

Shaping a brighter future of work

Global and local market insights



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Global and
local market
insights



Global trends



Over the second half of the last decade, growth in the global economy accelerated, leaving behind the financial crises that plagued it from 2008 onwards. The COVID-19 pandemic brought this growth to an abrupt halt almost simultaneously around the world in early 2020. As governments sought to contain the spread of the virus, they were compelled to shut down their economies throughout 2020 and into 2021. As unemployment rose, the crisis was an awakening for many, prompting them to redefine their relationship with their work and to take stock of the financial risks they face during their working lives and into retirement.

In our 2020 report, [Shaping a Brighter World of Work: The Case for a New Social Contract](#), we took stock of the ways in which COVID-19 was reshaping the global labor landscape and the gaps between ideal post-pandemic social protection and what currently exists. That report made the case for a new social contract – one in which public health and welfare institutions can work together to ensure that entire populations are resilient to public health risks, create flexible worker protections and raise individuals’ awareness of the risks and opportunities they face.

In this follow-up report, we drilled down into global trends, bringing local color and texture to this emerging new social contract. We spoke to leaders at 17 of Zurich’s country offices across five continents, gathering insights about national economic responses to the pandemic and how the future world of work and social protection has in many ways already arrived. We gathered up-to-the-minute, on-the-ground views on how COVID-19 is reshaping the landscape of reskilling, awareness of and action on retirement savings gaps, the market for insurance, and the relationship between public and private provision of vaccines and other protections against the virus’s spread. And while we were aware of an emerging concept (and in some jurisdictions, established legal provision) that employers were expected to provide their workers a “duty of care” – that is, responsibility for their overall wellbeing rather than simply providing them with a job and pay – we found that this concept resonates across all countries, albeit with a varying focus on different aspects of worker wellbeing and with different rationales for why a duty of care matters to employers and employees.

We also found that the pandemic’s economic impact has given rise to different innovations in business systems, their coordination, and labor productivity. One particular lesson from our research is that the digital revolution has provided workers and businesses opportunities to adapt and indeed even prosper during the pandemic. Employers, in partnership with private providers and with the financial and policy support of governments, must expand their skilling offerings to take in not just digital retraining but a full menu of offerings that caters to workers with diverse professional needs, and at all stages of their careers. Different stakeholders will take the lead across different countries, but regardless of the local arrangement, it is universally the belief that doing so will increasingly prove to be a competitive advantage in attracting and retaining talent.

The countries’ responses are important because they reinforce the notion that there is a symbiotic relationship between long-term economic resilience and the effectiveness of public health initiatives. The same is true of social protection frameworks: sustaining social security will lower inequality, a drag on economic dynamism and social solidarity, now and later. Provision of sustainable and population-wide healthcare and efficient vaccination programs, alongside sustained support for affected workers and businesses, allow countries to manage their public finances in ways that do not compromise long-term economic growth. Conversely, governments’ (and employers’) hesitation over how best to manage the spread of the virus is likely to dampen economic growth – and thereby the capacity to invest in the health and wellbeing of its people. The institutional mix of private and public provision will vary greatly depending on the national context, but, ultimately, the result is the same: a country’s investment in the management of the pandemic is also an investment in its long-term global economic potential.

This report is about more than country-level insights: it is a call to action. Even as many of the economies featured in the profiles to follow are gradually reopening throughout 2021, we know that the consequences of the pandemic will be with us for many years. Over the course of a six-year collaboration, our research has yielded many insights about the solutions governments, employers, insurers, and individuals can adopt to ensure that people prosper in their careers and secure the long-term financial resilience of their families. Now COVID-19 has reinforced the importance of our recommendations. Our previous reports called on global leaders to act; now we are showing stakeholders at the national level how, together, they can start locally, forming a coalition for global results.



Reskilling, training and continuing education trends





Digital revolution demands employers provide skills training

The economic impact of the pandemic has varied widely by industry and sector. Transportation and aviation, hospitality, tourism, and leisure are examples of those that have experienced enormous losses through successive lockdowns and global barriers to movement. Some companies have thrived, namely those in sectors that lend themselves to the easy adoption of digital communication technologies, electronic interfaces including payment systems, and digital logistics systems.

Most remarkable has been the speed of adoption: working practices previously expected to happen in the medium term (about five years out) have already arrived. This has put a premium on various technological skills, whether for the office, for those who work at the interface between companies and suppliers, and for others who are at the interface between companies and consumers. We see this playing out clearly in everyday life, and it is part of a revolution in work practices occurring right before our eyes.

In our research, before and throughout the pandemic, we have interviewed many companies about the consequences of the digital revolution. It has been with us for around two decades but is now so thoroughly embedded in how we work, where we work, and how we connect with one another – with businesses and consumers – that the economic world post-pandemic is likely to be marked by prosperity as well as further disruption to work practices across entire industries.

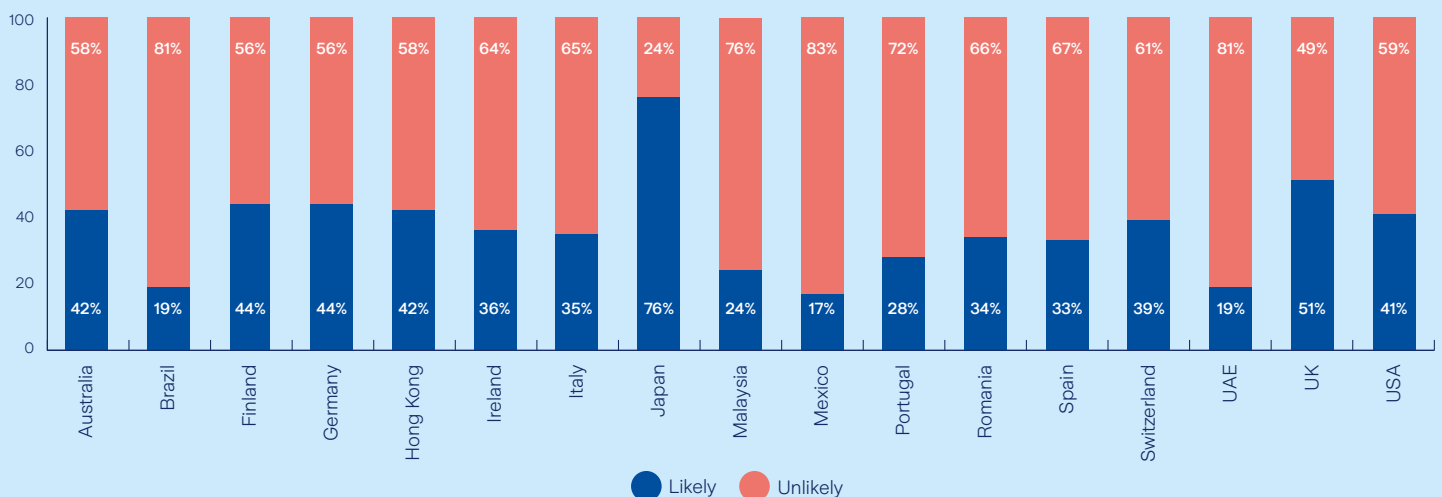
This can be illustrated in a variety of ways. On a few occasions prior to the pandemic, the Oxford team interviewed a number of multinational companies –

including capital goods manufacturers, consumer product companies, and financial services companies – about the impact of the digital revolution on the nature of work in their organizations. They often observed that technology was rapidly changing the nature of work, the skills needed to be productive and the pace of innovation in work practices. And, through pre-pandemic surveys of employed individuals around the world, we identified anxieties surrounding the changes automation would bring to jobs within the five years following.

It was widely recognized that the pandemic challenged companies to reorganize work, where it is done, and rethink coordination within and outside the organization. As with many others, the global insurance industry responded by adopting communication technologies that have grown from the thriving tech revolution. Online meeting platforms became mediums of personnel coordination, customer relations, and service delivery. Companies drew upon their existing skills and competencies, bringing forward by about five years the adoption of communication technologies that had begun to play a role in the decision-making process. In part, companies relied on personnel located within IT and

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source: Zurich-Oxford Consumer Survey 2019



Employers, have to support their employees who will need new skills to keep up with technological changes.

related functions. At the same time, they called on third-party providers to speed the adoption of software and its implementation. In some cases, new providers – those who claimed market share during the pandemic – were enlisted to help.

White-collar employers reacted to the pandemic by moving from face-to-face, relationship-based communication to conducting business and maintaining performance virtually. Going forward, this will require ongoing on-the-job training for entry-level and junior employees, which is less costly than recruiting for these skills in the wider labor market. “Digital” leadership and management skills were also mentioned as an area where continuous education programs would be needed. The shift to remote and hybrid working calls for new ways of managing personnel and leading teams, and while people seem to have adapted astonishingly well to the abrupt transition away from traditional in-person work, there is widespread recognition that different types of “soft skills” are needed to ensure that staff performance as well as wellbeing are sustained remotely.

In terms of specific technological skills, mobilizing IT and related electronic communication systems in order to adapt to these changes does require employees with the relevant skills, but most workers seem to have proven that they did not need additional training in these areas in the short term. Rather, the digital skills of the future where continuing education will be needed include data management, automation and AI, and genuinely new technological advances in IT. Agile work processes (and agile labor markets) also promote reskilling and upskilling, in the sense that in some markets finding skilled workers is difficult and keeping abreast of technological innovation is difficult. Having people who have the digital skills to move between jobs makes a difference in productivity and can influence others to improve their own skills. These types of skills are also increasingly likely to attract a premium in the marketplace.

Employers did not often indicate reliance upon or use of state-led skill enhancement programs. However, governments in a few countries led the way in implementing frameworks and funding for apprenticeship programs, leaving it to companies to understand how best to leverage these opportunities. In a few cases – notably in Ireland and the U.S. – three-way partnerships among governments, insurance industry associations and individual companies allow entry-level employees to earn a degree alongside on-the-job training.

While many governments have expressed intentions to do more to support skilling as a way to help develop a more innovative, dynamic, and technologically advanced economy, it appears that few employers are waiting for this to happen. Instead, many companies are looking to partnerships with third-party private providers of training and education. Doing so has the advantages of bringing in expertise in modes of delivery, especially on digital platforms, which companies may not have in-house. External education providers are abundant in some countries, so there can be a wealth of choice.

In countries where the market for third-party service providers is shallow, employers are designing and delivering their own programs in-house. Their work tends to focus on one or a handful of selected, often targeted, areas, mainly due to a lack of funds to put broader programs in place. Some companies also see the ability to provide skilling in-house as a long-term strategy to give themselves a competitive edge in the market for talent. Whether they do so solely with their own resources or through partnerships to provide bespoke courseware depends on their own circumstances and resources, but either route appears to achieve the same goal of signaling a commitment to staff development and career progression to current employees and prospective hires.



Pension and retirement trends



Pension challenges mount for companies, employees understand the need to save

Public retirement systems around the world are facing significant challenges. In some cases, public pension benefits are significant but still require supplements by employers and/or individuals through their employers. In other cases, public pensions were deemed too great a burden on government expenditure, now and in the future. Some countries have proposed reforms to promote pension savings through workplace schemes; others are aware of the need to do so, even more so in a post-COVID-19 economy.

