VISION & VALUE

THE ECONOMICS OF TRAVELLING BEYOND INSURANCE: RECONSIDERING THE NATURE OF INSURANCE BY EXPANDING COVERAGE TO NEW SEGMENTS.

MAY 2024

How can inclusivity be used as a strategic enabler of value creation in the insurance sector? Given the daunting challenges posed by the changing technology, demographics, and labor market trends, how can these challenges be turned into opportunities to redefine the very nature of insurance? In addition, how can innovation be effectively blended with business plans and simultaneously protect the financial gains of the stakeholders?

The Vision paper on "Silver Technologies and Economy" demonstrated the significant possibilities that analysing large amounts of data offers for value generation. Value for the **elderly**, who demand increasingly sophisticated healthcare services, and for businesses (including insurance companies) that are willing to innovate their value proposition. However, the study also defined the terms of the challenge posed by technology: using data to personalize the product offered (such as an insurance policy) means that large companies (such as insurance companies) need to profoundly change their supply (and, in the case of insurance, progressively shift their core business from risk pooling to supply personalized healthcare services).

This challenge must be fulfilled proactively and with great strategic intelligence. Moving too slowly can mean being left out of the market with an outdated supply while investing in the wrong direction can jeopardize financial stability and cannibalize a business that has so far ensured stable profitability.

The same fundamental principles can be extended to encompass other demographic groups that presently have limited insurance coverage. Among these, the **younger generation**, who stands at the opposite spectrum of the European population's age profile. Interestingly, a significant portion of this demographic shares striking similarities with the elderly. These "digital natives" are well-versed in utilizing digital technologies, but they often face constraints like limited income, inadequate protection, and a lesser understanding of the risks associated with areas like health and savings, which typically concern the elderly population. Remarkably, despite their youth, these individuals represent potential customers with substantial prospective net present value.

Elderly and young individuals, despite having opposite characteristics, are segments with high economic and social potential, while also presenting significant complexity and innovation for an insurance group.

This paper aims to present a practice already experimented by Vision and Value, which has successfully made "inclusivity" an opportunity for value generation and anticipated certain trends that can transform the nature of insurance. In both cases, insurance could undergo a fundamental paradigm shift: a transformation from a passive entity that guarantees coverage for needs to an active partner that collaborates with the insured and its partners to provide services and technologies that reduce the likelihood and cost of events (such as illness or loss of income). This approach aligns the interests of both the insurer and the insured.

A very good example of this is United Health in the US, which is strategically located at the interface of insurance and pharmaceuticals. In just one year, the company has been able to achieve an incredible milestone of increasing its total worth by an astonishing one-third. This transformational step placed United Health among the traditionally dominant group of ‘Internet Giants’ and, namely, in the prestigious list of the top ten most valuable companies in the world.

The project will embark on a quest to address the following inquiries:

- What is the intrinsic worth of a technology-aided reform that creates insurance products that grow over time into personalized wellness or healthcare services?
- What is the measurable value, including both economic and financial effects, considering the initial investments, cost savings on handling current client claims, and the opportunity for scalability and increased profit margins based on new customer acquisitions through this innovative product?

This assessment will include different demographic segments like the youth with lifetime support, unlike the elderly clients who have more disposable income. Furthermore, it will touch on the worth of unique product offerings, ranging from a system developed for the all-rounded collection of customer data to the introduction of sensors – whether wearable or non- wearable health monitoring and management.

The document is structured as follows:

1. THE NUMBERS OF INSURANCE IN A MATURE ECONOMY AND THE SIGNIFICANT DISCONTINUITY OF TECHNOLOGY AND DEMOGRAPHICS

The paper focuses on Italy and the EU by referring to wider global trends. It also considers as potential new segments to be serves the ones that are currently uninsured (a tendency that is growing among young individuals), uninsurable (as is the case with the elderly), or underinsured.

In the following table, we detail the demographic details, size, economic profile, interest in buying health and life insurance, and potential of the existing and possible customer groups.

The diagram also presents a preliminary hypothesis of the segments (marked in red) from which it is advisable to initiate actions that lead to greater coverage of the population in a country like Italy (similar methodologies can be applied elsewhere), thereby extracting value from it.

TABLE 1 - DEMOGRAPHIC AND ECONOMIC PROFILES OF THE MAIN CURRENT AND POTENTIAL CUSTOMER SEGMENTS (ITALY AS A CASE) (PRIORITY SEGMENTS HIGHLIGHTED IN RED)

	SEGMENTS								
PRODUCT	CURRENT CUSTOMER			NEW CUSTOMERS OR UNDER INSURED					
	YOUNG ADULTS (> 25 < 50 y.o)	MIDDLE AGE (> 50 < 65 y.o)	ELDERLY (> 65 > 75 y.o)*	YOUTH (< 25 y.o)	YOUNG ADULTS (> 25 y.o < 50) LOW INCOME	YOUNG ADULTS (> 25 < 50 y.o) AFFLUENT WITH LOW PROPENSITY AND NO OBLIGATION TO INSURE	MIDDLE AGE (> 50 > 65 y.o) – LOW INCOME	WOULD BE ELDERLY (> 50< 65 y.o) WHO MAY WISH TO BE INSURED FOR ENTIRE LIFE **	OLDER ELDERLY (> 75 y.o) WHOSE HEALTH INSURANCE IS DISCONTINUED
SIZE	3.7 MIL	8.3 MIL	6.1 MIL	13.6 MIL	7,4 MIL	7,8 MIL	4,8 MIL	8,3 MIL	7,1 MIL
INCOME AND NETWORTH	AVERAGE INCOME – BELOW AVERAGE NETWORTH	ABOVE AVERAGE INCOME – AVERAGE NETWORTH	AVERAGE INCOME – ABOVE AVERAGE NETWORTH	FAMILY DEPENDENT OR LOW INCOME	LOW INCOME – LOW NETWORTH	ABOVE AVERAGE INCOME – AVERAGE	BELOW AVERAGE INCOME – AVERAGE NETWORTH	ABOVE AVERAGE INCOME – AVERAGE NETWORTH	DEPENDENT ON RETIREMENT BENEFITS - ABOVE AVERAGE NETWORTH
PROPENSITY TO PURCHASE HEALTH INSURANCE	MEDIUM	HIGH	HIGH	LOW	LOW	LOW	MEDIUM	VERY HIGH	NOT INSURABLE
PROPENSITY TO PURCHASE LIFE INSURANC	MEDIUM	MEDIUM	HIGH	LOW	LOW	LOW	MEDIUM	HIGH	HIGH

Source: Vision, 2021

* This customer segment technically generates a net loss. This is because on the life side, they receive accumulated benefits (and do not make additional contributions), and on the health side, they incur "losses" that exceed the premiums. An approach like the one proposed in this note makes this situation not inevitable.

** For the classification of "would be elderly," we refer to individuals over 50 years old who are insured but would be willing to pay an additional premium for life insurance beyond the age of 75.

Table 1 highlights some evidence that have driven the economics of retail insurance (excluding motor liability insurance and other less economically valuable and numerous types of insurance) for years:

a) Existing customers (individuals who pay premiums) account for less than 30% of the population in a country like Italy (approximately 18 million).
b) However, out of these 18 million customers, 6 million represent a "net cost" funded by the remaining 12 million. This is natural in a business that revolves around a life cycle, involving accumulation (of savings and policies) and utilization. In a context where the number of elderly individuals continues to grow, this poses a concern.
c) Moreover, out of the 18 million existing customers, only 1.3 million voluntarily activate insurance, while the others (16.7 million) do so as part of their employment contracts. The market trends shifting people from companies (affected by the "Great Resignation" processes) towards forms of self-employment present a challenge.
d) Furthermore, increasing percentages of young individuals are kept away from insurance due to two main issues:
    a. Low and unstable wages.
    b. Limited trust in the prospect of needing to worry about having a pension.
e) Lastly, there is a demand for health insurance coverage that extends beyond the age of 75 (and potentially lasts a lifetime). This demand is prevalent among two different segments: the "elderly" (over 75 years old) and their family members/caregivers. It is also present among those over 50 years old, who are still part of the pre-internet generations (baby boomers and Generation X).

