



# Three ways COVID-19 is changing insurance

Insurance Consumer Study preview:  
the COVID-19 report



# In the COVID-19 era, consumers value health, safety, and financial security more than ever.

**Consumer research shows personal and family health are top priorities, with fears over finances growing.<sup>1</sup> Insurers can broaden and deepen their relationships with consumers as they provide protection in uncertain times.**

During the first six months of the pandemic, the share of retail consumers who ranked financial security as one of their top three concerns rose from 36% to 50%.<sup>2</sup> Preventing and recovering from losses through personal and group insurance is key to achieving that goal.

It's no surprise, then, that the pandemic caused shifts in consumer expectations and behaviors that are putting the insurance industry through its paces.

Some of the shifts in behavior, demands, and values appear short-term, but we believe others will drive change in the insurance industry more permanently. Insurers who look ahead now can prove their value to consumers both as an important source of strength amid crisis and as a recovery mechanism.

We set out to shed light on how the pandemic is accelerating or moderating changes in consumer behavior, as well as ways insurance companies can respond by changing their products and services.

As part of our bi-annual Global Consumer Study, we surveyed 47,810 insurance consumers on their expectations, behavior, and experience of industry products and services during COVID-19.<sup>3</sup>

Our findings provide insights to help insurers navigate not only the remainder of the pandemic, but beyond it. In particular, three key consumer reactions to COVID-19 are harbingers of key trends that we believe will impact the insurance industry long term.

## Consumer Reaction #1

# Home as digital fortress.

During COVID-19, home has become the epicenter of the consumer's universe. Not only is it a safe port in the COVID-19 storm, it's also functioning as a school, an office, and a shopping mall. This moves the consumer's perception of the home beyond that of an insured asset.

Protecting that connection—the ever-critical link between home and the outside world—has become paramount. The Internet Crime Complaint Center at America's Federal Bureau of Investigation (FBI) reports that by June 2020, daily digital crime had risen by 75% since the start of stay-at-home restrictions.<sup>4</sup>

Midyear 2020, the number of complaints received nearly surpassed the total for 2019.<sup>5</sup> International policing agency Interpol tracked similar trends across its member countries.<sup>6</sup>

It's not surprising that identity and personal data protection concerns are top of mind. One in five insurance consumers worry their data will be stolen if they share it with providers. As the attack surface widens and hackers target an increasingly vulnerable digital consumer during this time, we'd expect those concerns to rise across the board. The increased traffic and use of the home computing environment will eventually make digital security a premium for consumers.

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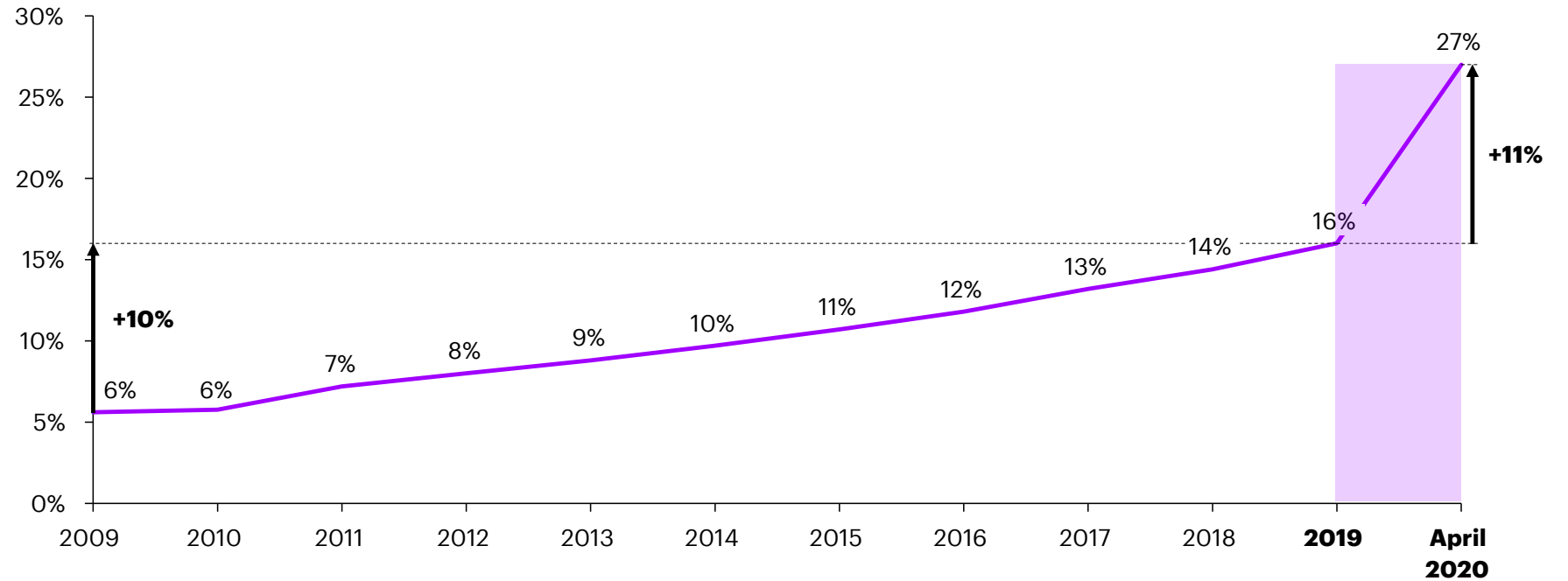
**Work from home.** Working from home has radically altered many consumers' lives over the last year. It is not possible for everyone to work from home, including 32% of the consumers in our survey who say it is not possible for them. But of those who can work from home, 56% expect to do so more frequently in the long-term than they did before the pandemic.

