictions on older ages and individuals with comorbidities.” (US)

Have your underwriting or sales processes changed due to Covid-19?

”

Yes, short and long-term – Example comments

“We were becoming more digital and Covid has increased the speed of that trend.” (Canada)

“In the short term, mostly on-line interaction with clients, rather than F2F. In long term, will revert to some F2F, but not at same level (as pre-Covid), as the online format has become normalized.” (Canada)

“Adopted higher non-med limits due to Covid as permanent change.” (Canada)

“Accelerated underwriting programs have evolved quickly.” (Canada)

“Adapted underwriting requirements to recognize the difficulty in completing insurance exams. Have provided more digital solutions for advisers and customers.” (US)

“Developed new, streamlined/accelerated underwriting program for 18-45 and under \$1m.” (US)

“Digital has taken over and the focus on non-medical underwriting is the key focus point.” (Canada)

“Some changes will become permanent as they constitute an improvement to the customer experience.” (Canada)

“Must be super simple in sales pitch to close sales faster.” (Japan)

“Underwriting more clients without traditional insurance exams and labs.” (US)

“Covid-19 questions are an important section on our application and phone interviews. We are especially interested in knowing if there are sequelae or complications.” (LATAM)

“Age and rating restrictions at certain ages. Increased amount on accelerated program and adding more data elements, i.e., med claims data.” (US)

“Greater care in exclusions and especially in pandemic coverage.” (Europe)

“We have age and risk class restrictions that are temporary in nature, but we have also moved to more of an accelerated underwriting approach that requires less physical intervention. I think the move toward acceleration will be lasting.” (US)

Have your customers' demands/expectations changed due to Covid-19?



44% have experienced a shift in demands/expectations, but a significant 56% have not. Regionally, respondents from Europe were the most in agreement that demands have not changed.

Comments (see following slide) indicate that evolving customer expectations mirror many of the sales and underwriting changes already being made by respondents' companies - namely simplified, digitalized business processes and communications, and faster, non-fluids underwriting. The 56% "No" therefore for many most likely reflects the fact that Covid hasn't caused these changed expectations, they already existed, it has rather sped up the need to implement solutions for them. Changes in these areas are expected to stay for the long-term.

Respondents also mentioned that customers expect to have Covid coverage. Another key point made was that Covid has increased awareness of the need for insurance.

Have your customers' demands/expectations changed due to Covid-19?

” Yes – Example comments

“Our customers want a more simplified, non ‘face-to-face’ electronic new business process including fewer underwriting requirements, virtual meetings with their advisors, e-signatures.” (Canada)

“Increased digital expectations. Greater awareness of the need for insurance.” (Canada)

“Customers want faster and less invasive processes.” (US)

“Specific requests for Covid coverage.” (LATAM)

“Heightened focus on health protection products and lapse protection.” (Europe)

“More demand for health benefits than death.” (Korea)

” What trend do you expect? – Example comments

“Continued trend towards electronic applications and underwriting without traditional medical requirements.” (US)

“The high rate of adoption of digital solutions will continue after Covid.” (Canada)

“Continued enhancements to the new business process – more digitalization and fewer underwriting requirements. This will lead to more data analytics and predictive modeling.” (Canada)

“Clearer product specs that leave no room for discussions about cover. Clear exclusions.” (Europe)

Has Covid-19 impacted your company strategy going forward with respect to product innovation?



Although 59% anticipate some kind of resulting shift in customer product needs (slide 13), most respondent companies are not adjusting their product innovation strategies.

Comments given (see following slide) indicate that for many there's been no change to their strategy because this was/is already on a solid path that incorporates Covid's impacts and changing customer expectations – the only change is that Covid has sped up implementation, e.g., of increased digitalization and automated underwriting.

Comments also highlighted a number of coverage shifts that relate to Covid, e.g., pandemic coverage and enhanced health solutions.

Has Covid-19 impacted your company strategy going forward with respect to product innovation?