The two segments “circled” in red in the table are the starting point for the reflection underlying the best practice for insurance companies.

2. THE "INTERNET OF BEINGS" AS THE LATEST EVOLUTION OF THE INTERNET AND REORGANIZING INSURANCE AS A SERVICE

Some of the major European insurance groups have recently launched lifetime health products. What is interesting is the logic of adding a range of services to the policy: health check-ups, sports check-ups, and nutritional DNA tests that help prevent and reduce the risk of diseases (and thus, damages). This choice certainly reflects an alignment between the company's strategy and the approach we propose, which can foster innovation. Reflecting on our proposed approach to foster innovation within the insurance sector, we observe real-world applications that align with this vision. A notable instance is Lemonade Insurance[1], which has adeptly harnessed AI technology to revolutionize the claims process. By employing AI-powered chatbots, Lemonade has significantly enhanced the efficiency and responsiveness of its service, offering a more streamlined and user-friendly experience for policyholders. This implementation vividly illustrates the potential of digital innovations to not only optimize operational processes but also to elevate the overall customer journey in the insurance landscape. However, the mix of services offered seems to create a vulnerability compared to the "protection for life" approach.

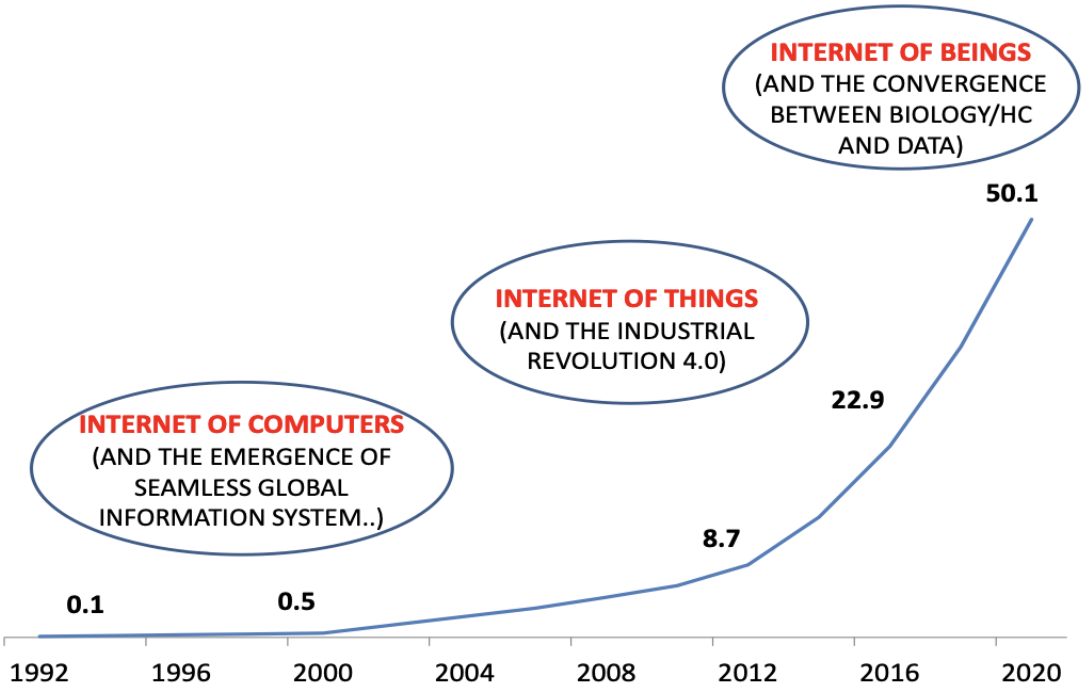
[1] https://www.lemonade.com

2.1 THE GLOBAL TREND

Estimates from McKinsey, the Martin School at Oxford and the World Health Organization, envisage forty-five billion additional years spent in "good health" (without chronic diseases) and thus an increase of **six years on average for every inhabitant on Earth** (*Disease Adjusted Life Expectancy*).
It is reasonable to assume that this increase could be even higher in countries that have lagged behind but can leverage the competitive advantage of "leapfrogging," the opportunity to surpass others by not being hindered by inertia and benefiting from superior digital skills. However, this is also a goal that the Western world can strive for.

At the moment, we are involved in a discussion about the most powerful innovation wave that is going to happen in the next few years and which has the power to change the landscape in a similar way the Internet revolutionized the world, starting half a century ago with the first experiment with the Internet Protocol. The essence of this transformative evolution is succinctly encapsulated in the following graph.

GRAPH 1 – THE "INTERNET OF BEINGS" AS THE THIRD PHASE OF INTERNET EVOLUTION AND THE NUMBER OF CONNECTED OBJECTS THROUGH THE INTERNET, WORLWIDE, IN BILLIONS, 1992 – 2020

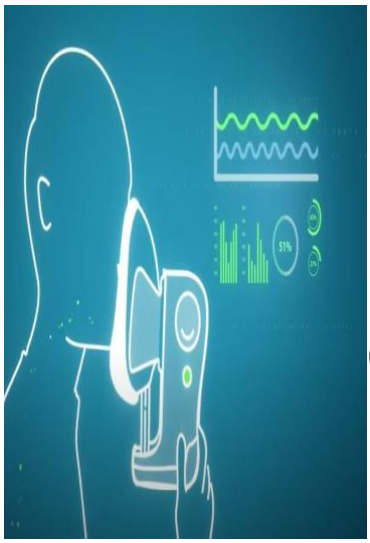


SOURCE: VISION BASED ON COMPTIA AND GARTNER DATA, 2021

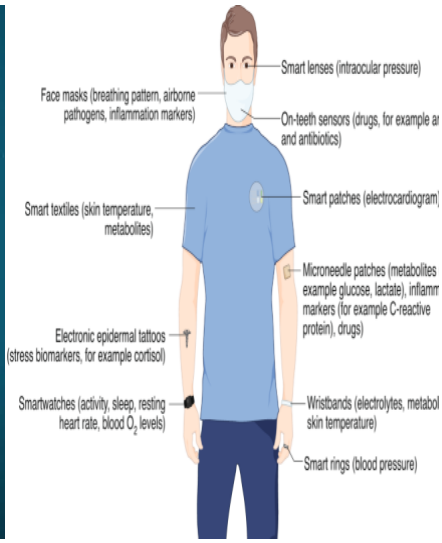
In the paradigm of the "Internet of Beings"[2] (understood as the third phase of Internet evolution), sensors enter the human body, monitor vital functions, record reactions that organisms have to certain stimuli, intervene in emergencies, and suggest diets.

The acceleration of this evolution is one of the most significant consequences of the COVID-19[3] pandemic, and it is particularly the Asian countries that have demonstrated how data can be utilized to contain a pandemic. The following figure represents how the use of technology has made the three phases of infection[4] control (TRACK, TRACE, and TREAT) much more efficient in countries such as South Korea, Japan, Australia, and China.