It is widely recognized that defined benefit pension schemes through employers, whether directly or through financial institutions on contract to employers, are expensive. And, very low to negative interest rates have made it difficult to meet defined pension benefit obligations. Commercial providers, which include insurance companies, are increasingly hesitant to provide these types of benefits, preferring to adopt defined contribution or money purchase schemes like those in Australia, the U.S., and the UK.

Governments are unlikely to make workplace pension schemes strictly mandatory. It is widely recognized that a UK-style auto-enrollment system, whereby workers automatically become members of group schemes but can elect to leave them, is a model to aspire to. A few countries' governments have proposed legislation in this area. In some others, large employers believe it is a matter of time before governments there follow suit.

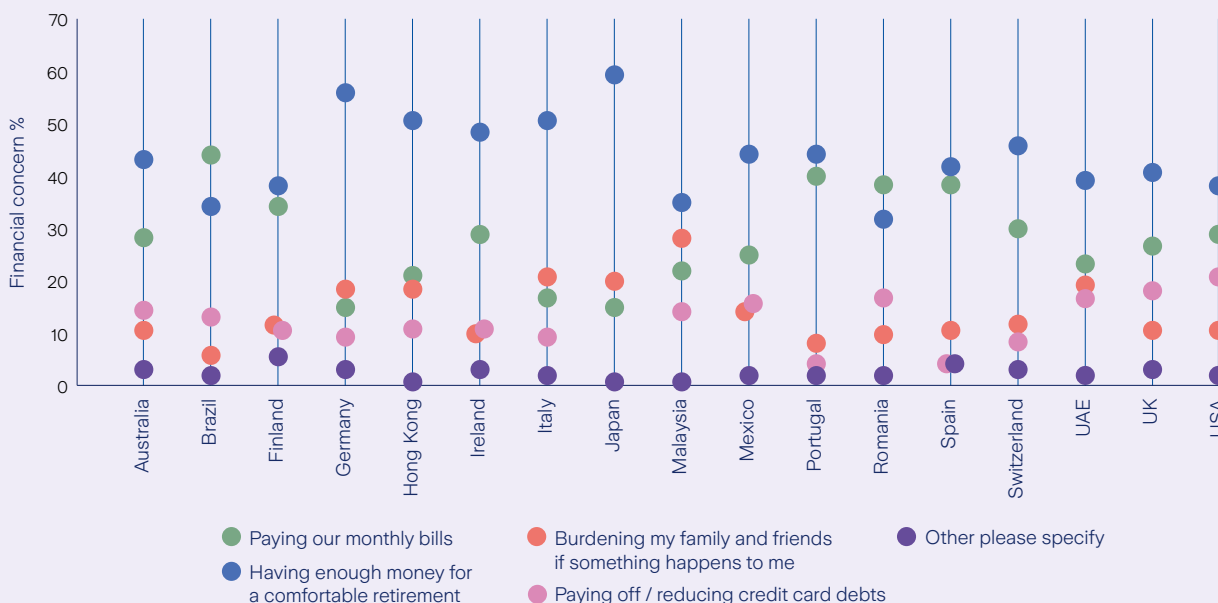
In all countries, private (third pillar, as it is called in some countries) pension saving schemes – ideally with tax incentives – are viewed as one of the best ways to bridge the overall retirement savings gap. The complexity of products was often cited in our research as a barrier, both

in terms of the structure of individual policies and the vast array of choice available in the market. There is a role for government to mandate more accessible and clearer product design and transparency. Providers also recognized that they have some way to go in simplifying and explaining their offerings; as with other types of protection, consumer education is a clear area in need of greater investment.

That said, in countries hit particularly hard by the pandemic, or indeed by the financial crises of the late 2000s and early 2010s, low overall purchasing power and available cash savings was cited as perhaps the greatest obstacle to developing a robust third-pillar ecosystem. In such cases it was acknowledged that the state will remain the provider of last resort to prevent widespread old-age poverty, regardless of fiscal strains they may encounter. One silver lining is that in these same countries, overall awareness of the need to save for retirement was said to have grown significantly in the past 10 years, thanks to media coverage of national challenges to pension systems. It was suggested that this increased interest might translate into better long-term household financial planning, if not support for political and regulatory reform.

Financial concerns

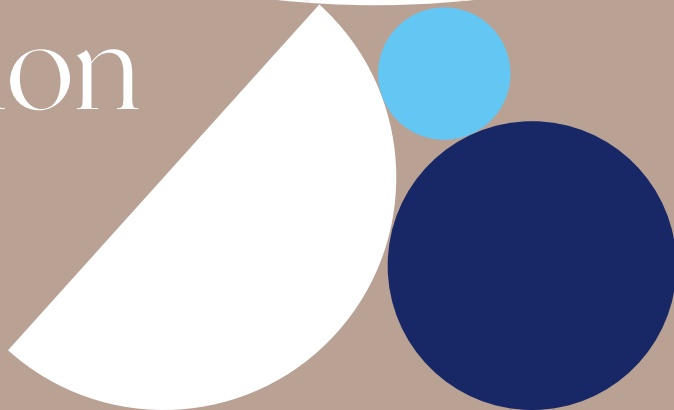
Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source: Zurich-Oxford Consumer Survey 2019



Insurance and protection trends



Pandemic reveals the need for protection as public shortfalls set to grow

In all countries, the pandemic has crystallized the importance of insurance, be it to protect health, income, or individuals' overall living standards. [Our previous research had shown](#) that shortfalls in earnings, inadequate health care, and difficulties in making monthly commitments out of current income often drives the demand for protection.

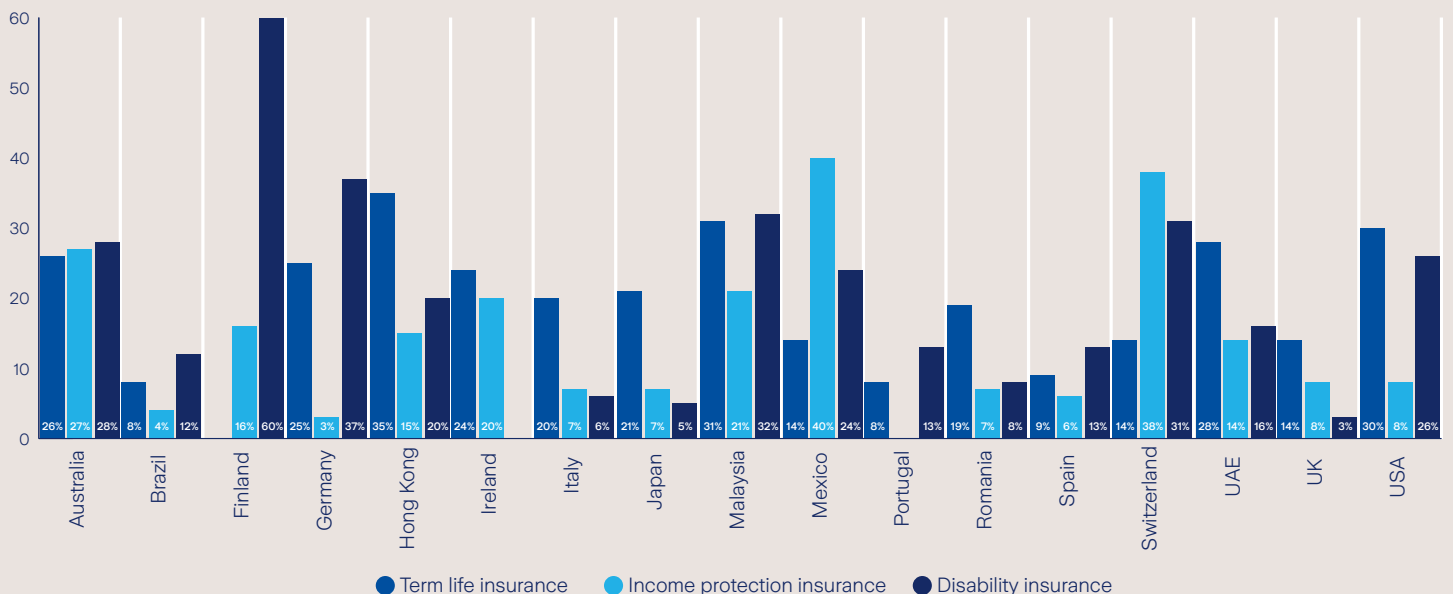
National markets for insurance, whether at the retail or company level, have widely varying degrees of intermediation, but most appear to be dominated by brokers, agents, bank distribution, and in some cases employee benefits consultants. Nevertheless, the insurance industry in almost all countries expects to see a sharp rise in online sales and policy management. This trend began before the pandemic, but enormous growth in e-commerce brought about by COVID-19-related lockdowns means that consumers of all ages have quickly become more accustomed to buying consumer goods online. Many insurance products are complex and require detailed purchasing guidance, so the design of some policies as well as the consumer education methods associated with them may need to be rethought to accommodate the shift to online sales.

Looking ahead, various types of insurance are likely to be in demand as the pandemic has revealed the importance of protection in the wake of shortfalls in public services and policies. Particularly for workers at smaller businesses, it has also revealed the limits of employer support in moments of crisis; it has prompted employees at larger companies to reconsider what benefits they need most. Most important is health insurance, which interviewees unanimously expected to become more popular through both group and individual plans – subject to affordability. This was true even in

countries with higher-quality universal coverage, such as the UK and Australia. Income protection and term life insurance will also see increased interest. In some cases, however, interest may not translate into demand. This is particularly the case with income protection insurance. Interviewees noted the importance of educating people about their protection needs, which should have even greater resonance now that people have first- or secondhand experience of health and financial difficulties as a result of the pandemic.

When asked what types of messaging works when it comes to marketing insurance in general, a variety of answers were provided. For some, recent experience of COVID-19 became the single biggest “message” of our lifetime as it crystallized the vulnerability of individuals and their families. So, one possibility for messaging is to refer directly or obliquely to the pandemic experience by suggesting that taking precautions for the future is a smart choice. Interviewees emphasized the positive aspects of taking precautions rather than the negative aspects of recent experience. They also noted that personal stories and vignettes from real people testifying to the benefits of insurance had far greater resonance than negative messaging such as threatening or lecturing them about the need to avoid bad outcomes, which may serve to discourage them from thinking about protection at all.

Ownership of specific insurance policies



Source: Zurich-Oxford Consumer Survey 2019

COVID-19 related trends



Governments are rolling out vaccines now, private provision is possible in the future

Unsurprisingly, countries represented in our interviews experienced the COVID-19 crisis in vastly different ways. This is due partly to governments' various responses to successive waves of outbreaks and how they instituted and enforced lockdowns, encouraged changes in public behavior and managed hospitalizations. It is also related to their approaches to the economic impact of the pandemic. Most countries have temporarily extended unemployment benefits, and a few, including Ireland, the UK, and Switzerland, have instituted furlough schemes whereby the government subsidizes the bulk of workers' wages for a set period, thereby avoiding mass unemployment. How the self-employed are treated in these approaches varies widely. Many countries have also offered support for business, typically aimed at hard-hit industries such as hospitality, travel, and tourism. Some have also targeted support at small to medium-sized enterprises (SMEs).