**School from home.** Prior to COVID-19, just 4% of educational institutions were serving 55% of online students through scaled online programs.<sup>7</sup> Nearly half of institutions had no online programs at all.<sup>8</sup> That reality was upended in the space of a few weeks as nearly everyone who could made the switch to remote learning.

**Shop from home.** Accenture's consumer pulse data suggests eCommerce purchases from new or low-frequency online shoppers will increase 169% post-outbreak, due to new habits formed during the pandemic.<sup>9</sup> At the start of the pandemic, eCommerce saw the equivalent of a decade of growth in just a matter of months (Figure 1). This growth opened consumers up to far more online risk than they've ever had.

**Figure 1. eCommerce saw 10 years of growth in a matter of months**

US eCommerce penetration as % of retail sales



Source: Bank of America, US Department of Commerce, ShawSpring Research via L'Oreal presentation at [Deutsche Bank Access Global Consumer Conference](#), June 9, 2020.

## Identity and personal data at increased risk

Insurers who offer proactive identity and personal data protection can help consumers better anticipate and mitigate those risks. Protecting the digital infrastructure that allows consumers to work, learn, shop, and more from home broadens and deepens insurers' relationships with their customers.

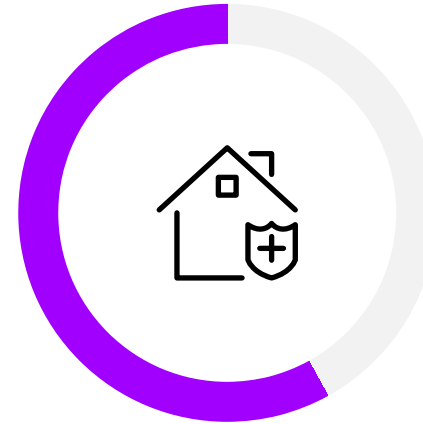
While insurers have traditionally considered "cyber" cover a commercial insurance product, consumers have grown increasingly open to that kind of offer. Roughly three out of four consumers (76%) say they would welcome assistance dealing with cybersecurity threats. But the majority want to be rewarded for good behavior. More than half (53%) would be interested in home cybersecurity insurance where premiums are tied to using the latest virus protection software. Millennials and younger consumers are particularly interested.

Offering consumers protection for their identities and precious digital data allows insurers an additional touchpoint—one that goes beyond assets into the foundations of consumers' lives. It may also inform more relevant, timely, and customer-centric offers.

## Consumer cyber insurance products coming to market

We're beginning to see movement in personal cyber insurance. For example, Baloise Group was among the winners of the Efma-Accenture Innovation in Insurance Award for their direct-to-customer cyber insurance product. It ensures safe internet surfing, online shopping, and social media activities.<sup>10</sup>

In addition, New Zealand-based Delta Insurance Group has launched a personal cyber product in partnership with UK-based Costero Brokers.<sup>11</sup> Their product protects individuals against cyber risks like ransomware and data loss.



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# Shift to work from home impacts disability trends

**One in seven people in the world live with some form of disability.<sup>12</sup> A majority (80%) acquire their disability during their prime working years—ages 18 to 64.<sup>13</sup> And because of their disability, they are 50% more likely to be unemployed.<sup>14</sup>**

The work-from-home trend, as well as the explosion of [technologies designed to help people with disabilities work](#), creates greater opportunity for persons with disabilities to join or rejoin the workforce. We expect shifts in disability insurance claims as more companies and employees agree that work-from-home is advantageous.