FIGURE 1 – THE COMPONENTS OF A HEALTHCARE/SOCIETY RESILIENT TO THE PANDEMIC (LESSONS DRAWN FROM THE CASES OF SINGAPORE, SOUTH KOREA, JAPAN, CHINA, AUSTRALIA, 2021)



COSTLESS REMOTE DAILY TEST



NOT INVASIVE/ WEARABLE/ PRIVACY SENSITIVE TRACE

TECHNOLOGY ENHANCED HOME TREATMENT

SOURCE: VISION "INTERNET OF BEINGS", 2021

The results of a system capable of accessing, analysing, and utilizing large amounts of data as a lever to solve complex problems are significant. In the analysis of "EXCESS MORTALITY" during the two years of the pandemic, countries in the Asia-Pacific region (which have a population of 2.2 billion) had lower COVID-19 deaths compared to Spain (with a population of 45 million). These findings are reshuffling the rankings that the World Health Organization made regarding the quality of different healthcare systems (with the Spanish system being among the best) and highlighting the need to rethink healthcare based on data.

[2] The term is proposed by VISION in the PAPER "THE PANDEMIC AS THE GREAT 'BIG DATA' FAILURE AND THE INTERNET OF BEINGS AS THE NEXT FRONTIER", March 2021.

[3] Interessante, a questo proposito, la COVER STORY dell'ECONOMIST "THE DAWN OF DIGITAL MEDICINE", 3 Dicembre 2020

[4] THE ECONOMIST, 7th May 2022.

Drawing upon the wealth of data readily accessible via the Internet, the potential emerges not merely for the reconfiguration and enhanced efficacy of healthcare systems but also for a profound metamorphosis of the very bedrock upon which medical research and the formulation of pharmaceuticals and vaccines rest. It is noteworthy that RNA-based vaccines, exemplified by Moderna and Pfizer, have been conceived as products stemming from a platform amenable to reprogramming in response to the emergence of viral variants. This development is by no means a happenstance occurrence but rather a testament to the transformative power of data-driven innovation.

In this context, the traditional concept of health insurance as an actuarial scheme designed to share the risk of illness among numerous individuals and replace the uncertain cost of damage with the payment of a fixed premium may become obsolete. An extreme vision sees the insurance of the future as providers of a personalized well-being service (not just "health") based on data and offered at a flat price (FLAT).

While thinking about the approaches to attract different demographics, the example of “Discovery Health’s innovative program[5]” implemented in South Africa serves as the perfect illustration of a proactive attitude towards healthcare. The effectiveness of personalized insurance plans in contributing to the improvement of health and well-being across diverse populations can be shown through the way that the program incentivizes healthy behaviors by aligning insurance benefits with personal wellness goals.

2.2 THE ITALIAN AND EUROPEAN CASE

From VISION's paper on "Silver Technologies and Economy," three findings have been particularly significant in identifying an effective paradigm shift for European insurance companies. Here it has been referred to the Italian case, but similar considerations apply to the entire European market.

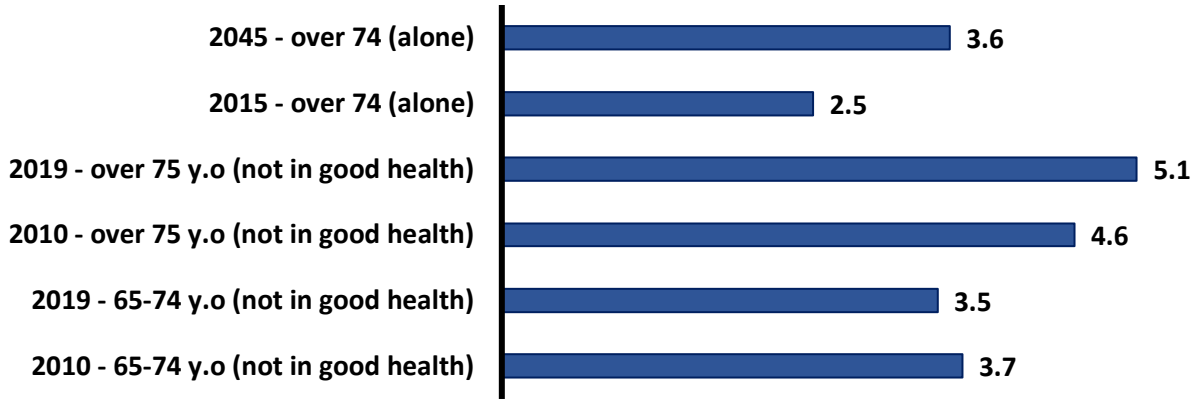
Firstly, **Italy has the highest percentage of seniors aged 65 and over among European countries**, and it also has **the most imbalanced distribution of wealth and income in favour of seniors**.

Nonetheless, within the senior demographic, there arises a notable dichotomy, yielding two discernible segments:

a) Individuals ranging from retirement age to 75 years often find themselves in a phase characterized by a sense of well-being and enriched interpersonal connections.
b) Conversely, the "oldest old" demographic encounters escalating levels of discomfort and confronts a growing array of challenges.

[5] https://www.discovery.co.za/corporate/discovery-health-brings-user-friendly-technology

GRAPH 2 - EVOLUTION OF DISABILITIES BY AGE GROUP (ITALY, IN MILLIONS, 2015-2045)

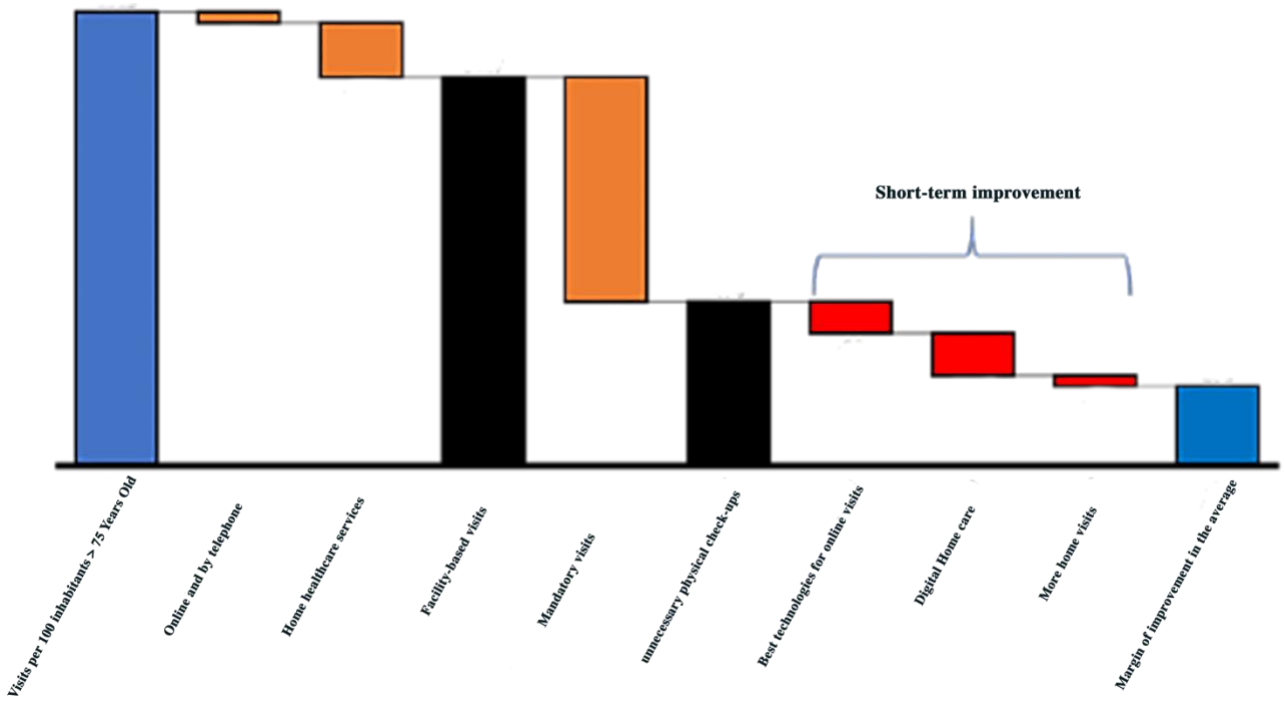


SOURCE: VISION BASED ON ASSOCIAZIONE AEA E ISTAT DATA, 2021

Secondly, **healthcare is by far the sector** - both industrial and in the production of public goods - **in which the potential for improvements induced by digitalization appears to be the strongest.**

In particular, a "feasibility study" conducted by VISION for the Ministry of the Presidency of the Council estimated the potential of technologies based on a fundamental parameter: the reduction of physical travel and the time required for booking and purchasing healthcare services (reduction of transaction costs), which can increase the number and quality of visits.