There are marked differences among countries in the public acceptance of vaccinations. In nearly all cases, vaccinations are widely accepted for children: measles and hepatitis were mentioned as obvious and important diseases to be controlled. Seasonal flu vaccinations are an established part of life in most countries. However, acceptance of vaccinations for children does not always translate into trust in vaccinations for COVID-19. Resistance is not universally associated with lower socio-economic status; for instance, some affluent groups subscribe to ideas about "alternative" or homeopathic medicine. It does appear, however, that acceptance of vaccinations grows when there are ample supplies of vaccines. It is also helped by positive messaging from celebrities and public personalities – people becoming aware of the positive vaccination experience of people they know and wish to emulate.

The general consensus among our interviewees was that government has the principal responsibility for vaccinations rather than employers. At the same time, respondents indicated that they would be willing to provide a site for vaccinations if they were done by governments and/or government providers. Likewise, there was widespread willingness to be a source of information on vaccinations and healthy living. Indeed, in several cases, it was suggested that employers could ramp up their efforts to prevent chronic conditions such as diabetes, obesity, and high blood pressure.



Beyond the initial rollouts, there is an expectation that employer-based coverage of COVID-19 booster shots will become part of workplace benefits and health packages, much as they are for seasonal flu vaccines. Because of this well-established precedent, this type of private "market" appears uncontroversial, unlike bypassing public provision by purchasing individual doses.

It was also acknowledged that employers are likely to require testing when governments lift lockdowns and more people to return to their workplaces. Here again, employers were more comfortable with governments mandating COVID-19 testing, including the type of test, rather than employers taking on this responsibility.

Because public provision of vaccines is proceeding relatively smoothly, or at least transparently, in most countries, there doesn't appear to be significant demand to support a private market for vaccinations in the short term.

Employers and insurance companies have not yet taken into account whether employees and policyholders have been vaccinated. However, this issue is still under discussion within the industry. What is clearer is that, once the morbidity and mortality risks associated with COVID-19 become more transparent over time, insurers will adjust their underwriting and pricing to reflect the new risk landscape. In fact, COVID-19 will likely not represent a separate risk that will be priced for; it will simply form part of the overall price and risk assessment as one more widespread communicable disease to be factored in. As for all risks, if COVID-19 materially changes expected claims levels in the long term, which will evolve over time, that new reality will be priced into contracts. There would not be differential pricing or outright discounts for healthy people, but those suffering persistent complications after being infected with the virus will likely pay more after underwriting.

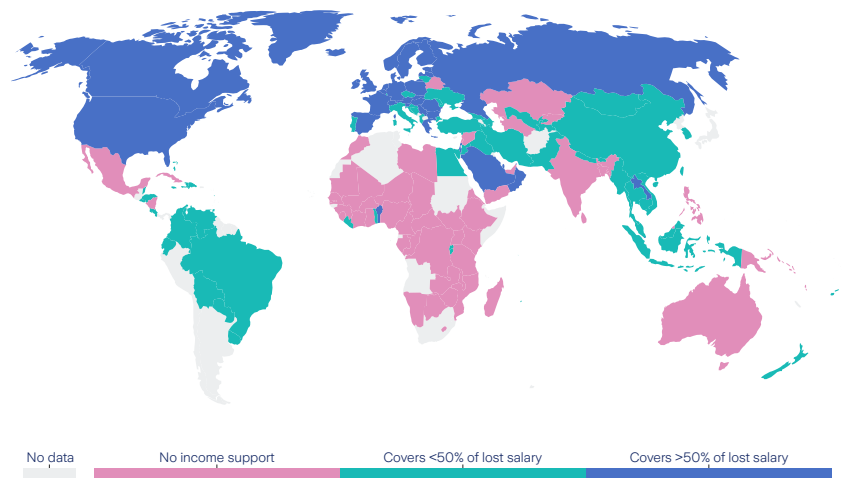


COVID government responses

Income support during COVID

Income support captures the extent to which governments are covering salaries or providing direct cash payments, universal basic income or similar of people who lost their job or could not work.

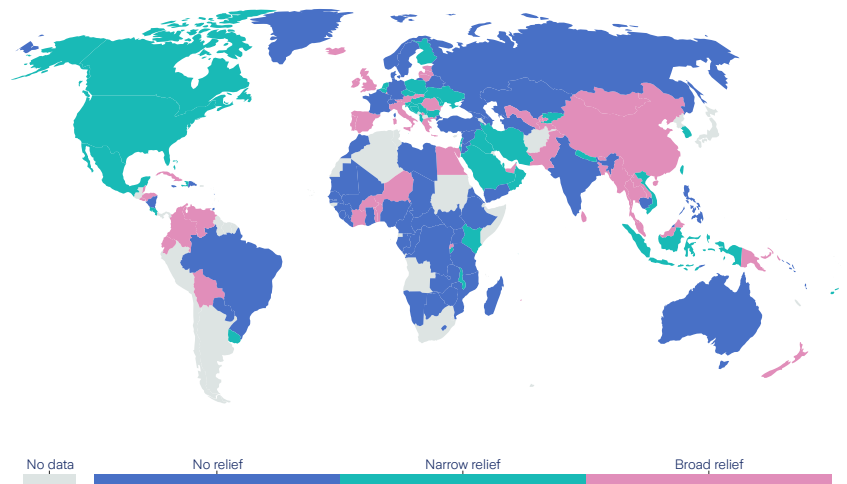
Source: Oxford COVID-19 Government Response Tracker. Hale, Angrist, Goldszmidt, Kira, Petherick, Phillips, Webster, Cameron-Blake, Hallas, Majumdar, and Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Debt or contract relief during COVID

Debt or contract relief captures the extent to which governments are freezing financial obligations, such as stopping loan repayments, preventing services from stopping or banning evictions.

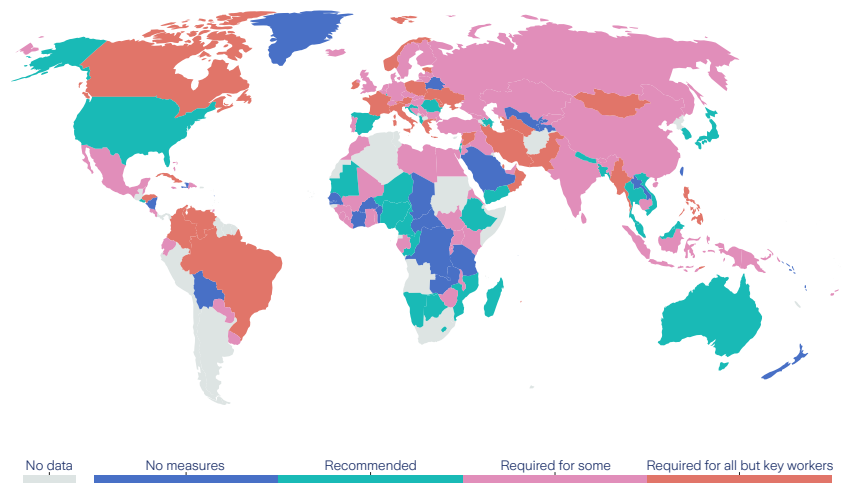
Source: Oxford COVID-19 Government Response Tracker. Hale, Angrist, Goldszmidt, Kira, Petherick, Phillips, Webster, Cameron-Blake, Hallas, Majumdar, and Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



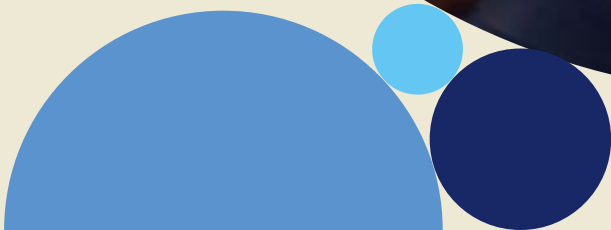
Workplace closures during COVID

Workplace closures capture the extent to which policies on workplace closure have been implemented in country. A country is coded as 'required closure' if at least some sub-national regions have required closures.

Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends



Employers sharpen wellbeing focus as lines blur between work and home

Put simply, the pandemic has crystallized the importance of employers' duty of care to their employees. This idea that employers had significant responsibility for their workers' physical, mental, social, and financial wellbeing was already taking hold across large and multinational companies in particular before the pandemic, and in 2020 it suddenly became even more prevalent. While the terminology may vary slightly across countries – “social contract” was one alternative phrasing, for example – the concept is essentially universal.

Workers' trust in their employers is further enabling the duty of care concept to take hold. Many surveys show that staff satisfaction in the workplace levels have never been higher. This may be a reflection of people's sense of security provided by their jobs during a crisis, not least because they are able to access critical benefits such as health insurance through their employer. Accordingly, even when they are not mandated to uphold it by law, many companies see a commitment to duty of care as a form of competitive advantage in the labor market, signaling to potential and current employees that they are a desirable place to work.

In developed countries, the focus of wellbeing initiatives has been firmly on mental health for some time, but the pandemic has only accentuated this concern. Employers recognize that as the boundaries between work and home life have blurred, more must be done to manage their workers' cognitive load. Issues such as stress, anxiety, depression, and emotional burdens associated with family and caregiving were all highlighted. A few countries cited employee assistance programs (EAPs), which have existed in Australia for some time, as a model to emulate. Some could even expect government support for these and similar efforts.

In developing countries, by contrast, the focus has tended to be more on physical wellbeing. Management of chronic illnesses such as diabetes and high blood pressure, along with obesity, have been central concerns for some time, but have taken on heightened significance given their links to severe and fatal COVID-19 cases.



COVID-19 has taught us to re-evaluate our professional lives, bringing duty of care into focus as a top priority.

Dr Stefan Kröpfl
Global Head of Life Business
Insights & Governance
Zurich Insurance Group

Recommendations for solutions – governments, insurers, employers



There have now been several phases of the multi-year Zurich-Oxford partnership. Our research findings at each stage have pointed the way to a range of potential solutions for all key stakeholder groups concerned: governments and policymakers, employers, insurance providers, and individuals and households. COVID-19 has made our recommendations all the more relevant and important. It has highlighted the urgent need for decision-makers to update social protection frameworks for a new world of work, while raising workers' awareness of both the risks they face and the opportunities available to them.



We conclude...

this report with a call to action, summarizing the measures governments, insurers, and companies can adopt to support workers' prosperity in their careers and beyond:

Recommendations for governments and policymakers

Wellbeing programs

- Evaluate employer-sponsored wellbeing programs and rehabilitation for their effectiveness in improving employees' physical, mental, social, and financial health.
- Develop new fiscal incentives for employers and employees to encourage employers to invest in and health and fitness programs.
- Promote early interventions and case management approaches for the partially and temporarily disabled.
- Encourage and extend employer responsibility for the partially and temporarily disabled to stimulate employer and insurer interest in preventative measures and rehabilitation services.

Skilling

- Offer incentives to workers whose jobs are at greatest risk of technological obsolescence to undertake retraining.
- Inform workers of the risks they face from technological change, and the opportunities available to them for retraining.
- Provide subsidies and other support for apprenticeship programs.
- Incentivize reskilling for older workers in order to ensure that an aging workforce remains productive.
- Offer reskilling programs as a complement to raising retirement ages.

