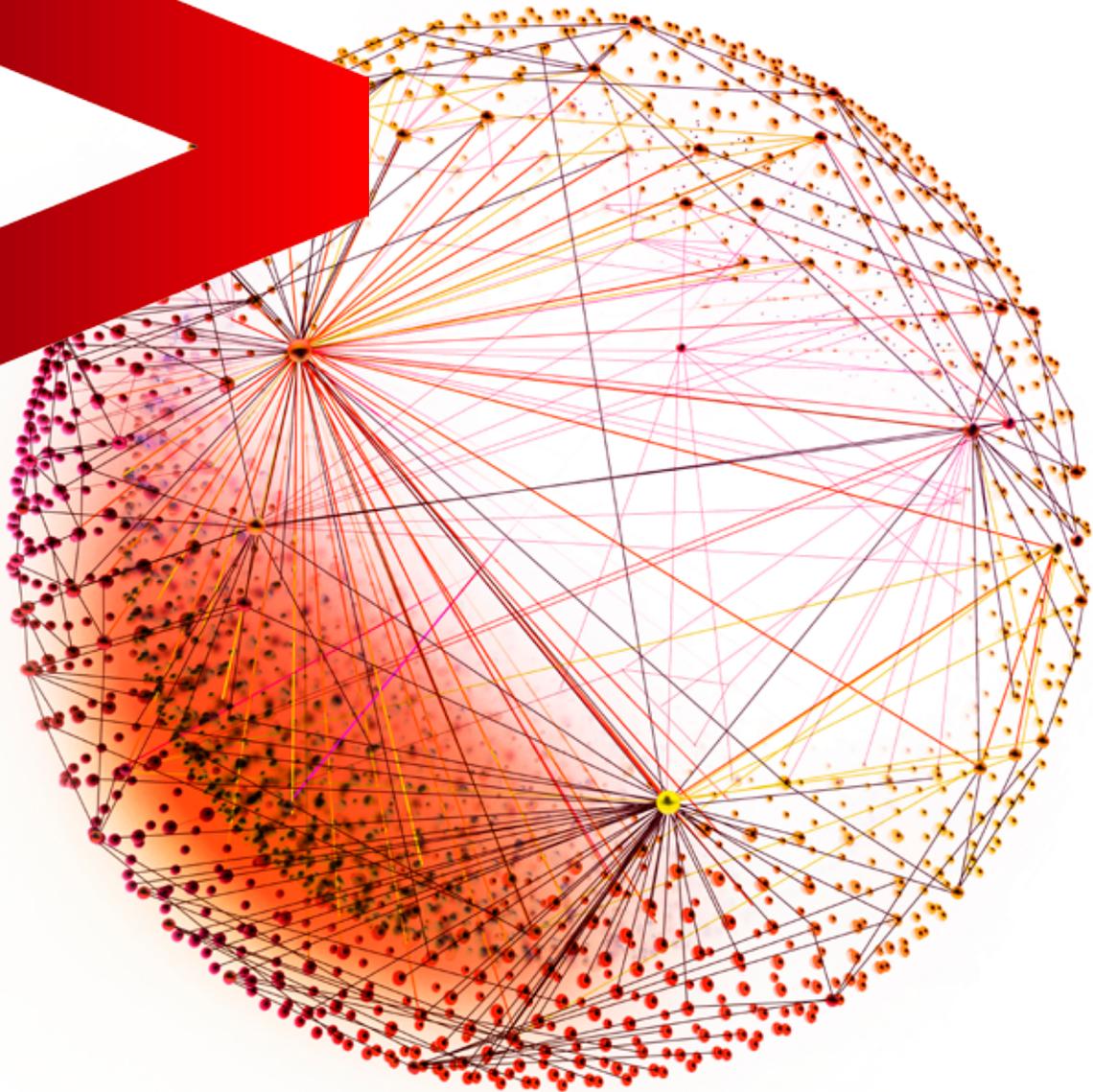
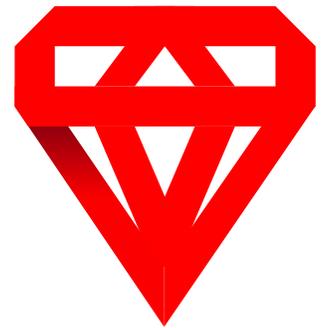


CONNECTED WELLNESS: **LIVENING-UP LIFE INSURANCE**



Most people rarely engage with life insurers after purchasing a policy, aside from making billing inquiries or updating contact information. They pay their premiums for years so that their family will be taken care of when they are gone. When that time comes, next of kin are the ones interacting with the insurer. A sobering thought. But this is the nature of the industry today.