GRAPH 3 – POSSIBLE IMPROVEMENTS TO A HEALTHCARE DELIVERY SYSTEM

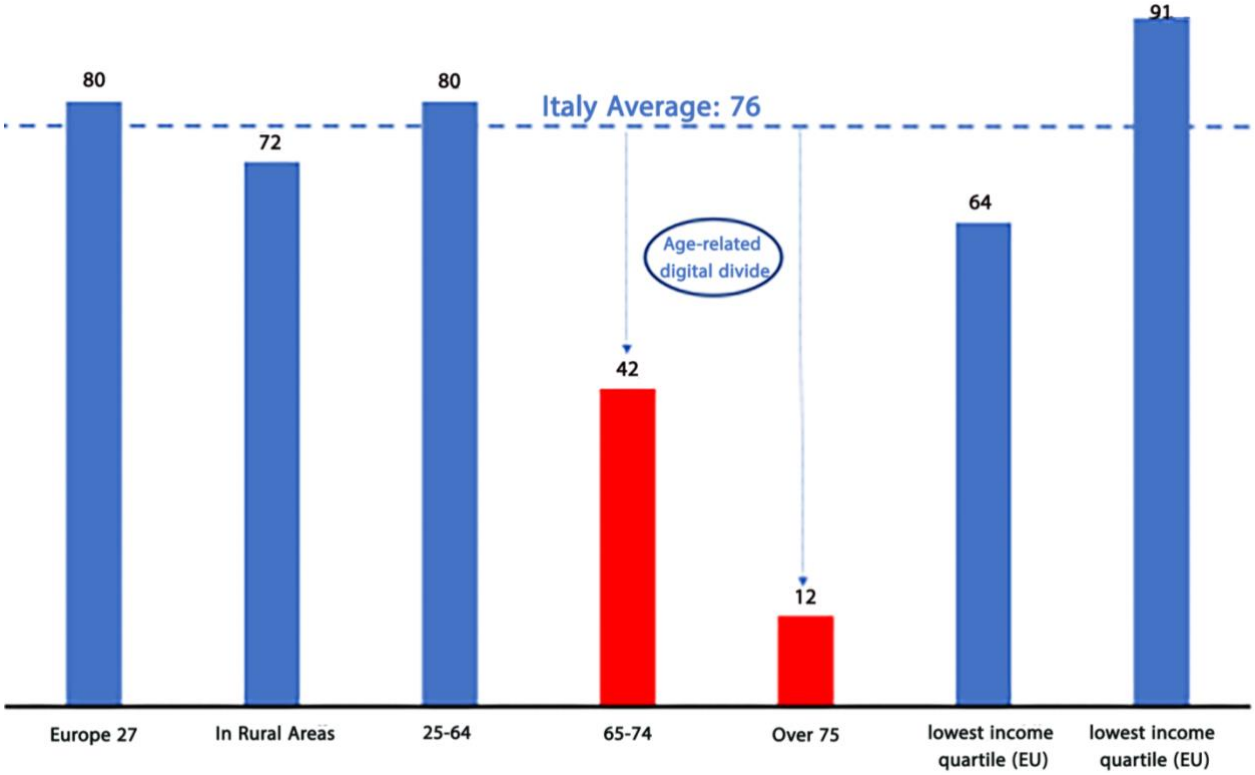


SOURCE: VISION BASED ON FIS PROJECT/PUBLIC FUNCTION DEPARTMENT - CDCP, 2021

An improvement in efficiency in the short term also has an impact on the effectiveness of check-ups in the medium term. More visits (because their delivery is simplified) of better quality (because they are better assisted by previous knowledge of the case) lead to better prevention and, over time, to a reduction/containment of pathological events.

The third evidence, however, is that age explains the digital divide more than any other factor as for the following graph.

GRAPH 4 – PERCENTAGE OF THE POPULATION ACCESSING THE INTERNET DAILY (2020).



SOURCE: VISION BASED ON EUROSTAT DATA, 2021

The problems faced by the aged is, however, not just the lack of demand for particular skills, but also because healthcare systems seem flawed. A good case in point is the ongoing attempts at digitizing the public health system, which is critical to the elderly. The problem is that these digital infrastructures are fragmented. This fragmentation creates major challenges, including the ineffective transfer of diagnostic data between specialists. This became more apparent during the pandemic when the failure of the system to share information about the COVID-19 infection became evident[6].

[6] Emilia Romagna is an exception as it has effectively introduced the sharing of Electronic Health Records (HER).

The National Recovery and Resilience Plan in Italy (PNRR), which dedicates its "sixth mission" to healthcare in Italy, does not seem to express a strategic vision of the value technology can play. This presents an opportunity that we risk losing, considering the strong acceleration towards convergence between the INTERNET and healthcare that the pandemic has produced. However, in this context, major insurance companies have a strategic opportunity.

3. ACTIVE AGEING, THE "GREAT RESIGNATION," AND RETHINKING LIFE INSURANCE BEYOND THE IDEA OF ANNUITIES

The previous section explored how the elderly have serious problems with the coverage of health services, which can be addressed with the help of improved integration of technological solutions and the reorganization of the product in a strategic manner. In contrast, the young (especially in cohort age defined as “generation Z”), even when employed and with a decent pay, tend to overlook the necessity of having an annuity or health insurance in the later years, when independence might wane. We argue that even within this second segment, where efforts could be focused on increasing the number of insured clients, there is a value that more advanced insurance products can unlock. To reflect on this second aspect, we start with global considerations before calibrating them for Europe and Italy.

3.1 GLOBAL TREND

The above discussion has provided critical aspects concerning the change in the social view of ‘old age.’ Our analytical framework must incorporate these ideas to develop a more subtle understanding. This brings about an evident contradiction in this regard. First, policy discussions often invest ‘old age’ with meanings of ‘burden’ that needs to be ‘managed’ – a burden supposedly symbolized by the 65 and above age group in the general population. On the other hand, there is a powerful alternative set of ideas, that reframes seniors as active and influential actors in diverse spheres, such as but not limited to the movie world, music activities, and the field of politics. Such contrast highlights a changing and multidimensional story of aging that defies the established norms and forces rethinking of social perception of the old.

