



Chris Wei, Executive Chairman, Asia & FPI and Global Chairman, Aviva Digital provides insight on the Coronavirus, China Insurance Market and the Future

This article intends to assess the on-going coronavirus (“COVID-19”) outbreak’s impact on the insurance industry, draw on references in China from a customer centric perspective, analyse the opportunities emerging out of the crisis, and discuss how our industry could transform to better adapt and serve.

Overview

The outbreak of COVID-19 led the Chinese government to institute unprecedented lockdown and quarantine in late January 2020. The stringent measures proved effective in virus containment, but at a hefty cost – double-digit drop YoY in industrial production, retail sales, and investment for the first two months of 2020. Two months on, many other nations worldwide are following China’s footsteps.

Insurers – Impact and Actions

Chinese insurers’ February 2020 sales fell ~40% YoY, though claims were not a key concern yet, as the government funded most COVID-19 treatments. However, volatile equity markets and the lowering interest rate environment will strain the market’s short-term profits and put some smaller insurers’ solvency positions to test.

Nonetheless, the industry as a whole was proactive in fulfilling its social responsibilities, such as waiving certain policy restrictions (e.g., waiting period), offering free medical and life insurance to medical workers, and donating medical equipment. Insurers also provided more telemedicine services to help alleviate overwhelming hospital traffic, and innovative products to help businesses manage risks (e.g. quarantine business interruption coverage).

Evolving Behaviour

Sales through traditional channels slowed down drastically, because customers and advisers are reluctant to meet in person. The same reason, on the flip side, has driven customers and advisers to evolve towards digital solutions.

- **Customers** are doing more research and enquiries themselves online, as well as purchases, claims, complaints, and other self-services. We see that ZhongAn P&C recorded a 46% YoY increase in its February GWP through its omni-digital presence. While mutual platform Shuidi saw an 8x increase in its APE, especially among customers <30.

- **Agents** already use instant messages for simple communications with clients, lately they are leveraging digital means to facilitate sales even more, and making heavier use of company resources. Some are finding the tools inadequate, like their iPad-based illustrations are difficult to show over video calls. This has prompted companies to improve their interactive engagement tools for both agents and customers, whether in person or digitally.
- **Insurers** are also ramping up their remote sales force management, moving training, recruitment, team management, etc. online. While real digitisation requires lead time to understand human behavior under different settings and then develop corresponding systems and tools, early digital investors' effort is starting to pay off (e.g. Ping An's AI-driven system in COVID-19 diagnosis), and this encourages other insurers to step up their investment.
- **Customers' evolving attention** and how do insurers capture it is perhaps the most important learning during these special times. As social lockdown keeps people at home, many spend more time on their mobile phones, and some suggest that 20% of the nation's "digital time" was spent on short videos and live streaming (e.g. Tik Tok) in February 2020. We note that some insurance brokers which have the foresight to invest in this channel early are experiencing a surge in customer interest here, and some were highly successful in converting them into sales.

Preparing for the Future

It is too early to gauge COVID-19's long-term impact on the insurance industry. Some say everything will be back to the old ways soon, just like subsequent to 2003's SARS outbreak. What we can tell is that disruptions in our offline lives have highlighted the convenience of digital means and the power of technologies, which may accelerate the next wave of global and industry-wide digitisation, as insurers, advisers and customers experience the joy of serving and being served online today.

For those insurers who are better prepared, their investments in sale force digitisation, online customer service portals, analytical capabilities etc. are paying off now and giving them well deserved early mover advantages. For others, this is a wake up call on thinking ahead of time and investing more in the future.

And to all insurers, it is probably time to ditch those TV commercials featuring retirees sailing on yachts, and start to think about how to attract customers with 15-second tailored videos of K-pop dancers. And then the next social phenomenon, and also the one after it; for these may come and go even before you have time to blink.