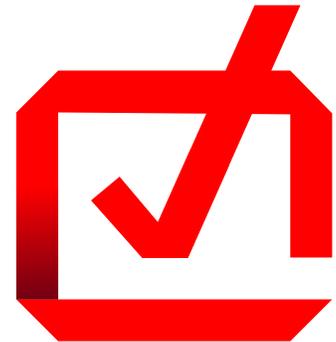


A NEW VALUE PROPOSITION

What if life insurance companies helped people think about their lives, not just their deaths? Such customer engagement is possible today, and can help insurers reach underserved markets. As the industry struggles for relevancy in a connected world, expect this slow wellness revolution to gain momentum.

With customer interactions so infrequent, insurers cannot be truly customer-centric, especially by the standards of today's always-on digital landscape. They face a compensation value proposition dilemma. Carriers cannot afford to pay out more claims to increase customer interactions. But without more interactions, higher cross-sell rates, product and relationship stickiness—even relevancy itself—are at risk. So is growth.

Connected wellness enables insurers to evolve the value proposition from compensation to wellness, risk prevention and risk coaching to become "Everyday Insurers." This pivot increases the frequency and quality of customer interactions to cultivate more meaningful customer relationships that touch people's daily lives. Our global analysis reveals that life insurers that tap into the wearable device explosion can gain \$16 to \$24 billion in new revenue in underserved segments in developed markets.¹



REWRITING RELATIONSHIP RULES

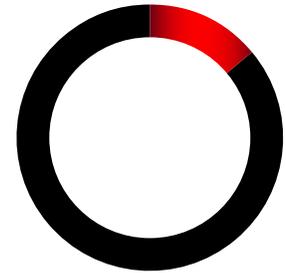
Changing customer expectations are fueling insurers' crisis of relevancy. People are accustomed to highly-personal digital experiences from Google, Netflix, Facebook and Amazon. But insurers are not aggressively using digital channels to multiply consumer touchpoints.

The industry trails most others in consumer interaction frequency across channels. Only 14 percent of insurance consumers interact with their carrier daily or monthly, compared to 55 percent of bank customers and 46 percent of online retail customers.² Less frequency means less relevance. It's the old out-of-sight, out-of-mind dynamic at work.

Breaking through this dynamic, connected wellness changes the relationship between life insurers and customers, bringing new value to both. Today, not in 50 years. Customers who provide their health data receive personalized goal setting and coaching, insights into how behavior affects wellness, community and competitive engagement, and rewards programs that can include retail discounts. Insurers have the data flow to support these services, but will need to sharpen their customer experience design and data analytics capabilities to deliver them well.

The value dimension for insurers goes well beyond a short-term gain in fees. In addition to more intense customer interactions to drive higher customer retention and relationship stickiness, carriers can also create value by influencing risk throughout the policy term, improving insured population risk profile through self-selection, gaining more insight into customer behavior, and developing ecosystem partnerships.

Connected wellness is in its infancy in this industry, but there are early successes. Vitality is one of several incentive-based wellness companies that partners with life insurers. Developed more than 25 years ago, Vitality now uses connected wellness devices as one of its data sources to drive customer engagement and help people become healthier. Data show that compared to other insured people, Vitality members have up to 30 percent lower hospitalization costs and live up to 21 years longer.³ Approaches like Vitality's overcome the human tendency to choose short-term gains over long-term ones. This mindset is a major reason why insurers cannot expect to offer premium reductions alone to encourage behavioral changes. Change comes from offering repeated, positive stimuli and rewards in the moment.