More generally, three trends are spreading worldwide:

a) A proliferation of active aging practices and initiatives (widespread in Northern Europe, and now gaining ground in China).

b) Pressure, in all countries, to raise the retirement age and equalize pension benefits to contributions. There is also a gradual removal of the idea/taboo of having a fixed start date of retirement.

c) A decline in younger generations' propensity for "pension savings" accompanied by a progressive erosion of disposable income and stable employment (creating a

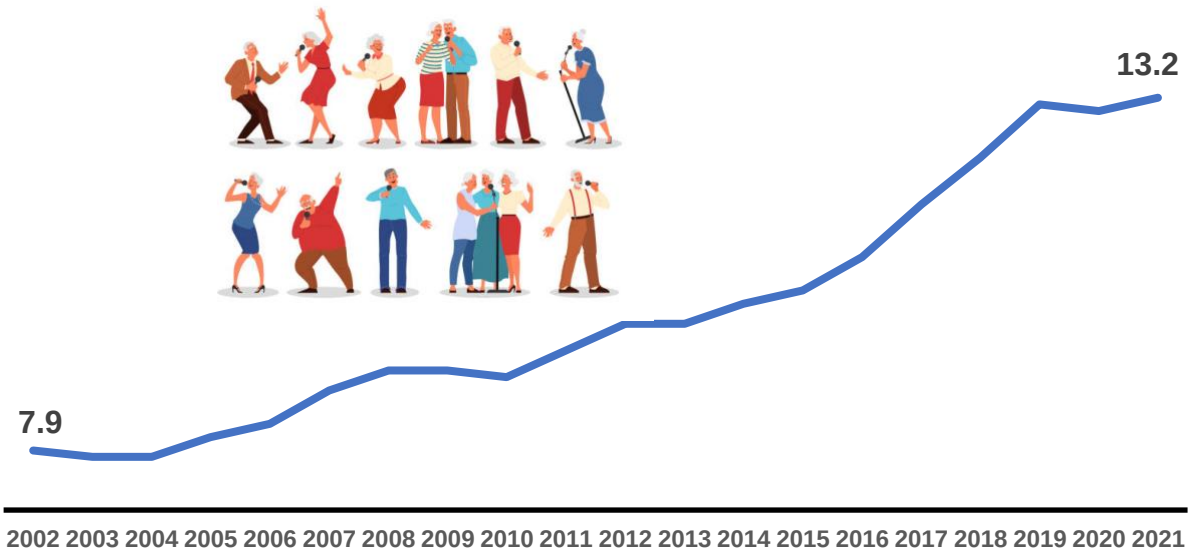
segment of the population that doesn't seek insurance despite having the means to do so).

Given these developments, it has been noted that insurance companies, depending on the country, have shown more dynamism than government bodies in adjusting the terms and conditions under which life annuities are available, especially when they are offered as a complement to traditional pension plans. The essence of the problem lies in the fact that the strategic course should be changed towards the development of direct contacts with potential customers, bypassing intermediate layers. This requires a rethink of the products that are offered, a topic that will be discussed in detail in the following sections of this paper.

3.2 THE EUROPEAN (AND ITALIAN) CASE

The dynamics of employment longevity, encompassing both the age of retirement and the tenure of employment within a single organization, are similarly relevant to the European context. An illustrative graph elucidates that the proportion of individuals remaining in the workforce post the age of 65 has escalated by 50% over the preceding decade. This upward trajectory could have been more pronounced in the absence of a diminishing "safety net." The gradual transition from a "pay-as-you-go" to a "contributory" pension scheme is anticipated to culminate, within the next decade, in an average retiree receiving a pension that amounts to approximately two-thirds of their final salary. This shift reflects broader socio-economic trends and policy reforms impacting retirement planning and financial security in the later stages of life.

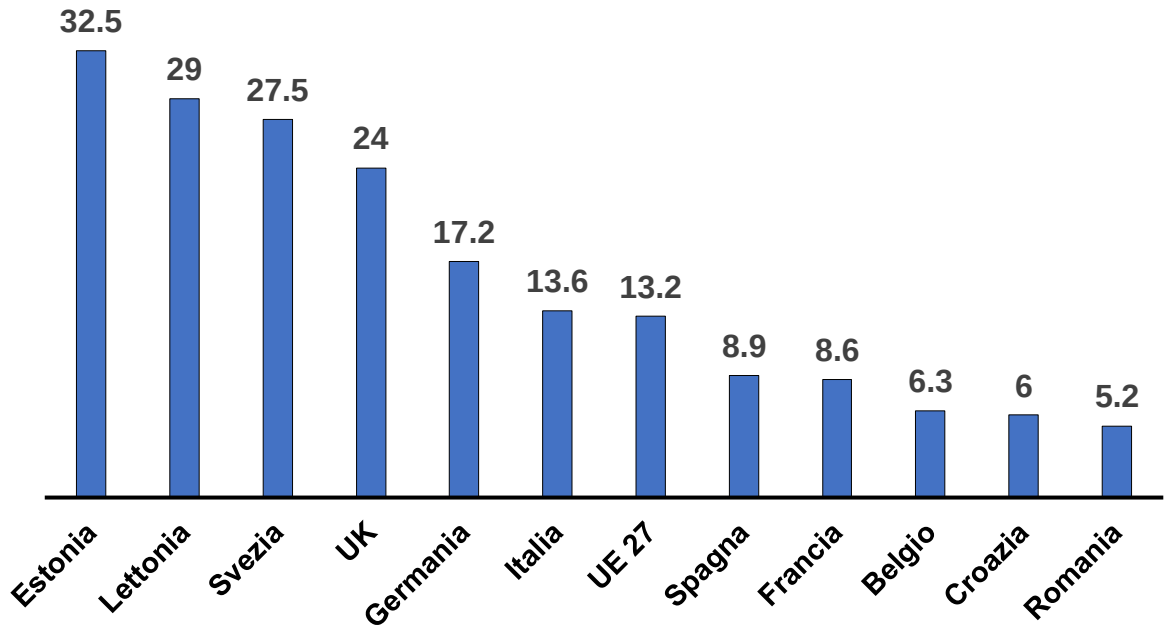
GRAPH 5 – EMPLOYMENT RATE - INDIVIDUALS AGED 65-69, EU, 2021



SOURCE: VISION & VALUE BASED ON EUROSTAT DATA, 2021

However, this growth reflects significantly different trends by country.
Estonia is the EU country with the highest percentage of individuals aged 65 to 69 employed in 2021. The Italian figure stands at 13.6%, slightly above the EU average.

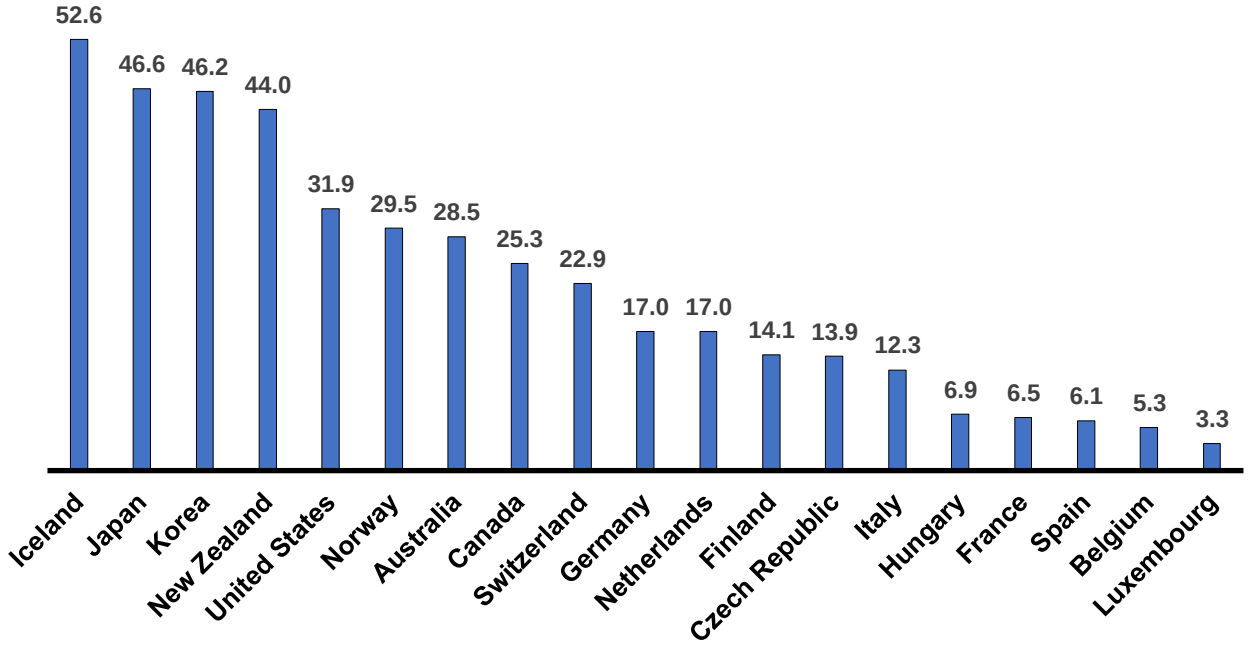
GRAPH 6 – PERCENTAGE OF EMPLOYED INDIVIDUALS AGED 65-69, 2021



SOURCE: VISION & VALUE BASED ON EUROSTAT DATA, 2021

These differences reflect different policies of "ACTIVE AGING" and labour market flexibility.
Moving away from the European level and to the international level, graph 3.3 suggests the following.