SECTION 7 Recommendations for solutions – governments, insurers, employers

Financial education

- Support the design and marketing of protection products that are transparent and easy for consumers to understand.
- Design and support policy nudges in forms that are appropriate to local country context.
- Support financial education that combines instruction with application and practice of concepts, instead of theory-based financial literacy programs.
- Ideally include personalized counselling to help individuals meet the goals most appropriate to their needs and lifestyles.
- Leverage experience and innovate to find more subtle but effective ways to educate people about the risks they face, and the measures they can take to mitigate them.
- Avoid the assumption that traditional ways of imparting abstract, impersonal information are the most effective at improving people's financial decision-making.
- Impart instead the wisdom of experience, whether directly or indirectly, ex ante (prior to a household financial shock) instead of ex post (after the fact).

Social protection

- Encourage long-term personal savings, including funds for income protection, notably via tax-privileged investment products.
- Attach life, disability, and related insurance to personal pension plans.
- Make certain types of unemployment insurance mandatory.
- Provide alternative forms of financial support for those in unwaged caregiving roles, particularly in cases where bereavement forces households into poverty.
- Trademark best practice in insurance and savings products while safeguarding price transparency to protect public trust in market competition.
- Include protection against disability- and illness-related income loss in the European Pillar of Social Rights.
- Facilitate the portability of protection across borders and between firms.
- Begin financial education early in people's lives by introducing it into school curriculums.

Healthcare and disability

- Demonstrate to middle- and higher-income earners that they can benefit from a mixed but universal health care system sustained by different forms of taxation as well as different forms of incentives.
- Create new forms of public-private partnerships with employers and insurers to help with risk management and mitigation, and ease pressures on providers of last resort.
- Provide incentives, possibly including quotas, for employers to take on workers with disabilities.
- Promote negotiated agreements between social partners and the state that create income protection for impaired lives and the prematurely bereaved.

Self-employment and the gig economy

- Integrate policy frameworks and create coherent legal obligations to coordinate different policies (employment, public health, occupational health, and social security).
- Ensure that self-employment remains a positive choice: tax incentives or state sponsorship of personal savings and insurance plans will no doubt have a role to play.
- Identify different employment rights and tax obligations, and secure worker registration within collectively recognized sectors on IT platforms in order to make worker protections more transparent and comprehensive.
- Strengthen penalties against IT companies using contracts to prevent litigation related to gig worker protection.

Retirement and savings

- Foster the auto-enrollment of all employees in a registered default scheme to offer basic income protection insurance cover, with an opt-out option.
- Promote staged pensionable ages that reflect past years in employment, current work capacity and life expectancy.
- Continue state contributions or fiscal incentives to secure the old age income of those involved in progressive retirement options in later working life.
- Design and support policy nudges in forms that are appropriate to local country context.





Recommendations for insurers

Wellbeing programs

- Share data with industry associations on results of prevention and wellbeing programs to encourage across-the-board improvements in these programs.
- Include mental health cover in group insurance policies.
- Establish partnerships with employers to assess employee health data.
- Promote public-private common medical and occupational health or a physical education training facility for use by small employers.

Financial education

- Design methods to better inform consumers about what benefits are available to them and how income protection insurance fits into the package (whether from the state, employer, or otherwise).
- Tailor these methods to appropriate groups (e.g. personal contact vs. digital methods).
- Contextualize specific types of insurance within wider portfolio of household spending.
- Target messaging and engagement with appropriate framing: e.g., link consequences of people's financial decisions to others in their household.
- Support experimentation with scenario-building apps and other as-yet-unproven digital methods.
- Support financial education that combines instruction with application and practice of concepts, instead of theory-based financial literacy programs.
- Ideally include individualized counselling.
- Leverage experience and innovate to find more subtle but effective ways to educate people about the risks they face, and the measures they can take to mitigate them.
- Avoid the assumption that traditional ways of imparting abstract, impersonal information are the most effective at improving people's financial decision-making.
- Impart instead the wisdom of experience, whether directly or indirectly, ex ante (prior to a household financial shock) instead of ex post (after the fact).

Protection

- Create agile products with greater flexibility in the uptake, payment for, and switching between and within policies.
- Tailor products in shorter time increments (instead of in annual blocks) so that policyholders can pause or vary levels of coverage temporarily as their circumstances change.
- Create multi-layered insurance products with a default plan for employers.
- Develop group insurance packages as an add-on to private pension schemes.
- Offer such packages to IT platform owners as well as traditional employers.
- Encourage employers to auto-enroll (with opt-out option) workers into life, income protection, and disability insurance.
- Develop common insurance platforms for use by small employers.
- Create consistent exclusion clauses to allow mobile employees the same cover in all countries.
- Ensure that self-employment remains a positive choice by innovating new products and services.
- Collaborate with platforms and agency managers to offer protection through schemes on an industry-wide scale.
- Offer modular group solutions that give individuals the opportunity to dial coverage up or down according to their lifestyles and changing circumstances.

Retirement and savings

- Create retirement products (e.g. annuities) designed to increase income in later life (age 75+).
- Create products to which life, disability, and other forms of protection can be attached.
- Develop programs that reinsure pension income against the long-term risk of contributions lost due to disability, premature death, and progressive retirement.
- Work with employers and plan members to educate individuals about the need to begin saving early and manage savings according to their life stages.

Recommendations for employers

Wellbeing programs

- Conduct independent (and ideally long-term) assessments of existing wellbeing programs to identify what is effective – and what is not.
- Focus efforts on proven methods for managing chronic diseases and on exploring new approaches to stress and lifestyle management.
- Be aware of increasing responsibilities for accommodating workers with physical and/or mental problems. Careful management creates mutual benefits.
- Determine the types of physical and mental health problems that contribute to presenteeism and estimate their costs.
- Include annual health checks and fitness facilities in corporate wellness programs, including assessment of anxiety and stress.
- Proceed cautiously with devices and apps to monitor health, given that this also has the perverse effect of raising the very stress levels companies are presumably seeking to minimize.
- Grant employees greater autonomy over their workloads so that longer-term benefits (in the form of greater productivity and staff retention as well as health outcomes) accrue to employers and individuals alike.
- Create contributory employee assistance plans for employee support when confronting family, legal or financial crisis outside work (to prevent presenteeism) – or as a source of benefit corresponding to predefined health-related need.
- Monitor older workers especially carefully, as an aging workforce will carry chronic illnesses and is less likely to draw them to management's attention.
- Review internal organization to allow Human Resources and Health & Safety to coordinate activities. In particular, recalibrate office organization to integrate action between human resources, occupational health, and risk management to engage with government initiatives.

Skilling

- Take advantage of a mix of programs, whether in-house, government, or third-party, as appropriate by country context.
- In particular, look to partner with external (private) providers to blend expertise and tailor training needs.
- Take advantage of state-sponsored apprenticeship schemes to subsidize training for entry-level workers.
- Guide the workforce in the realm of skilling and continuing education. Some workers need to be made aware of their own needs, and they may also need guidance on the opportunities available to them to reskill and deploy their skills in new roles.
- Offer workers incentives for participating in reskilling programs. Focus efforts on older workers, who display lower overall willingness to take part in upskilling and retraining, and those whose jobs are at risk of significant change or obsolescence from automation and technological change.
- Take advantage of workers' conservatism in a post-COVID-19 labor market to offer skilling as a retention tool.
- Offer generous corporate pensions and benefits as incentives for attracting and retaining staff who have already taken advantage of employer-sponsored skilling opportunities (to get around the dilemma of funding training for workers, only to see them leave for a competitor or another job).
- Lifelong education programs should be offered as a complement to raising retirement ages: reskilling will be critical to ensuring that an ageing workforce remains productive.
- Balance retraining with early retirement incentives for older workers.

Financial education

- Experiment with subtle but effective ways to educate people about the risks they face, and the measures they can take to mitigate them. Traditional ways of imparting abstract, impersonal information are not the most effective at improving people's financial decision-making. Instead, leverage the idea that 'experience is a powerful teacher' to impart the wisdom of experience, whether directly or indirectly, ex ante (prior to a household financial shock) instead of ex post (after the fact).
- In particular, take advantage of workers' higher receptivity in a post-COVID-19 world to messaging about the risks they face and the insurance solutions available to them. It is more likely than ever that they have dealt with financial and/or health-related difficulties, or at least have seen others' experience of them on a mass scale.
- Design methods to better inform employees about what benefits are available to them and how specific types of insurance fit into the package (whether from the state, employer or otherwise).
- Choose nudges in forms that are appropriate to local country context as well as different industries and sectors of the workforce.
- Design effective financial education programs with employees to offer ongoing financial advice that combines instruction with practice and engagement.
- Use technology as a key component in engagement and education, which needs to begin earlier in workers' careers. Experiment with scenario-building apps and other as-yet-unproven digital methods.

Group protection

- Create and maintain a core set of benefits for all employees, promoting equity and preventing social dumping, based on salary scales in each country. Create profit-sharing plans to reflect productivity growth, thereby fostering workforce commitment such as inclusion.
- Consider auto-enrollment of employees into protection plans.
- Develop a default fund with flat-rate contributions for other employees, with the opportunity to opt out if they so desire.
- Seek protection solutions with greater agility in provision: greater flexibility in the uptake, payment for, and switching between and within insurance products. In a new world of big data, more granular information about individuals' circumstances is available in real time, and detailed patterns can be detected across populations, so insurance products can now be designed with greater inbuilt flexibility and continuity across career choices.
- Take advantage of younger workers' risk aversion in the labor market to design new protection schemes aimed at attracting and retaining young talent.
- Explore new forms of public-private partnerships with health insurers to help with risk management and mitigation, and ease pressures on providers of last resort.
- Provide portable cover for internationally seconded workers. Recognize variable coverage required in different countries by internationally seconded workers. Consider a global insurance program to set minimum standard such as income protection across different countries.

Retirement and savings

- Introduce auto-enrollment in pension schemes to boost savings rates.
- Begin education and engagement on retirement early in workers' careers and sustain efforts over time. With the help of plan sponsors, people must be encouraged to overcome short-term worries and plan for their long-term financial security.
- Take advantage of workers' growing awareness of the need to plan for retirement to guide them towards appropriate choices and solutions. Focus on middle- and lower-earning workers, who will have fewer means to pursue advice independently.
- Facilitate savings transfers across different sectors of employment as required.
- Keep older workers engaged as a post-COVID-19 priority, since there remains an overall trend to raising retirement ages. Some organizations will introduce early retirement policies as a response to COVID-19, but the overall trend remains raising retirement ages.
- Be aware of (and manage) the trade-offs entailed with raising retirement ages in a post-COVID-19 world, notably increased demand for flexible and phased retirement and the need to keep older workers healthy, engaged, and skilled.
- As official pensionable age is postponed, create flexible retirement options for older workers with impaired lives that involve part-time work and an alternative income.



Human Resources: Employee expectations can shape initiatives



HR managers consider ways to engage, motivate and attract employees

We asked HR managers in a [survey conducted in February 2020](#) what factors they believe help to attract and retain talent. Their responses are not presented as recommendations, since they are based on the subjective assessment of the managers' organizations, but they do serve to provide insight that could help guide initiatives with the aim of boosting employee engagement and motivation.