” Yes – Example comments

“I think Covid has sped up the implementation of strategies more than created new strategies, but the focus on automated underwriting and simplified products is undeniable.” (US)

“Less invasive tests, explore new data sources in lieu of traditional requirements, product innovation will include more continuous underwriting and client engagement throughout the life of the policy.” (Canada)

“More emphasis on getting digital capabilities sooner than originally expected.” (US)

“Still being discussed, but movement toward life cycle coverage/living benefits.” (US)

“Offering more protection for pandemic-like diseases, including enhanced health and lapse protection.” (Japan)

“Attention to guarantees.” (France)

“Expansion of health insurance for the elderly and the sick.” (Korea)

“Fewer (preferred) classes of risk to support higher non-med limits; simplification of product offering.” (Canada)

“More focus on prevention, wellness and opportunities beyond purely insurance.” (Europe)

“Making sure that pandemics are covered.” (France)

“We have developed a product that can be distributed online without physical contact with the agent, the doctor or the laboratory. This is the future of the insurance industry.” (LATAM)

Has Covid-19 impacted your company strategy going forward with respect to the use of new tools / data sources?



A perfectly split market. With digitalization and automated underwriting already well underway for many respondents before Covid, Covid's acceleration of implementation in these areas is not seen as a change in strategy.

Comments (see following slide) included the collection of more granular underwriting and claims data, the move to non-invasive underwriting data and the acceleration of predictive modeling.

Has Covid-19 impacted your company strategy going forward with respect to the use of new tools / data sources?

” Yes – Example comments

“More granular data collection.” (Japan)

“More focus on data analytics and predictive modeling.” (Canada)

“Accelerating predictive analytics development.” (Canada)

“With the push to accelerated underwriting, this has pushed us to consider alternative data sources to help with modeling.” (Canada)

“Invested more in digital services/self service tools and non ‘face-to-face’ management and validation.” (Canada)

“More detailed claims data.” (Europe)

“The pandemic has propelled technological innovation in all aspects.” (France)

“Yes, focused on non-traditional medical sources.” (US)

“Tool and data sources that can eliminate delays/manual requirements are the focus.” (US)

“More emphasis on non-invasive underwriting data sources (EHR, medical data).” (US)

Has Covid-19 impacted your company strategy going forward with respect to any other aspects of your business operations and/or products?



Again, a rather split market. It would seem that for many, innovation and new tools and data sources are the key impacted areas.

Comments (see following slide) identified other strategically impacted areas, primarily relating to employees – companies have adapted to remote working and expect this to stay, but also see challenges around that. The need to find new operational efficiencies was also identified as an outcome.

Has Covid-19 impacted your company strategy going forward with respect to any other aspects of your business operations and/or products?

”

Yes – Example comments

“Flexible working arrangements have been accelerated.” (Japan)

“Staff turnover has been low during the pandemic. I expect this to increase now, which is a risk to business operations and execution of strategy.” (France)

“Increased remote working.” (Europe)

“Covid has changed business as we know it, from in-person meetings, communications, benefits etc.” (US)

“Allowing employees to work from home has been a big challenge for our company, but it has turned out to be a productive change.” (US)

“Covid has had a major impact on daily business. In particular, the interactions between colleagues, but also the relationship between the collaborator and management. A negative development, whose social impacts cannot yet be measured.” (US)

“Operational efficiencies across systems (decision trees).” (LATAM)

4. Key industry opportunities

Key findings from this section



Covid's acceleration of the **digitalization** of sales, underwriting (including alternative data sources and accelerated underwriting) and services, was top of most minds. These changes substantially improve the customer experience. Keeping this trend up is considered a critical change opportunity for the industry and decisive for future industry survival.



Populations' increased mortality and morbidity risk awareness, and **increased awareness of the need and value of insurance**, was seen by many as a key opportunity. The industry is now in an excellent position to reduce the protection gap.



Other **product adjustments**, including simplifying products, increasing coverage clarity and adapting products to remote working, were also considered to be key opportunities.