GRAPH 7 – PERCENTAGE OF EMPLOYED INDIVIDUALS AGED 65-69, INTERNATIONAL LEVEL, 2018



SOURCE: VISION & VALUE BASED ON OECD DATA, 2018

The figure above shows that this phenomenon of postponed retirement is not only apparent at a European level, but also an international level. The Asian countries in particular show very high employment rates for individuals aged 65 - 69. Indonesia for example shows that over half of the population within this age bracket still works, furthermore similar patterns can be seen in Japan. Australasia also shows a significant portion of working members at this age group, and similarly in North America where over 30% of Americans are still working and nearly 40% of the Mexican population. Data on Africa is lacking, however is available on South Africa and indicates that over 10% of South Africans aged between 65 and 69 are still employed. We can thus conclude that this phenomenon has heterogenous geographical effects, but is not evident solely in Europe.

4. INITIAL ELEMENTS OF A TRANSFORMATION STRATEGY TO INCREASE INCLUSION AND GENERATE VALUE

How can an insurance company respond to significant technological transformations (such as the "INTERNET OF BEINGS" and the evolution of the digital divide), demographic changes (described by trends of "active aging"), and changes in the labour market (influenced by phenomena like the "great resignation")? These changes present a challenge that may necessitate rethinking the insurance product itself (shifting from an actuarial logic to a service-oriented approach and thus a "partnership for life").
Hancock[7] is an excellent illustration of customized insurance. With the integration of health-tracking technologies, this program incentivizes policyholders for their healthy habits and, thus, aligns insurance benefits with personal lifestyle choices. These efforts highlight the power of customized insurance products to promote greater customer involvement and contentment.
Moreover, there is an opportunity to include a much broader population (generating both social value for entire communities and economic value for shareholders).
Consistent with our approach to improving product inclusiveness and value, Vitality by John

In the following sector, we outline the main terms of a strategy organized into two lines: one focused on the "health" product and the 50-65 age segment, and the other on the "life" product for young individuals who seem to overlook the idea of getting insured.

4.1 BEYOND INSURANCE (1): A PLAN TO PREPARE YOUNG ELDERLY FOR A "LIFE PARTNER" IN HEALTHCARE

Based on experiences and research on the broad impact of technologies on healthcare (and the so-called "silver economy"), VISION has initiated the systematization of two scenarios of digital transformation applicable to insurance.
For insurance companies, the possibilities are a) to explore relatively new segments of potential clientele (over 75 years old), b) to increase profitability among older individuals (aged 65 to 75), and c) to prevent diseases that also affect younger adults, and, above all, to change the very nature of their business.

[7] https://www.johnhancock.com

The "insurer" is no longer just an economic entity that receives premiums and pays damages based on statistical-actuarial incidences, ensuring the integrity of specific reserves. This structure is challenged by natural discontinuities (such as the pandemic), environmental factors, and technological advancements like those related to BIG DATA.

The hypothesis is a gradual transformation of insurance into a service provider that guarantees customers a certain level of well-being (especially through prevention, frequent monitoring, high levels of personalization, and integration of personal information[8]) for a FLAT payment covering the entire duration of life (the LIFE PARTNER concept).

The transformation is, moreover, guaranteed by the powerful circumstance that there is a convergence of interests (more significant than what is observed in public healthcare) between the insured's interest in living well and the insurer's interest in reducing exposure to damages.
Specifically, there are two modernization programs that an insurance campaign can launch:

1) **MEDIUM-TERM TRANSITION (WITHIN 24 MONTHS), CONSISTING OF THREE ACTIONS OFFERED TO THOSE WHO DO NOT ACCESS "PROTECTION FOR LIFE":**
    a. **The first action involves providing all insured individuals with a significant UP GRADE to their annual CHECK-UP**. This upgrade would be carried out (possibly over multiple days, organized like products similar to those of BEAUTY or SPORT or DETOX CLINICS) at dedicated facilities fully managed by the insurance company. The use of such facilities should not only be free but incentivized through reduced premiums (a possibility could be to make it mandatory to access the new form of protection).

    b. **At the same time, the possibility of accessing remote visits should be enhanced, exceeding the logic of a simple video call.** This could involve offering **simpler[9]** and **more advanced interfaces** (capable of performing simple analyses during the visit) than those typically used (e.g., ZOOM, Teams). This can be strengthened through partnerships with youth associations and volunteers, experimented in specific territorial areas already trying such initiatives, as well as with companies willing to be at the forefront of new forms of corporate welfare.

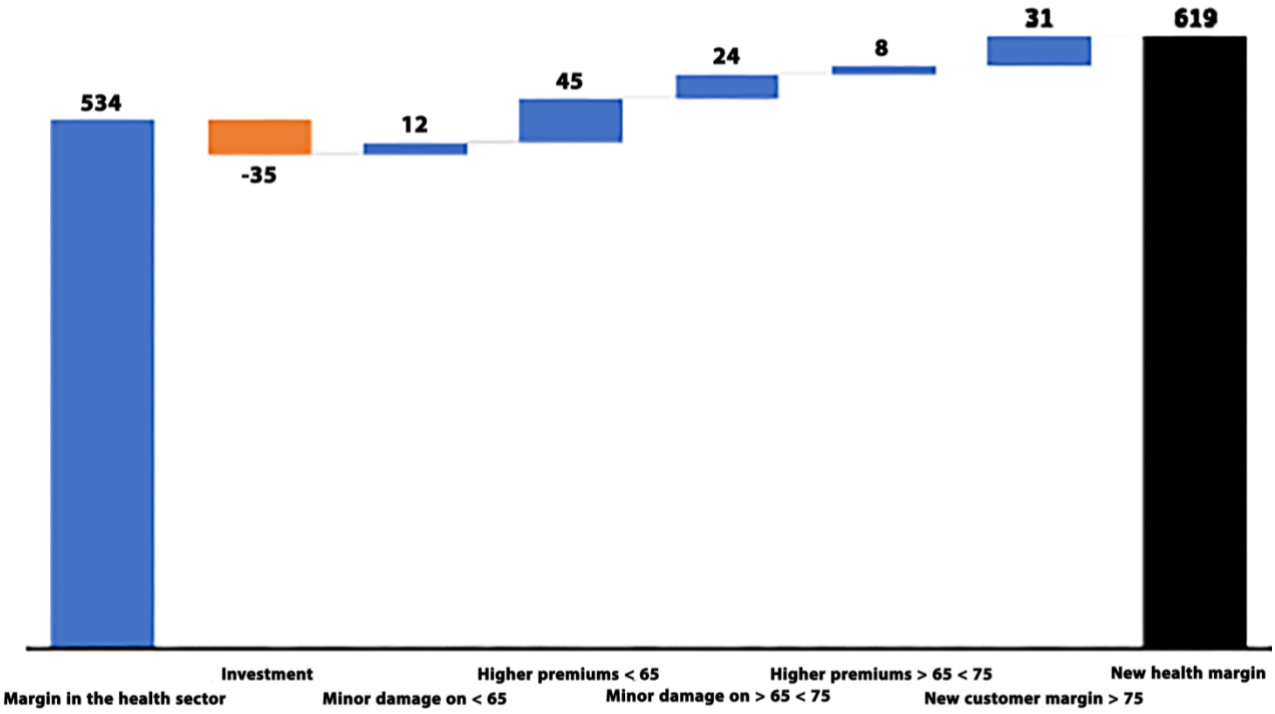
    c. **Finally, and not less important, the company should complete the construction of a digital platform** (some insurers are working on this but have not yet perceived its strategic value) that enables total integration and security of customer data. The opportunity window for this arises from the slow response of the State (despite significant investments in health records) to the