Among the survey findings:

- **Most companies saw skills development as key to talent retention**, including offering continuous (on-the-job) development and retraining and encouraging their employees to take government-sponsored retraining or adult education programs.
- **They saw an equally important role for benefits.**
- **Performance-related salary (i.e. a salary above the industry median) was by far reported as the type of benefit that most helped to attract and retain talent**, followed at a distant second were additional benefits such as pensions, followed by one-off benefits or payments.
- **Millennials may be less responsive to these incentives.** Interviews suggested that while pensions remain important to millennials, they are not a decisive factor in attracting and retaining them.

The survey also examined potential drivers of an overall increase in staff satisfaction for companies that experienced it. Notably, not all the factors that were believed key to talent retention overlapped with those that were found to have increased overall staff satisfaction:

- **A combination of salary and benefits seemed most effective in improving satisfaction**, compared to relying on benefits or salary alone.
- **Offering a range of insurance-related benefits (i.e. multiple types of insurance as part of a benefits package) played a role.** Moreover, companies offering different protection packages (i.e. agile forms of protection) to different groups of employees were more likely to have experienced an increase in employee satisfaction.
- **Offering non-traditional work arrangements made a positive difference.** Hiring workers under temporary and 'zero-hour' contracts (which do not require employers to provide employees with any minimum number of working hours) as well as freelancers was also positively associated with increased productivity.
- **Conversely, offering career opportunities within the firm did not appear to have any discernible effect on satisfaction.** It is difficult to say why this might be the case, at least based solely on the survey results, although one possibility is that not all organizations communicate effectively about the opportunities for upward career mobility available to their staff.
- **Using continuous development and training as a motivator reduces satisfaction.** It may be that employees feel forced to take these actions and so are less responsive to them.



A forward way of thinking takes us to a brighter future



The forces shaping our future of work
The world is changing and how we work is also evolving. Across generations and throughout the world, global trends are reshaping our personal and work lives, as well as the expectations of our customers. These changes have been amplified by the COVID-19 pandemic, which profoundly altered even the most mundane aspects of our lives.

A View from Zurich's Chief Human Resources Officer.

One key area for Zurich is how customer expectations and lifestyle changes are both driving and enabling changes for employees. Customers increasingly expect a frictionless digital experience, with simpler, more personalized products, faster delivery, and seamless processes. Remote work poses new operational and wellbeing challenges for employers. Technology is also redefining how, when and where we work. Tools are changing and demand new skills, including increased use of artificial intelligence, machine learning, virtual reality, and robotics.

Amid all these changes, we need to stay relevant to attract and retain diverse talent. Shaping a brighter future requires a forward way of thinking, focused on agility and action. We need to future proof workforces with skilling opportunities as technological change accelerates and reshape employment protection as new forms of work emerge. And, all while we keep a keen focus on building wellbeing resilience to support populations of all ages to live longer, fuller, and happier lives.

Our commitment as a responsible employer

Zurich's Work Sustainability Principles support employees in times of great change and transformation, by making sure they have the right mindsets, skills, and creative freedom to succeed, as our reliance on digital tools, products and services increases.

Work sustainability is about enabling growth and innovation, both now and in the future. Employees should feel valued in their role and supported in their career. They have to be a part of the journey towards digitalization that creates a brighter future for our customers and communities.

Our commitment in action

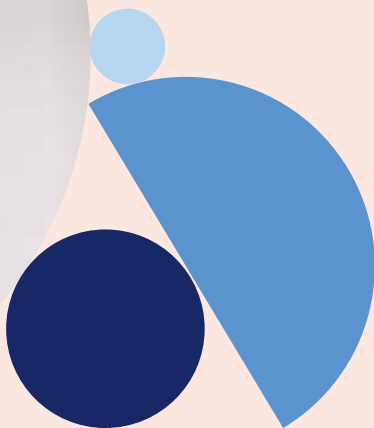
However, commitments alone are not enough. In 2020, we launched our innovative 'Brighter Future Together' leadership development program, bringing future skills to our people now. We also significantly upgraded our global learning experience platform. We introduced technical academies that focus on function-specific learning and launched internal talent marketplaces in many countries. These actions mean we continue to develop colleagues for new job opportunities, and prioritize our in-house skills over outsourcing solutions, in line with our work sustainability principles.

Our four wellbeing pillars maintain our focus on the mental, physical, social, and financial needs of our people, not least during the COVID-19 crisis, when we provided extensive support to both our people and their families.

Finally, we cannot discuss the future of work without considering the young people of today, some of whom are entering this rapidly changing workplace for the first time. More than 400 Zurich apprentices around the world, and a youth-friendly workplace that embraces young workers' ideas, enthusiasm, and innovation, are both proof of our commitment to the next generation. They are, after all, our future.

David Henderson

Group Chief Human Resource Officer





Z

Geography Trends



This section is designed to deepen our understanding of how COVID-19 is shaping the agenda for a new social contract at the national level so as to inform global debate over the issues described in the earlier sessions. In large part, we relied upon interviews with Zurich senior leaders in the 17 local markets that have been part of our survey research.

The countries include Australia, Brazil, Finland, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Portugal, Romania, Spain, Switzerland, UAE, UK, US. These interviews, by design, offer insights as to how the insurance industry and the Zurich local affiliates are adapting to labor market changes and government health and welfare policies brought about by the COVID-19 pandemic.

The country briefings to follow offer perspectives on five areas:

- local developments around re-skilling, upskilling and retraining
- recent and expected trends in public and private retirement and pension savings provision
- the impact of the COVID-19 pandemic on the demand and supply of insurance at the individual level and through corporate employee benefits and wellbeing programs
- the changing roles of the public and private sectors in health care in a post-pandemic world
- the growing importance of employers' responsibility for their employees' wellbeing.

 [Australia >](#)

 [Italy >](#)

 [Spain >](#)

 [Brazil >](#)

 [Japan >](#)

 [Switzerland >](#)

 [Finland >](#)


 [Malaysia >](#)

 [United Arab Emirates >](#)

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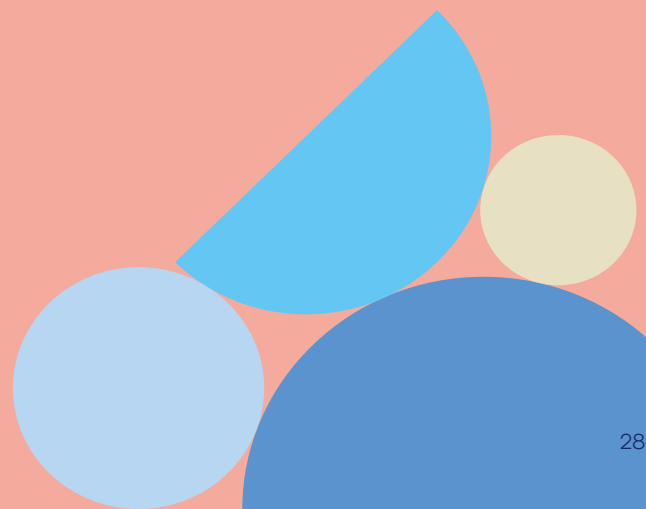
 [Romania >](#)



The outlook in Australia

These trends are noteworthy in the changing world of work:

- The **reskilling** ecosystem appears to be robust in Australia, with government, in-house, and third-party providers offering training programs with a particular focus on entry-level and basic skills. Shortages are apparent in science, technology, engineering and mathematics (STEM) fields and could grow over time without remedial action.
- **Pension** systems are relatively robust due to the current strength of the Superannuation system, which was reinforced by the recent Royal Commission report [findings](#).
- Furthermore, the Royal Commission has created a “pivotal moment” for the **insurance** industry, with fees and the quality of advice coming under increased scrutiny.
- The Australian federal and state governments are generally seen to have responded effectively to the pandemic. **Vaccination** programs are federally and state-run and will likely remain largely under the purview of the universal public health system, with some possible supporting role for employers in the longer term.
- While the term itself is less prevalent in Australia than in some other countries, employers are increasingly exercising a **duty of care** towards their workers. Greater uptake of existing employee assistance programs can be seen as part of this attention to wellbeing.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich AU]: A range of programs is made available through government, the insurance industry, and company internally. Zurich Australia's own focus is on workforce transformation. It is mostly aimed at basic skills, and has been broadened into reskilling for new technologies, where talent shortages are expected.

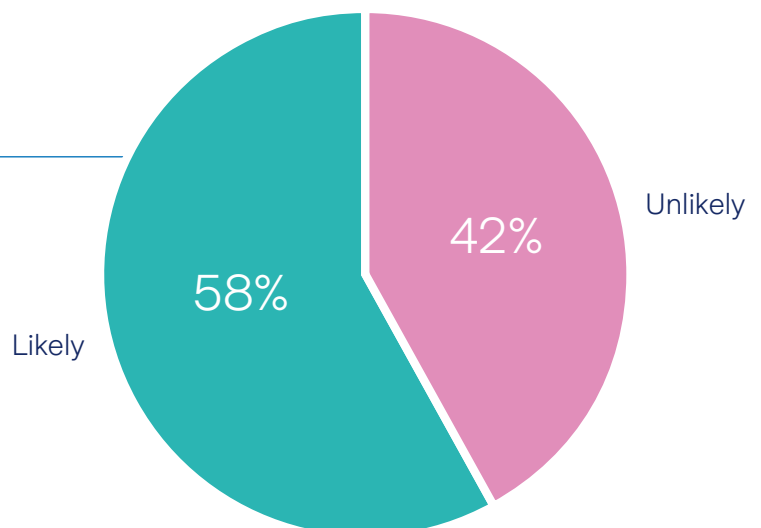
Insurance industry-wide programs: Over the next two to three years, it is expected that talent shortages will emerge, most severely in mathematics and science-based (STEM) programs. More generally, with an aging population and workforce, attracting and retaining talent is more challenging across the board in the insurance industry in Australia. New third-party skilling providers frequently come into the market. The insurance industry is focusing on the professionalization of its workforce through further studies.

Government policies and programs:

General skilling programs run by the government are widely seen to have proven their worth, especially during COVID-19. At the height of the pandemic, the federal government offered stimulus packages for training and gainful employment. In July 2020, AUD 2 billion was committed overall by the government for training and upskilling, particularly apprenticeships and programs targeting youth. The need for this investment was crystalized in the first few months. In part this was because the Skilled Migration Program traditionally had a strong role in how society addresses skills gaps at a granular level, since Australia was seen as attractive place to live and work, but the pandemic severely curtailed international travel and migration flows.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

12%

The current timetable mandates an increase in the contribution rate to 12% from July 1, 2025.