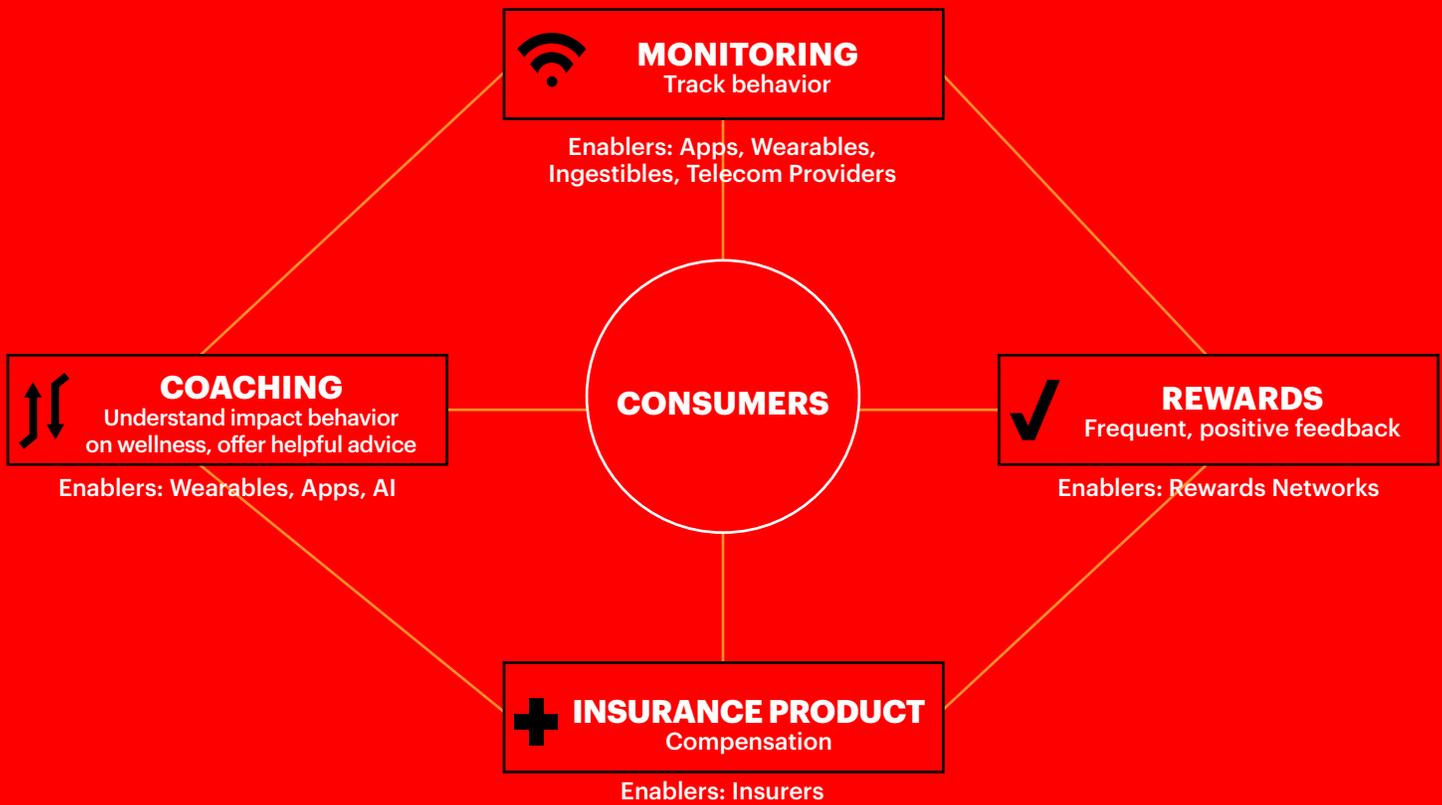


Only 14 percent of insurance consumers interact with their carrier daily or monthly. Less frequency means less relevance.

WHAT IS CONNECTED WELLNESS?

Connected wellness combines digital devices like wearables, mobile apps and web portals with analytics to create personalized daily interventions. Customers agree to provide their health data in exchange for monitoring, coaching, and rewards from ecosystem partners all designed to educate and encourage behaviors that improve physical and mental well-being.

4 components of connected wellness change value proposition to include risk prevention



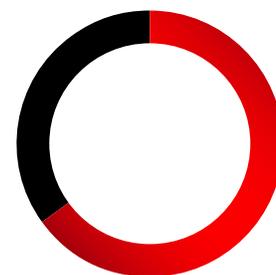
NEW MARKETS ARE WAITING

Connected wellness can help life insurers approach new markets, interacting with underserved customers more often, improving underwriting results and increasing share of wallet—and share of mind.

Consumers are open to it. Forty-four percent are likely to consider connected insurance services to help them become and stay healthier.⁴ Add to that the proliferation of healthcare wearables—the global market is projected to reach \$41 billion by 2020⁵—and there is a strong foundation for the future.

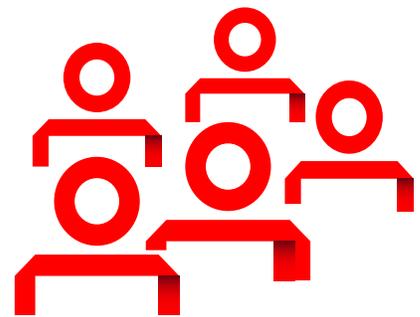
For today, our analysis suggests that millennials and seniors are top targets for connected wellness. Take millennials. They are typically under insured. Those that do buy are less inclined to do so via traditional channels and more apt to engage digitally and more frequently. Connected wellness is a natural fit—65 percent of millennials globally would consider a connected life insurance product.⁶

Much of the early momentum around connected wellness has targeted seniors and their caregivers. This market is a match from both healthcare needs and risk management perspectives. Seventy-eight percent of consumers are interested in insurers helping them or aging relatives live longer safely in their homes.⁷ While complex services are not ideal for seniors, connected wellness is simple by design. It can be as easy as putting on a wearable or installing sensors at home. Seniors are also more digitally savvy than people think. Among people 65 and over in the United States, wearables adoption has grown by 264 percent. That's more than five times faster than the general population.⁸



Connected wellness is a natural fit—65 percent of millennials globally would consider a connected life insurance product.