[9] In this context, the voice recognition technology employed by ALEXA/Amazon or GOOGLE appears to be more well-suited for older individuals.

need – made even more urgent by the pandemic – to create a single dossier that consolidates individual data. On the other hand, there is distrust and difficulty that large global platforms (and cloud service providers) encounter in guaranteeing acceptable levels of privacy for health data, which is the most sensitive type (and, in fact, even the GDPR regulations do not provide a definitive solution). This hypothesis, however, presents delicate aspects requiring evident collaboration with European and national institutions (the regulator).

From an economic perspective, a simulation of what can be achieved with such a plan is represented in the following graph.

GRAPH 8 - IMPACT OF A SHORT-TERM DIGITALIZATION PROGRAM ON THE HEALTH INSURANCE BRANCH OF AN INSURANCE COMPANY (FOR ILLUSTRATIVE PURPOSES)



SOURCE: VISION & VALUE, 2021

A projection shows that a radical improvement in a "HEALTH" proposal through a short-term transition (without significant technological investments) can be achieved by paying the initial investment (through higher premiums for the provided service and better claims management) and, in fact, increasing the operating margin (net of insurance management expenses) by a significant percentage (in the example, 16%). However, such a program can provide the tools to enter another segment (that of individuals over 75 years old) in an economically sustainable manner, giving greater substance to the value proposition of the "life partnership" and attracting additional young customers.

The graph anticipates what we will address in the section on "project objectives": the economics of modernization must be foreseen, measured, and shared in order to adjust the transition choices over time, as it necessarily involves elements of uncertainty. Such a hypothesis can also create the conditions for entering a second phase of service digitalization.

2) MEDIUM-TERM TRANSITION (WITHIN 60 MONTHS) THAT WOULD BE STRUCTURED INTO THREE PROJECTS.

a. Development of remote monitoring systems that track the conditions of patients (especially the elderly) more frequently or continuously. This is achieved through medical devices that are sufficiently universal and can be provided to customers when they take out the policy, with a contract for replacement/upgrades over time. Wearable devices such as watches, hearing aids, and glasses are evolving towards these functionalities, as well as "implanted" sensors capable of detecting vital functions and transmitting the results to insurance assistance centers and the National Health System (or accredited centers).

b. Integration of monitoring with automatic intervention mechanisms that can be conceived as true local "lifesavers" (similar to the techniques of RNA and DNA vaccines that are producing the most advanced vaccines, molecules can be introduced that activate in response to a range of potential events, such as myocardial infarctions) or automatic calls to emergency services. This entire action requires collaboration with the National Health System (which could lead to project initiatives to improve its efficiency) and can be experimented with on individual Local Health Authorities (ASL).

c. Further personalization of "life partnership" services that use more detailed data, including genetic data (which would be acquired in experimental policies before the policy is issued). This last possibility should be evaluated with a strategic and prudent perspective as it carries the potential to definitively detach insurance from its nature as a risk pooling entity to make them manageable.

The completion of the program can guide an insurance company towards a different trajectory of competitive advantage and innovation.

Some countries and insurance companies have already begun the transition towards offering their clients a more personalised or individualised insurance premium, such as John Hancock. John Hancock partnered with Vitality in 2015 (The Digital Insurer, 2016) to offer their customers the option save up to a 15% premium discount if they agree to report their health and wellness data. Each customer is offered a Fitbit device which can track the necessary data, and if the customers live a healthier lifestyle they can be rewarded for this

by accumulating points which they can use to purchase products, or directly receive a discount.

The first step is to calculate the ‘Vitality Age’ of each customer, which can be higher or lower than their actual age depending on their health; lifestyle; and standard of living factors. Based on this ‘Vitality Age’ indicator, customers receive personalised health goals which they aim to accomplish to gain points, but more importantly for themselves in order to live a longer and healthier life. These rewards can include discounts on shopping, travel, and entertainment. The John Hancock Vitality Term offers term options for 10, 15, 20, or even 30 years; and available for anyone aged between 20 and 80 years of age (Forbes Advisor, 2024).

This initiative by John Hancock and Vitality puts into practice many of the points elaborated upon within this subsection, but also aligns with the main message of the paper that the future of insurance needs to involve innovative technology in the process of making the service more individualised/personalised. Through the use of Fitbit technology, the insurance company can monitor and track the data, thus seeing regularly updated data and thus having accurate and reliable information on the clients health. Furthermore, this approach emphasises a stronger link between the service provider and the customer and incorporates the long-term into the service offer. The idea is to keep the client healthy today in order to provide a longer and healthier life in the future, while simultaneously trying to relieve any financial burdens on the customer by providing discounts and other products aimed at raising the well-being and standard of living of the customer.

Another promising case can be found in South Africa, whereby one of the many insurance providers, Discovery Health, has made technology a central component in its strategy to provide its customers with a futuristic type of insurance similar to the one described in this section. Through the use of innovative technology, Discovery Health aims to further strengthen the relationship between customer and doctor/caregiver by relying on more accurate and up-to-date information on the clients.

From a demand side perspective, currently the insurance company relies on a very user-friendly app whereby clients can find healthcare providers, track their benefits and file a claim (Discovery, 2024). The company is constantly finding ways to improve the app and offer even more options to the clients, such as providing clients to connect with their doctors more easily and directly and allowing them the opportunity to rate and give feedback on their service providers.

From a supply side perspective, the data collection and analysis process is currently also being further upgraded with the aim to obtain the most accurate and relevant data needed in order to track clients health conditions and be able to offer them a more personalised service than before. This includes collecting data on death rates, hospital infections, or re-admissions to name a few (Discovery, 2024).

Through the use of innovative technology, Discovery Health is actively aiming to align the supply and demand side needs in order to create an effective network and have a communicative relationship between supplier and customer through the creation of a more personalised insurance health plan.

A third and final case of personalised health insurance that we will discuss is the case of the National Disability Insurance Scheme (NDIS), an example of personalised funding which passed legislation in 2013 in Australia. This programs gives disabled individuals a much more personalised package of services that they can utilise in order to make their standard of living more comfortable and be able to live a healthy life with respect to their disability.

The services provided within this scheme include, but are not solely limited to, contact information and connections to doctors and specialists, community groups, sports clubs, schools (NDIS, 2023). The scheme also provides clients with information about the type of support provided and how it may differ between Australian states.

This scheme aims to be one of the first personalised funding cases in Australia, which can then by viewed by some as a trial experiment, to see if the personalised approach is efficient in public good and service provision to citizens, or if there are limitations and issues with this type of scheme. Furthermore, the scheme incorporates flexibility to give clients the necessary information and resources they need, but still giving disabled people control and freedom to make their own choices. Some researchers do critique the scheme as having implementation issues (Carey et al., 2018), however that is beyond the scope of this paper, we rather use this case to further illustrate the idea that we are proposing for the future of insurance.