Significant changes to pension policy:

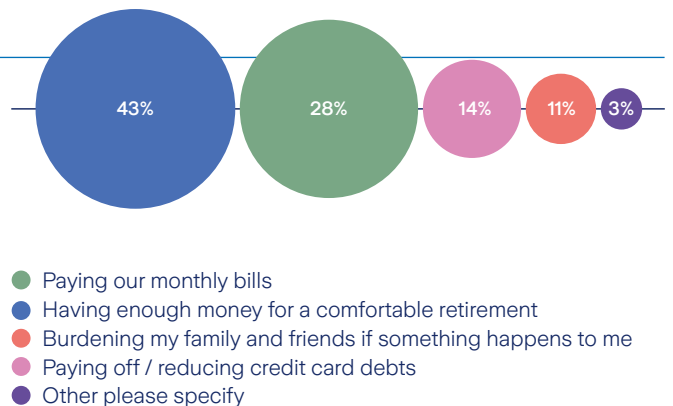
The main recent changes to the Australian pension system stem from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which published its findings in February 2019. The ongoing implementation of the Royal Commission's findings should result in the strengthening of Superannuation funds. One result will be outflows of members and assets from retail bank-owned Superannuation funds. Conversely, profit-to-member and not-for-profit funds, which are widely seen as putting member interests first and are not responsible for returns to shareholders, will be among the "winners" of the Commission's recommendations.

Challenges to pension systems: During the pandemic, individuals were allowed to withdraw up to AUD 20,000 from their Superannuation funds if they were unemployed and in danger of poverty. This could pose a financial sustainability challenge to the funds, and it has led to an ongoing public policy discussion about the true intent of superannuation. At one extreme, some current policymakers are considering allowing people to withdraw from their pension savings to pay the deposit on their first home.

What solutions? Private pension saving is already compulsory, but there is an appetite for increasing contribution rates. A pending program of work within government proposes a progressive increase of the statutory contribution rate from 10% to 15%. The current timetable mandates an increase in the contribution rate to 12% from July 1, 2025. While politically contentious, some increase is expected, even if it is only slight.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: There are three main insurance distribution channels in Australia: retail, which is advisor-driven; direct distribution through bank assurance, affiliations, and association distribution; and group insurance. Group insurance distribution is generally placed to market through a formal tender request for proposal process. An employer purchases group insurance for its workforce through a broker or employee benefits consultant, or the trustees of a Superannuation fund use a consulting actuary to place a group insurance tender to market. In the latter case, an insurer can become the default insurer for a Superannuation fund.

There is a tendency for strong and widespread support in Australia for government and private companies operating together in the marketplace, with socioeconomic factors determine the insurance scheme chosen. The federal (nationalized) social safety net, while less prominent in the overall mix of insurance offered, comprises care packages and the National Disability Income Insurance Scheme (NDIS). Private health, workplace compensation, and third-party insurance are also available.

The Royal Commission has created a pivotal moment in a regulatory and public policy sense for insurance industry overall. Notably, life insurance operated in a complex financial and social safety net ecosystem with

competing interests, giving rise to higher profile private and public community goods.

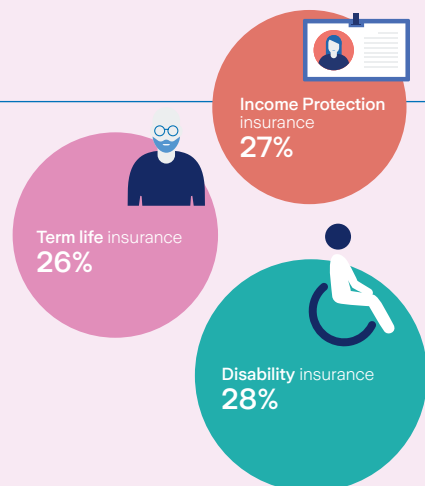
Direct selling: Direct selling is difficult from a regulatory perspective in Australia given that the market is heavily restricted. The Royal Commission brought direct insurance access nearly to a halt. There are now a number of restrictions in place that prevent the “hawking” or unsolicited selling of insurance, and there are deferral periods in place for add-ons.

Post-COVID-19 trends: The pandemic has highlighted the growing importance of employee insurance. There has been more interest from employees in ensuring continuity of cover. Benefits were impacted for employees on furlough, and for those who were terminated or took cuts to their hours. This was uncharted territory, with insurers and employers playing catch-up with sudden changes in workers’ needs. Affordability on the retail side was a challenge for consumers, so measures such as premium freezes, premium holidays, and the education of third-party intermediaries on options to control cover and adjust expenses were generally enacted by the insurance industry in Australia in response.

Health and disability have come to the fore, as there is now a greater appreciation of their importance. (Employers do not generally provide group health cover; there is a base

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

salary above which government charges a higher levy to individuals without health insurance, creating a tax incentive for obtaining private health insurance.) Although the two product types are historically separate, there is interest in making them intersect.

Redundancy insurance demand could be generated as a result of COVID-19. This product is different to the structure of Australia's income protection insurance, which covers lost income as a result of absence of work due to illness or injury; instead income is protected in case of losing one's job. In the longer term, there is also potential growth in long-term care insurance, driven in part by an aging population and those choosing to retire much later in life.

Challenges in bridging protection gaps:

There is relatively little public insurance provision, while on the private side, various challenges have led to the erosion of people's savings. On the retail side, the quality of advice has been an issue. As the educational level and qualifications of financial advisers have come under scrutiny, many have exited the industry, raising questions as to what will drive the future growth of the retail channel.

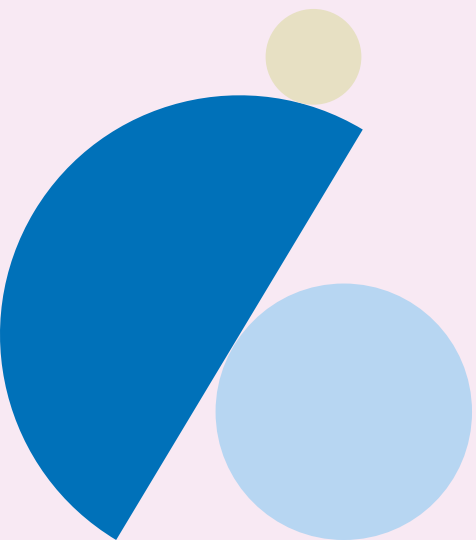
On the group distribution side, regulations are focused on the mechanics of the insurance system. Retirement savings and fees are eating into employee savings, leading the government to scrutinize the cost of fees flowing from the Superannuation system. Unlike in the retail market, commissions are not systemically entrenched on the group side. Instead, the government monitors the performance of group insurance schemes and how increasing premiums impact retirement savings. On the other hand, the introduction of taxes such as the fringe benefit tax (FBT) has meant that group employer benefits have been diluted somewhat.

Messaging: Communications about insurance products should be anchored in creating peace of mind for the policyholder. Comparisons with peers – “people like you...” scenarios – might resonate with younger cohorts. Healthy living programs will presumably have more traction with consumers given that the pandemic has instilled in the public an appreciation of good health. Linking such programs to creating more value in insurance products is integral to this messaging.

For group benefit schemes, insurers tend to take the view that they are positioned to manufacture, price, and place products in the market. They then assume that the employer will normally generate and communicate meaning for its own employees when implementing benefits schemes. However, because employees have a level of trust in employer provision, it can be argued that insurers need to do more to help employers (and Superfunds) in communicating this more effectively and bridging the gap between workers' needs and what is available to them.

Protection for gig workers: Certain segments of the gig economy in Australia are at greater economic risk as international economic fallout hits companies affected by COVID-19, crippling investment and the continuation of relevant immigration programs. A cohort of gig workers are skilled migrants with specialized skills that are in short supply in Australia.

Gig workers currently fall short of traditional Superannuation system categorizations. They also sit outside of traditional group insurance arrangements. Questions around Superannuation reform have been raised by representative bodies, for example the Australian Institute of Superannuation Trustees and the Minister for Financial Services and Superannuation. The profit-to-member sector is also lobbying the government to address gaps, ensuring workers are entitled to benefits. Solutions have yet to be determined.





COVID-19 related trends



Government response: The government experienced a “hiccup” in its initial response to the virus, but seemed to have learned quickly from the experience and subsequently performed strictly in controlling its spread in the community and limiting deaths to less than 1000. Australia experienced the pandemic differently from other developed countries, and it has had a lower socio-economic impact overall. The public generally trusts the government and has been highly responsive to and compliant with restrictions.

The government’s economic response has targeted certain demographics and sectors more than others. Although a large stimulus package was passed in October 2020 and updated in April 2021, with the most recent tranche of funds focused on the tourism sector, none of these funds went to female dominated industries such as childcare, and tertiary education institutions did not benefit. Overall, however, there remains strong investment in a government safety net, notably for small businesses. While employment rates dropped significantly early in the pandemic, they have since bounced back.

Vaccine rollouts have performed less well as of May 2021, with only 0.62% of the total population having received at least one dose of the vaccine. Although public confidence in vaccines is relatively high, with 72% of the population “very likely” to be vaccinated according to a survey from early March 2021, the number of people strongly opposed has grown by 11 percentage points since September 2020.¹ Australia has vocal pockets of anti-vaccine movements that are in the minority but get quite a bit of airtime in the media. In addition, there is an ethnic divide in trust, at least partly for historical reasons. That said, the community at large frowns upon non-vaccinated individuals, and these people may have difficulty accessing social activities and travel.

Employer provision of vaccines: It is unlikely that a private market for vaccines will emerge, considering that Australia has a universal health insurance system, state-based healthcare systems and community immunization programs. It is also unlikely that employers will offer vaccines to their staff as part of wellbeing packages. Likewise, given that state governments have provided adequate testing facilities, there is little need for large-scale private provision of tests.

Many companies host health checks and screenings, which tend to be popular, and a few companies might provide COVID-19 vaccinations as part of wellbeing packages as, for example, some companies provide flu vaccinations. Likewise, some insurance providers may include COVID-related booster or immunization programs as early as 2022, although there is a way to go before this comes to fruition. At the height of the pandemic, when uncertainty levels were high, some companies sought legal advice regarding how they might position themselves if vaccinations in the workplace were to be mandated.