## Consumer Reaction #2

# Value for money is the top priority.

**As the industry assesses the magnitude of the risks and losses connected to the pandemic, companies are adjusting rates in an effort to keep their balance sheets resilient. For example, changes in usage have led insurers to offer rebates and decreases in rates on auto insurance.**

Effects of climate change and socio-political upheaval are also impacting pricing and risk. Prices of property coverage may increase in higher risk locations.

Insurers must be ready to explain these various pricing moves to consumers in the context of all that has happened in 2020. Consumers are increasingly price sensitive having ranked value for money as their most important factor when dealing with banks and insurers (Figure 2).

### **Financial relief may have helped consumer perception of insurers**

Value for money rose to the top from fourth place in 2018. As cash-strapped consumers worry about potential job loss and healthcare costs during the pandemic, value was emphasized more by unemployed consumers and those that experienced a significant drop in income.

Two years ago, the top three consumer priorities included “fast resolution to any issues” and “speedy and efficient service.” But financial concerns have edged those out of the top three, which is not surprising given the recessionary conditions created by the pandemic.

With the elevated status consumers gave value for money and competitive pricing, financial relief like the rebates offered by U.S. auto insurers during the pandemic may have had a positive influence on our next reaction: consumer perception of insurers’ performance during the crisis.<sup>15</sup>

**Figure 2. Top three factors consumers considered important**

2018	2020
<b>01</b> Speedy and efficient service	<b>01</b> Value for money
<b>02</b> Fast resolution to any issues I may have	<b>02</b> Able to manage my account in a way that suits me
<b>03</b> Able to manage my account in a way that suits me	<b>03</b> Competitive pricing

## Consumer Reaction #3

# Policyholders give their insurers a mixed report card for COVID-19 response.

**A significant minority (12%) of our global survey respondents say their insurer did not provide the support they needed during COVID-19. And nearly one in five (18%) say their insurer did not clearly and effectively communicate their response to the pandemic.**

North American consumers are more positive. A majority (52%) say their insurer provided adequate support. While only a third (33%) of consumers across European countries say the same.

Historically, consumers tend to choose an insurer and stay with that insurer. Retention rates across the industry have remained fairly stable hovering around 85%. Overall, just 13% of consumers say they intend to switch their main insurer in the next 12 months.

However, insurers can't get too comfortable. Compared with older consumer groups, more Millennials and younger consumers say they intend to switch insurers in the next 12 months. The younger generation's preference for digital channels also makes them an attractive target segment for digitally savvy competitors.

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# Looking beyond COVID-19

**Consumer values and behavior are ever-changing. In 2020, however, we saw societal-level shifts drive changes in both in ways only a seismic global event could.**

As we publish, the path to virus containment and the delivery timeline for a reliable vaccine in the first half of 2021 remain unclear. We predict many of the changes in consumer lifestyles, spending, work, relationships and expectations presented in this report will be long-lasting and far-reaching. Others may diminish as the virus does. But the key changes we have noted are large enough to warrant insurers' attention.

Changes this global in nature demand shifts in the products, services, and operating models of insurers worldwide. Surviving and thriving is about more than just tweaking existing products and services. Rather, it's about using the opportunities inherent in the current crisis to change the insurance experience for consumers. Reinventing the insurance offering from simple mitigation to one of end-to-end support changes the game. But it's the direction in which insurers need to move.

## **New opportunities to meet consumers in a changed world**

Helping protect consumers in an age of ransomware, malware, and other cybersecurity threats presents insurers with a way to grow their business in a new area, deepening and broadening their relationship with consumers.

As they partner in a new aspect of their policyholders' lives, they can do good for their customer base while ensuring they can compete even during difficult economic times.

**Insurance follows life.** It's only as we begin to emerge from this crisis that industry experts will have a clearer view of how lives will shift and how they can best meet consumers in a changed world.

Look for our full report, [Insurance Consumer Study 2021](#), for more insights on the longer-term consumer trends we see beyond COVID-19.

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## References

- <sup>1</sup> [“How is COVID-19 changing the retail consumer?”](#) Accenture (2020).
- <sup>2</sup> Ibid.
- <sup>3</sup> All data cited come from Accenture’s bi-annual global study of insurance consumers unless otherwise noted.
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- <sup>15</sup> [“Insurers offering \\$10.5 billion in rebates— but who is offering what?”](#) Insurance Business (April 13, 2020)

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