What key opportunity do you see for the industry going forward relating to Covid-19?

”

Example comments (1 of 2)

“All companies must realize that digital transformation is key at this moment - we should not look at this only as a nice-to-have.” (US)

“The push to digitalization and more self-serve options.” (Canada)

“Investments in technology to obtain data in real time for speedy decisions.” (US)

“Accelerating the use of new and existing data to assess risk.” (Canada)

“More data mining due to the digital process.” (Canada)

“To digitalize the whole customer journey and all back-end processes so that any future lockdown doesn't have any impact on operations.” (Europe)

“Streamline management/underwriting by taking greater account of declarations from policyholders and not looking for supporting documents.” (France)

“Taking automated underwriting to another level – stepping away from amount charts and moving to a more individualized underwriting process.” (US)

Maintaining the benefits of this remote environment, while seamlessly combining it with in-person interactions when appropriate/beneficial.” (US)

“We have the opportunity to help provide tools to our clients to keep them healthier and engaged with our company for longer periods of time. This will favorably impact retention and longevity.” (US)

“Life insurance as an industry exists to support our customers through challenging times – this is ‘our time to shine.’” (Korea)

What key opportunity do you see for the industry going forward relating to Covid-19?

”

Example comments (2 of 2)

“Covid has led to an increased awareness of mortality and serious illness and the need for cover in the general population.” (France)

“A raised awareness of the value of health and life insurance with Generation Z.” (US)

“Collectively, we need to use this time to drive resolution of the protection gap.” (Canada)

“Provide life insurance to underserved markets.” (US)

“Simplification and readability of guarantees.” (France)

“Providing pandemic coverage could capture more clients' attention and result in increased sales.” (Japan)

“Room for development of specific products, e.g., travel market is more risk aware and is reviewing efficiency of current insured books, e.g., run-off solutions.” (UK / Ireland)

“Using this as an opportunity to show that we are truly customer-focused by providing fast, flexible options to help our customers through this challenging time.” (Korea)

“Raised awareness for illness-related products and wellness product packaging for changed lifestyle; work from home, etc.” (Israel)

5. Key industry threats

Key findings from this section (1 of 2)



The number one threat from respondents was Covid's **unknown, long-term impact on mortality, morbidity and disability claims**, both directly, and also indirectly from delayed testing and surgeries relating to other diseases. The unknown impact of long Covid on living benefits was noted by many as a particular concern. Connected to this, others drew attention to the threat that it may not be possible to apply necessary underwriting adjustments for regulatory, PR and/or competitive reasons. Furthermore, if new, more aggressive variants, or variants for which there is no vaccine, emerge, an already squeezed industry would be under considerable pressure.



Failing to fully embrace digitalization (or getting it wrong) was another identified threat. Many noted that if this happens, others, such as the tech giants, will rapidly fill the gap. However, several respondents saw digitalization as a threat in itself, (1) as it enables new digital players to more easily enter the market, and potentially at a time when traditional players are having to tighten underwriting; and (2) face-to-face sales have value, as we saw in slide 12; and (3) as the use of alternative underwriting data could increase mortality in some segments.

5. Key industry threats

Key findings from this section (2 of 2)



Many respondents reported **mental illness** as a threat. Aside from mental illness due to Covid contraction, many linked this to economic slowdown if the pandemic drags on, i.e., to the failure of small businesses as governments pull out of financial support schemes, causing people to lose their livelihoods.



Continued **economic slowdown** was mentioned not just as a threat linked to mental illness, but also relating to a lower demand for mortgages from reduced housing stock, lapses and a reduced ability to buy insurance products.



Several respondents noted that **regulation** could be a threat if it fails to adjust to the new risk norms and relating to anti-selection for insurers.



Other threats included higher than expected **medical inflation**, increased **volatility** and capital needs, and less employee interactions and ideas generation linked to **remote working**.

What key threat do you see for the industry going forward relating to Covid-19?