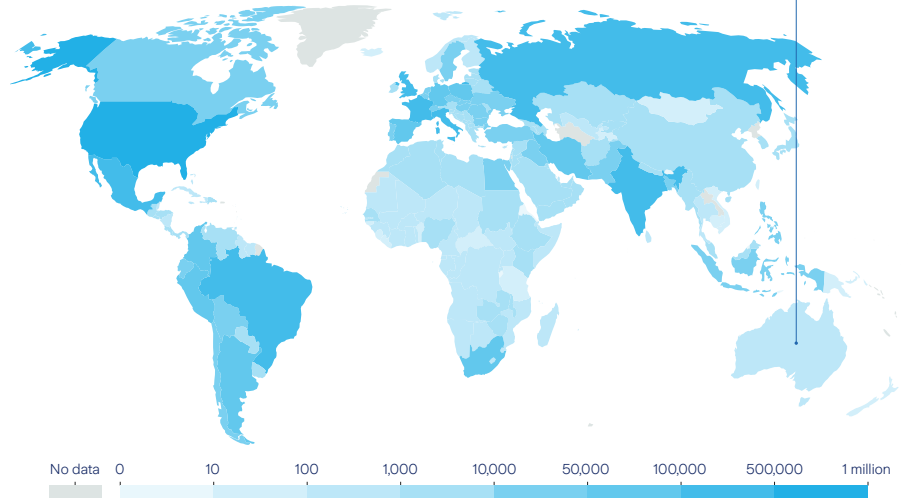
¹<https://www.abc.net.au/news/2021-03-05/australia-covid-vaccine-survey/13203170>



COVID context

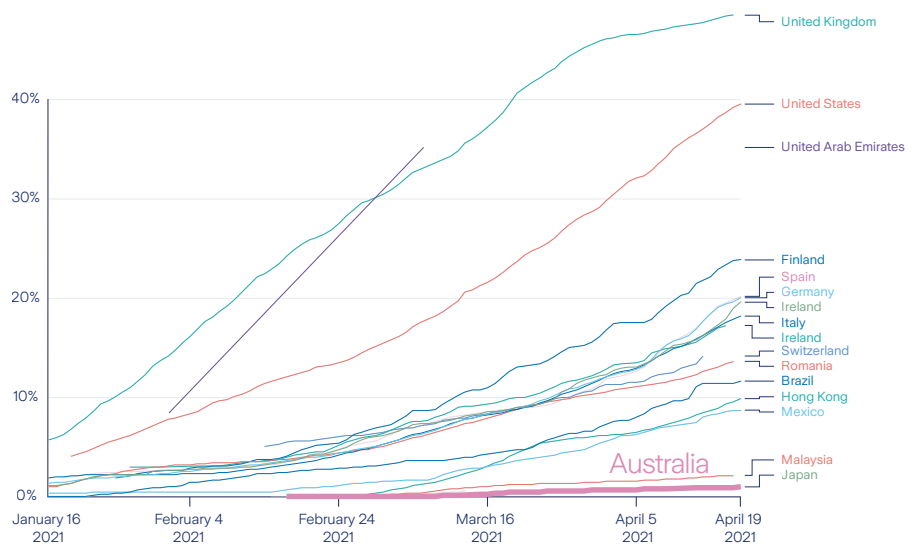
Cumulative confirmed COVID deaths

Australia: **910**



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

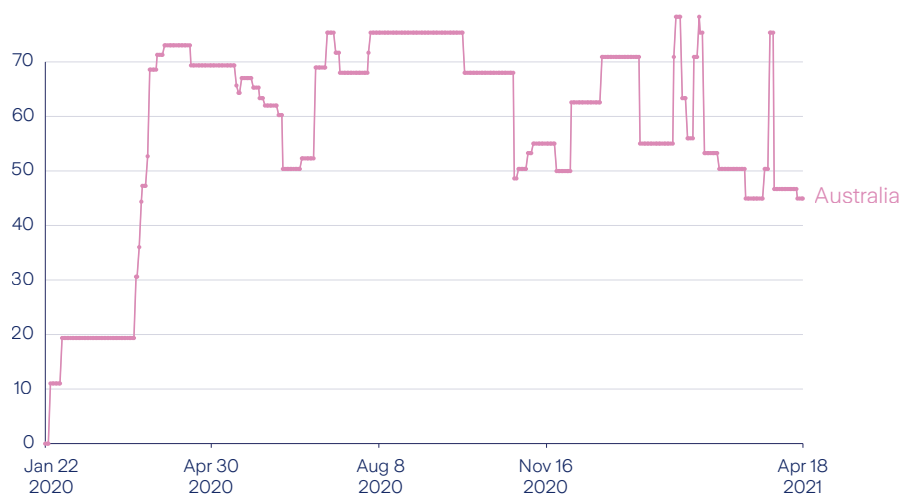
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Employees have come to expect organizations to support their needs, so for employers, it can be a differentiating factor in a competitive market.

The phrase “duty of care” may not be as prevalent in the Australian corporate context, but it has resonance. As a result of the Royal Commission, community expectation of the insurance sector, and of financial services more broadly, seemed to have increased markedly. Equally, employers are working to understand how they can do more in supporting their workforce’s wellbeing, for example by helping to ensure they get sufficient sleep and can balance caring responsibilities with work. Employees have come to expect organizations to support their needs, so for employers, it can be a differentiating factor in a competitive market.

Employers were engaging in these topics prior to the pandemic, and they are now stepping up their efforts through targeted actions. For instance, they are more attuned to the needs of employees working remotely and are experimenting with how these arrangements can be sustainable in the longer term, including how they impact family life. Employee assistance programs (EAPs) may provide workers with professional counselling related to a range of personal issues affecting their professional lives, including emotional stress, depression, anxiety, substance abuse, and financial difficulties. They have seen greater uptake during the pandemic, with leaders also encouraged to make use of them.

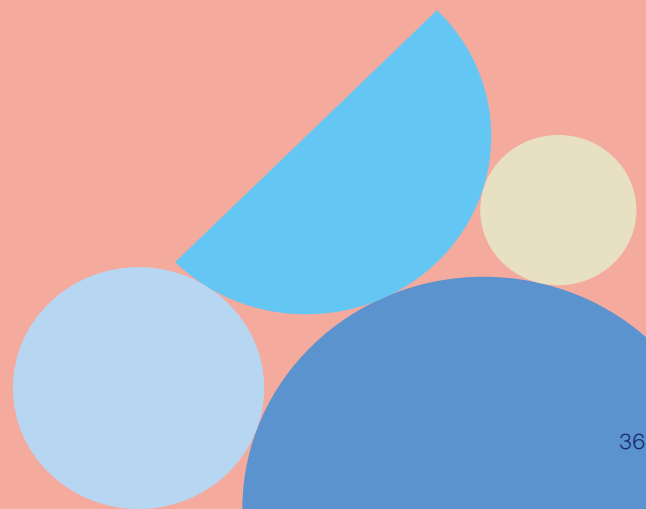




The outlook in Brazil

These trends are noteworthy in the changing world of work:

- **Reskilling** is largely the purview of employers in Brazil's insurance industry. This is a relatively new area of interest, but investments are expected to be made in years to come.
- Universal public **retirement** benefits are available, but contributions to the scheme are low given that more than half the labor force is informal. Neither employer nor private pension schemes are compulsory, so overall coverage penetration is low.
- The Brazilian **insurance** market has low penetration rates by global standards. COVID-19 has heightened awareness of the benefits of protection, but socioeconomic inequality is a major challenge.
- Brazil can be said to have a long-standing "**vaccine** culture," so trust and uptake are high. While the public vaccination system is robust, COVID-19 vaccines are expected to become available via employers. Insurers could eventually differentiate their policy offerings based on whether people have been vaccinated.
- Employers already saw themselves as having a **duty of care** towards their workforce before the pandemic, and this will become even more important. Wellbeing programs will have state support and will likely focus on chronic physical health conditions.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich BR]: Zurich Brazil has worked alongside Zurich Group’s people analytics team in identifying which positions are most endangered due to the disruption technology is bringing to the labor market. On this basis, they are designing in-house upskilling and reskilling programs, and have run a pilot for employees in the claims division.

Zurich Brazil also runs two ongoing projects aimed at supporting youth from vulnerable economic situations through the provision of training, development, and assisting in access to employment.

Insurance industry-wide programs:

Reskilling and upskilling are becoming important for many large employers, including insurers, in Brazil. Although interest in training is said to be “warming up,” much work needs

to be done to prepare for the future in terms of companies making investments. Banks and fintech companies are seen to be ahead in their thinking about the impacts of technology on their employees, while insurers are believed to be at the same stage as most other industries in this regard.

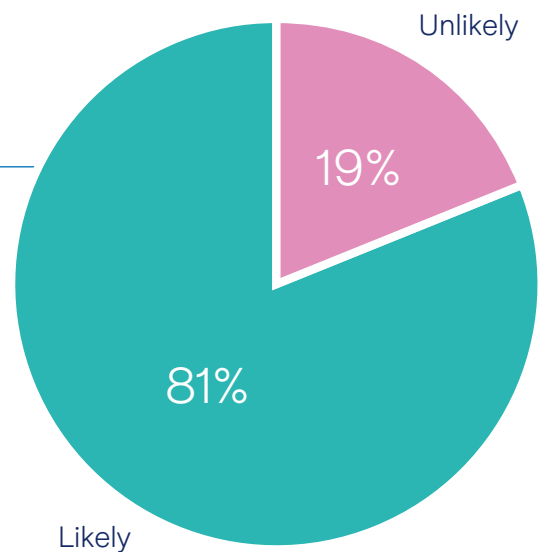
Government policies and programs:

Investment in skilling programs is generally seen to be the responsibility of the private sector. There has been no observed movement or interest from the Brazilian government in this regard. In fact, the national education budget has been cut and the government is not believed to be looking closely at this type of participation.

Intentions to take on training to improve professional skills

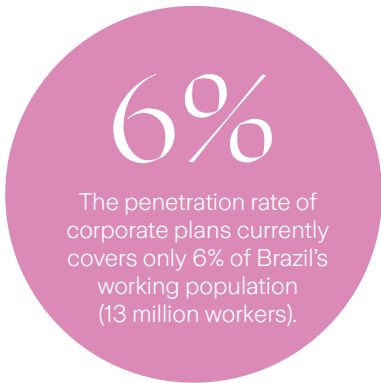
Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019





Pension and retirement trends



Significant changes to pension policy:

The retirement ceiling set for social security is three times the average income. Firm rules are in place to achieve this ceiling. Pension reforms in 2019 created retirement ages (65 for men, 62 for women – though there will be special rules for certain professions in the public sector, such as teachers, federal police, and prison guards, as well as rural workers). As a result, more people need a supplementary pension plan. This reform was broadcast by news and media outlets over a two-year period, and subsequently people had greater awareness and appreciation of pensions.

Despite these developments, Brazil is underpenetrated in terms of corporate pension plans, which represents an important opportunity. The penetration rate of corporate plans currently covers only 6% of Brazil's working population (13 million workers). Post-reform, the addressable market grew, and should be three to four times higher within the next 10 years.

Challenges to pension systems: Social security is contributory, with every formal worker expected to pay in 9-11% of their salary while the employer pays up to 22%. However,

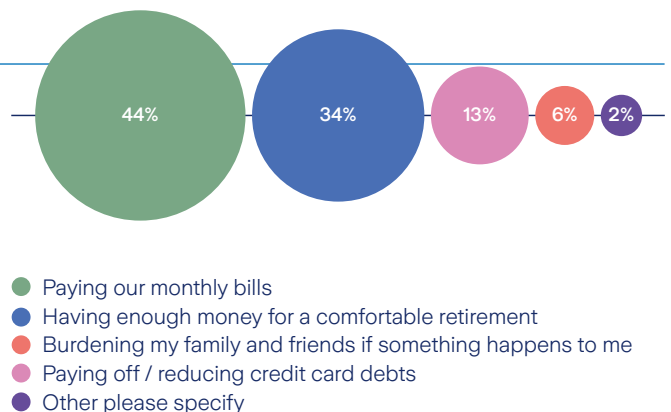
only 40% of the Brazilian labor force is formal. The informal sector (as of 2019, almost 50% nationwide and over 60% in some states¹) in theory may pay for insurance independently, but without a contract with their employer, they do not pay into the public system.

Most companies in Brazil offer pension plans within their benefit packages, but private pension savings is not compulsory. The Brazilian chamber of commerce recently held discussions as to whether it could be in the future, and to try and encourage relevant legislation. However, this did not prove possible. Employers in Brazil face high charges and taxation, with each worker costing on average two times their salary. A mandatory pension funding obligation would likely be negatively perceived, even though it would appear to be beneficial to employees. It is thought to be unlikely this position will change within the next decade.