Consider two connected wellness programs available now for seniors. Europ Assistance Group's Connect&Moi uses connected devices and algorithms to learn seniors' habits at home. It tracks motion to help prevent falls and identify decreases in activity. Changes in a person's habits alert an emergency call center.⁹ Groupama's "Noe" is a connected tablet that allows a senior to be directly linked with relatives. A fall-detection wristband with an alert push-button links seniors to a 24-hour helpline, and an app and social network allows caregivers to connect virtually with elderly family members. Based on wearable technology, Noe provides remote assistance through an app so caregivers can centralize information and interact in real time with seniors at home.¹⁰



STRENGTH IN NUMBERS

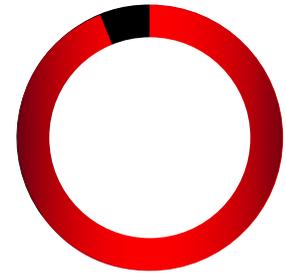
While there is a clear business case to pursue these connected wellness markets, breaking into them can be difficult. One reason is the glut of goal-setting and tracking apps that count everything from steps to calories. It is difficult for insurers to know where to place their bets.

The reality is that carriers do not have to—and should not—attempt to choose one winner. Nor should they go it alone and attempt to build from the ground up. Instead, insurers need to develop an open business architecture that creates a backbone for orchestrating or participating in a connected wellness ecosystem.

This ecosystem includes insurers, producers, infrastructure providers and consumers. It offers people coaching, rewards and value-added health and wellness services. In one ecosystem partnership, insurer Aviva worked with mobile health company babylon to offer customers with an app for virtual access to doctors with health monitoring to reduce workplace absences.¹¹

By participating in an ecosystem, insurers can take advantage of the multiplier effect. They can scale connected wellness programs without investments outside the core business and get fast access to new customers without new marketing costs. Third-party platform integration with insurers' core systems is important to tailor value propositions, develop better risk pricing and offer relevant rewards that deliver the repeated, positive stimulus that is not available through premium discounts alone. Insurers are strong wellness ecosystem partners themselves. Not only do insurance products enrich wellness offerings, but marketing expense budgets can be used to fund things like devices and app development.

This ecosystem approach is about embedding products and services into existing networks and becoming part of the platform economy. Industry leaders already know this is a priority. Ninety-four percent believe that adopting a platform-based business model and engaging in ecosystems with digital partners is critical to their success.¹²



94% of industry leaders believe that adopting a platform-based business model and engaging in ecosystems with digital partners is critical to success.

NO MERE DEVICE REVOLUTION

The move to connected wellness goes beyond putting devices into customers' hands. It is a revolution in customer interactions, products and services, and ecosystem partnerships that represents a profound shift in insurers' value proposition. Delivering on this successfully demands strategic and structural changes to the business. Insurers must be prepared to:

Crystallize the connected wellness value proposition and mobilize to deliver it.

Determine who to be, what markets to serve, and what customer interaction points are critical and align capabilities accordingly. Do not be afraid to look outside for capabilities.

Lay the groundwork to innovate products and services for top targets.

Ensure the business has a flexible operating model, digital acumen and sufficient depth and breadth of key skills, such as data science or design thinking, to innovate and scale at market speed.

Manage, monitor and monetize the data flow—before someone else does.

Leverage data to create more consumer interaction points, to provide better risk selection among applicants, and establish a living profile for customers. Navigate data regulations and privacy issues mindfully.

Adapt to outcome-based rewards sharing across ecosystem partners.

Foster a "collaboration first" culture. Consider apportioning a part of acquisition costs saved through partnerships to offset costs for ecosystem partners.

Digital has ushered in tremendous changes across insurance. Yet life insurers are behind property and casualty. Life insurers that do not transform customer engagement risk defaulting to the wholesale business. While there is good money to be had there, this is not a position many carriers deliberately choose. However, insurers that start delivering tomorrow's value proposition today with connected wellness can avoid this fate and claim first-mover advantages in buyer selection and market capture.

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NOTES

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