”

Example comments (1 of 2)

“Uncertain, long-term implications - and therefore possible financial impacts being greater than expected, which could create further profitability squeeze in a market that is already operating with thin margins.” (Japan)

“Long Covid and the potential impact on living benefits products.” (Canada)

“The long-term impact on mortality, morbidity and disability are completely unknown and could cause a spike in future claims.” (Canada)

“The long-term consequences on the health of the insured – a detailed analysis and monitoring will be essential.” (Europe)

“The unpredictability of the virus and its duration.” (Africa)

Potential deterioration of the portfolio from other diseases – the population has been two years without check-ups, controls etc.” (Europe)

“The unknown, long-term mortality/morbidity impacts of Covid infection (i.e., long Covid) and delayed medical treatments/ procedures that have occurred during the pandemic.” (US)

“I think there will be additional mortality from Covid and there’s a risk that we will be limited in terms of being able to address the extra mortality in terms of our ratings.” (US)

What key threat do you see for the industry going forward relating to Covid-19?

”

Example comments (2 of 2)

“Digital reduces the barrier to entry, and potential for disruption.” (APAC)

“The move to digital will lead to other digital companies entering the market.” (US)

“Complacency.” (Japan)

“Failure to adjust business models to an increasingly digital, online world. Also, increase in mental health related claims should the pandemic drag on beyond 2022 and a material reduction in prosperity of a segment of customers where small business failures accelerate.” (Japan)

“Entry of [tech giants] into the insurance sphere, whereby such firms have digital infrastructures in place to deliver goods and services and already make use of predictive modeling to enhance market presentation and at a lower cost.” (Canada)

“If government interventions introduce moral hazard.” (Europe)

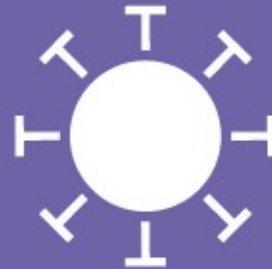
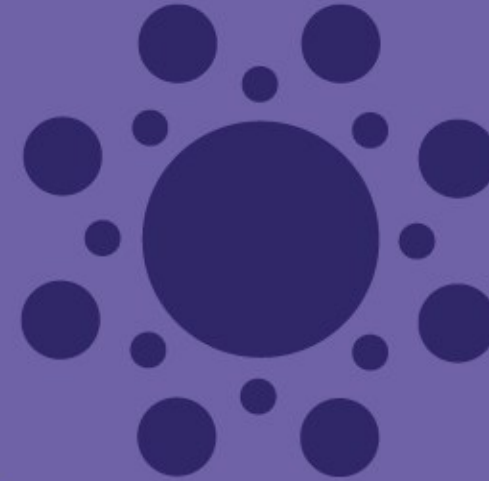
“We must manage the risks and their economic consequences well, as this is a systemic risk.” (Europe)

“None. Mortality has hardly affected portfolios due to the age of life risk products and has been offset by the decrease in accidents as a result of non-mobility.” (Europe)

“Higher volatility and therefore higher capital needs and required returns.” (LATAM)

“That the pandemic continues to spread in coming years and the insurance sector is not able to diversify that risk.” (LATAM)

“Lack of insurance generated requirements such as exams and lab testing will expose us to additional mortality in certain segments (younger ages, alcohol and drug use, unadmitted or unknown history).” (US)



Editor: Dr. Sara Thomas, PartnerRe; sara.thomas@partnerre.com

The information in this report may be reproduced without written consent. However, please always include the reference: *PartnerRe Worldwide Survey Results - Impact of Covid-19 on the Life & Health Insurance Industry*; PartnerRe, 2022.

The material and information referred to and contained in this document has been developed from sources believed to be reliable. However, the accuracy and completeness of such material and information has not been investigated or verified. PartnerRe makes no representations or warranties (either express or implied) as to, nor does PartnerRe accept any legal liability or responsibility for, the accuracy or completeness of any of this material or information. This material and information should not be construed as business, risk management, or legal advice or legal opinion.