4.2 BEYOND INSURANCE (2): A PLAN TO PREPARE YOUNG INDIVIDUALS FOR A "LIFE PARTNERSHIP" ON THE LIFE SIDE

Based on the analyses conducted in the previous sections, VISION proposes the systematization of a strategy aimed at increasing penetration among young adults (aged 30 to 50), starting with the life product. **Specifically, there are two modernization programs that an insurance campaign can launch.**

1. **Medium-term transition (within 24 months):** This involves the activation of three types of services to be developed in partnership with other companies. These actions are aimed at acquiring new clients in the target demographic (as per Table 1) and experimenting with the launch of the new product:
    a) Continuous training to prepare for changes.
    b) Consultation services for those choosing to leave the company (the great resignation).
    c) Consultation for individuals and businesses to practice (on the employee side) or implement (on the company side) active aging.

d) Creating incentives to overcome the logic (no longer on the radar of young individuals) of a fixed retirement date, as well as the life insurance purchased as part of corporate remuneration.

2. Medium-term transition (between 24 months and 36 months): Definition of a completely new product. This innovation moves from the logic of a "pension" (even if redeemable flexibly) to a guarantee of support in the event of a decline in labor income below a certain threshold, accompanied by services that reduce (or stagger) such an eventuality.

It is worth noting that insurance of this kind would provide customers with a powerful double-added value linked to the very notion of work: the assurance of a minimum income but also the promotion of the value of work as a factor that continues to be a socializing force within one's community, as well as an individual balance.

The product shares some characteristics with health insurance policies (substantially stable premiums and variable damages for the same individual but predictable based on sophisticated projections for segments). It is similar to others already present in the portfolios of major insurance companies. However, the difference is that it would be a retail product for individuals, constructed to accompany individuals through transitions between different jobs.

The product would also resemble some public policies. Initiatives belonging to the Universal Basic Income (UBI) family, experimented with varying degrees of success in different countries, respond to a completely new welfare need. Nevertheless, insurance companies can have the competitive advantage of constructing them with a managerial logic.

Insurance company Go.Compare offers many different forms of insurance, one of which is aligned with the idea described above. They offer an unemployment protection insurance, also known as a redundancy insurance, for their clients in which they offer short-term protection for between 1 – 2 years after the client becomes unemployed (Go.Compare, 2024). This insurance plan is only available to individuals who work full time and have worked the current position for at least six months, however they can claim up to 70% of their salary. The insurance company offers four specific types of redundancy coverage, depending on what the client specifically needs the money for: mortgage payments, accidents or sickness, loans or credit cards, solely unemployment (Go.Compare, 2024). Another added benefit to these redundancy packages is that if in the future an individual once again finds themselves unemployed, they can take out a new claim and receive compensation while searching for a new job. The benefit is calculated on the basis of four factors: age, level of cover, benefit period, and deferred period.

A similar service is offered to clients of Dubai Insurance in the UAE, the company provides the Involuntary Loss of Employment (ILOE) scheme. This scheme is available to clients as long they did not resign from the job or were retrenched due to disciplinary action. Clients can claim up to 60% of their average salary for the 6 months leading up to unemployment, for 3 months after becoming unemployed. Dubai Insurance offers two types of plans, plan A

is for individuals who receive a salary lower than 16 000 AED monthly and can claim back up to 10 000 AED a month for up to 3 months, while plan B is for individuals who make more than 16 000 AED monthly and can get compensation of up to 20 000 AED per month for up to 3 months (ILOE, 2024). Clients can subscribe for this insurance type through the ILOE portal, ILOE mobile app, kiosks, or banking applications.

These two cases discussed lean more towards our second proposal, implemented between 24 and 36 months, and focuses more on the idea of offering clients insurance for unemployment.

A logic of this kind, in our opinion, can open up new markets, provided that targeted experiments are launched, the economics and risks are defined, and cannibalization with other more established products is avoided. The next section of the note focuses on these priorities.

5. THE METHODOLOGY FOR DEFINING ECONOMICS AND RISKS

Faced with significant discontinuities, it is technically complex to anticipate returns on investments. A realistic transformation project proceeds by launching a "portfolio of innovations" that experiment with the technical feasibility and economic profile of specific trials. Vision & Value proposes a method that can be represented—in a nutshell—by a tool like the one exemplified in **Table 2**. Our projects define, for each macro-product, transition, and segment:

I. The value in terms of additional customers, increased revenues (premiums), and reduced costs (damages), initial investment, both in the short-medium term (1-2 years) and in the medium to long term (3-5 years and at a steady state).
II. The risks and, therefore, the contingency plans that need to be prepared if the trajectories in terms of objectives and economic profiles deviate from the forecasts.
III. The partnerships (terms of agreements, types of partners) to build service packages that accompany the development or refinement of new products.

TABLE 2 – THE METHODOLOGY (ASSESSMENT OF ECONOMICS, RISKS, AND PARTNERSHIPS FOR EACH TRANSITION/NEW PRODUCT, IN RED AREAS OF STRATEGIC PRIORITY) (EXEMPLARY)

MACRO PRODUCTS	SERVICES - PRODUCTS DEVELOPMENT PHASES	SUSTAINABILITY KEY PERFORMANCE	YOUNG ADULS (>25 <50) AFFLUENT WITH LOW PROPENSITY AND NO OBLIGATION TO INSURE	ELDERLY (>50 <65 Y.O.) WHO MAY WISH TO BE INSURED FOR ENTIRE LIFE **
LIFE PARTNERSHIP FOR FULL HEALTH	SHORT TO MEDIUM-TERM TRANSITION (INCENTIVES BASED)	ECONOMICS (INVESTMENTS, MORE PREMIUMS, LIABILITIES)		
		PARTNERSHIP AND CROSS MARKETING		
		RISKS AND CONTINGENCY PLANS		
	MEDIUM - TERM TRANSITION (TECHNOLOGIES BASED)	ECONOMICS (INVESTMENTS, MORE PREMIUMS, LIABILITIES)		
		PARTNERSHIP AND CROSS MARKETING		
		RISKS AND CONTINGENCY PLANS		
LIFE PARTNERSHIP FOR FULL PURPOSE WORK	SHORT TO MEDIUM-TERM TRANSITION (DEVELOPMENT OF SERVICE PORTFOLIO)	ECONOMICS (INVESTMENTS, MORE PREMIUMS, LIABILITIES)		
		PARTNERSHIP AND CROSS MARKETING		
		RISKS AND CONTINGENCY PLANS		
	SHORT TO MEDIUM-TERM TRANSITION (DEVELOPMENT OF NEW PRODUCT)	ECONOMICS (INVESTMENTS, MORE PREMIUMS, LIABILITIES)		
		PARTNERSHIP AND CROSS MARKETING		
		RISKS AND CONTINGENCY PLANS		

Source: VISION & VALUE, 2021

As mentioned in section 1, the strategic priority will be:

i. on "affluent young adults" with low insurance propensity and high work mobility; a completely new product transforming the "life" category should be developed for this segment;
ii. the "would be" elderly who have a strong interest in lifelong health insurance, for whom we would propose a scale-up of services to broaden the audience and make the risks more sustainable.

However, this should be understood as an innovative action to scale across other segments and products, and in this sense, we believe the project should already include:

iii. sales actions for the "health for life" product targeting the first group (young adults) and "active retirement" to manage the cost (especially psychological) of retirement for the elderly.
iv. adoption of similar developments for all other segments (less affluent young adults, over 65, young people under 25, ...).

The analysis will provide insights on how to address the challenge of digital transformation. These insights will be used to structure a plan of experiments that, based on predefined metrics, allow for scaling up in a modernization project of the offering.

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