What solutions? When the competition for talent becomes heightened among employers, pension benefits are likely to be more widely demanded by workers and offered as a hiring and retention tool.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://blogs.lse.ac.uk/latamcaribbean/2020/06/03/the-impact-of-covid-19-on-brazils-precarious-labour-market-calls-for-far-reaching-policies-like-universal-basic-income/>



Insurance and protection trends

Distribution trends: In Brazil, the insurance market is completely intermediated. Intermediaries can be global brokerages for clients with a large risk operation, or small to medium-sized brokers for retail clients. Larger insurers will have salespeople within companies and banks selling insurance, for group and retail sales respectively. Legislation mandates that a commission be charged at the average market rate when selling an insurance policy direct to the client.

Government protection (social security) covers the majority of Brazilians' core needs, and this is one of the reasons why microinsurance has relatively low uptake despite a push by local and international organizations in recent decades.

Direct selling: Recent legislative reforms did not explicitly forbid direct selling. However, going direct adds extra charges to the insurance price, and the additional costs are prohibitive. In the future, it is expected that this type of legislation will become more flexible.

Some market segments are likely to go direct in the future. At present, retailers can distribute coverage and protection digitally to clients. 45 million people in Brazil, or one-third of the population, lack a bank account, and 86% of this group are low-income and work in the informal sector so tend to take their salaries in cash.² Retailers could thus begin to offer them

a complete financial services package, causing a digital shift among them. Following this current initial movement, pressure to allow more direct selling is expected to mount. Whether this happens will be politically contingent.

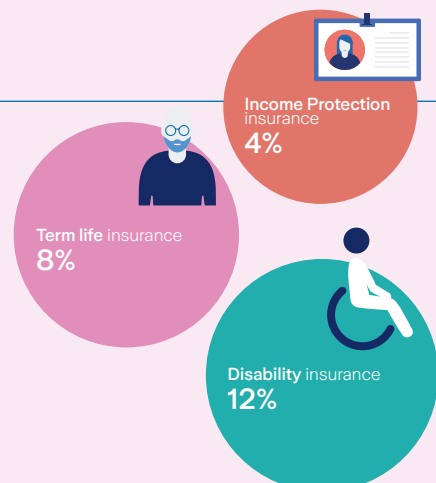
In response to these potential changes, brokers are moving towards technological system integration as part of a rethink of the design of their distribution systems.

Post-COVID-19 trends: Overall, insurance is expected to be more appreciated as people become more concerned about protection against both health and economic-related risks. Culturally, people are not used to talking or even thinking about death. However, death is now a constant theme in Brazilian media coverage of the pandemic. COVID-19 is seen as an invisible threat that could impact anyone, so many people are afraid.

On the retail side in particular, the fact that personal risk awareness has risen as a result of the pandemic will affect demand for health, income protection, and retirement products. Those with small businesses and entrepreneurs now see that the economy can shut down unexpectedly and will be more likely to look to secure contingency funds to fall back on. Even those in the informal market are looking to take out life insurance to safeguard their families.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019

²<https://riotimesonline.com/brazil-news/brazil/forty-five-million-brazilians-do-not-have-a-bank-account/>



Insurance and protection trends

On the group benefits side, until now, Brazilians rarely asked about insurance-related benefits – who the insurer is, the level of coverage, and the type of coverage – either before or after being hired. Now, finding a company with benefits is very attractive given the current public health crisis.

Over the past 18 months, and particularly since the pandemic began, companies have demonstrated concern over layoffs (redundancies). With unemployment rising, the competition for talent is low, so companies have not been enhancing the benefits they offer to their staff. When labor market competition becomes more of a concern again, demand is likely to grow for benefits packages, and workers would be more likely to request a contract prior to accepting job offers.

The public used to have a tendency to perceive government unemployment assistance for 20 million people in a more negative light given the scale of the support relative to state funding for other priorities. However, since COVID-19, their mentality has shifted, and state subsidies to protect the most vulnerable are now viewed as highly important.

Challenges in bridging protection gaps:

Increasing overall coverage of insurance is seen as a challenge in the industry. The insurance market contributes around 3.5% to Brazil's GDP,³ which is considered a low penetration rate. About three-fifths of this comprises health insurance. Protection levels are accordingly low, with about 30% of cars insured and 15% of lives are covered by life (and health) insurance.

The SUS (Sistema Único de Saúde) system of health insurance is holistic and universal, with 100% of the population eligible for coverage. In principle, all have access and are fully covered under social security. In practice, quality of care is an issue. 25% of Brazilians pay for private healthcare, in part because the quality of healthcare and access to it is

not well perceived among Brazilians. However, this is a very expensive and heavily regulated business.

Making any new types of insurance compulsory would be unpopular, especially in such a challenging economic environment post-COVID-19. The government is continually concerned about employment rates. Anything which might harm employers' capacity to retain and hire people will not be made mandatory. The idea is to help companies "become lighter" by loosening hiring obligations. At the moment, the only type of insurance which is compulsory is a type of motor coverage for personal accident (DPVAT).

The most profound challenge is inequality, which has implications for social protection. Brazil is one of the most unequal countries in the world, a fact which is now much more apparent. Before the pandemic, benefits programs covered nearly 20 million Brazilians through schemes such as the popular Bolsa Familia ("family allowance"), which covered 14 million low-income households (or roughly 40 million people).⁴ During COVID-19, the Brazilian government provided emergency benefits to supplement income for an additional 67 million people.⁵ These figures are widely agreed to be unsustainable, and the assistance stopped temporarily due to budgetary constraints. Recently the government approved 2-3 additional months of benefits, which may cover around 6-7 million additional people, to combat the second wave. Fast-growing debt (almost 90% of GDP) and consequent poor credit ratings are of major concern to the Brazilian government, both for purely fiscal reasons as well as for how it will be perceived politically.

Messaging: It is recognized that messaging around protection must adjust its approach to the local situation. In Brazil, COVID-19 is perceived as a great threat. Seeing people dying on a mass scale sends a strong message about the importance of protection.

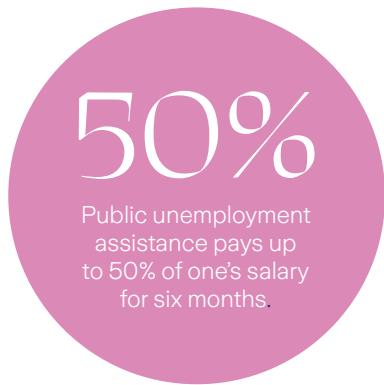
³<https://data.oecd.org/insurance/insurance-spending.htm>

⁴<https://privacyinternational.org/long-read/3758/brazils-bolsa-familia-program-impact-privacy-rights>

⁵<https://www.worldbank.org/en/country/brazil/overview>



COVID-19 related trends



Government response: Responses to the pandemic differed across levels of government: federal, state, and mayoral. The central government's response elicits highly negative popular views, while some states and cities are performing better. Messaging from the top, including some explicit anti-mask and anti-social isolation views, proved confusing and has not helped the overall situation. That said, Brazil is vast and unable to impose a nationwide lockdown. Rather, people are kindly requested to remain at home. The public was compliant with this and other requests for behavior adaptation, but as in the rest of the world, fatigue with compliance has been setting in.

According to the National Institute for Statistics, Brazil now has 14 million unemployed, not including informal workers. Formal workers who became unemployed during COVID-19 lost access to any workplace-based benefits they might have held, including private health insurance. Public unemployment assistance pays up to 50% of one's salary for six months. Meanwhile, facing cost pressures due to the economic situation, many companies have tried to cut expenses, including those related to benefits for workers who had not lost their jobs. Notably, some that offer health insurance downgraded their policies so that at least some level of coverage could be maintained.

Supplies of vaccines have faced significant challenges related to federal government procurement and confused messaging, as well as patent issues that affected local manufacturing. However, Brazil had built an efficient vaccine distribution program over the past 20 years and has a track record of successfully eradicating important diseases. It is effective and in place to distribute available vaccines in a timely manner. Brazil is currently vaccinating 800,000 to 1 million people per day and has the capacity to roll out 2 million per day.

Trust in vaccines: Trust in vaccines is very high, at 88%.⁶ Brazilians have a cultural affinity with vaccinations, so it is unlikely that people will need to be compelled or persuaded to take them. Independent of the type of disease, Brazilians trust local providers. This outlook is ingrained in people from childhood because vaccines for other diseases such as measles and hepatitis have proven so reliable for over 30 years. The elderly are believed to be even more inclined (and in more of a hurry) to become vaccinated as the threat is greater to them. Celebrities and other public personalities are disclosing their vaccinations through social media. They are celebrating "liberty and life," a sentiment that has widespread appeal.

Vaccines and insurance: Insurers could vary the prices for certain types of policies based on whether the holder has been vaccinated for COVID-19 through variable pricing or some form of discount. This could come to pass if COVID-19 continues to circulate in the population.

Government does not prevent this type of pricing. Discounts are already offered to women, non-smokers, and healthy individuals. Certain exemptions are also in place, for instance, on the basis of test results. Vaccinations could become an additional form of proof of health status. The mechanics of implementation of differential pricing would be important but are unknown at present.

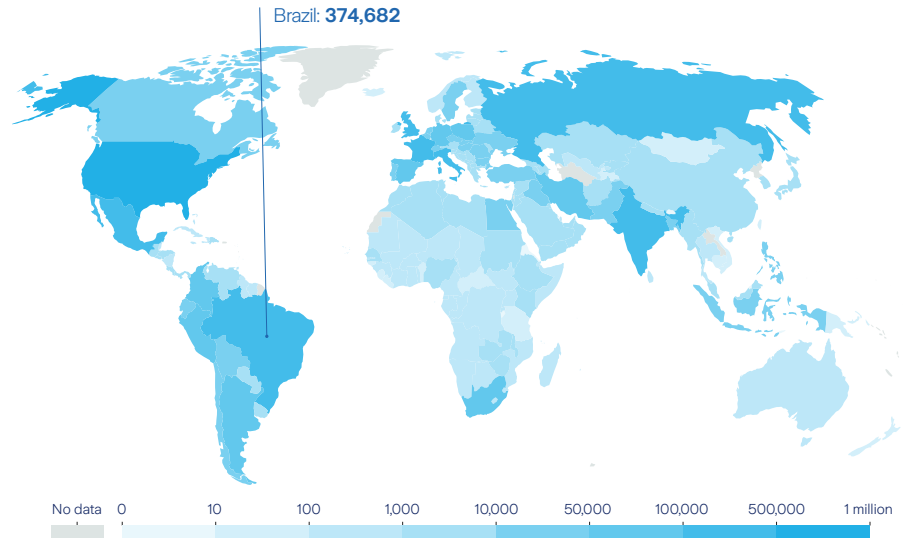
Employer provision of vaccines: There are ongoing discussions as to whether private corporations may purchase vaccines, though now it is forbidden. In the future, it is possible that vaccinations might be provided through company-based insurance and wellbeing packages. Nonetheless, Brazilians are used to publicly provided vaccinations: there is a "vaccine culture." Citizens go for annual flu shots and there are many vaccines for children. For these types of vaccines, public offering is usually sufficient, but people can obtain them through their employers if they wish.





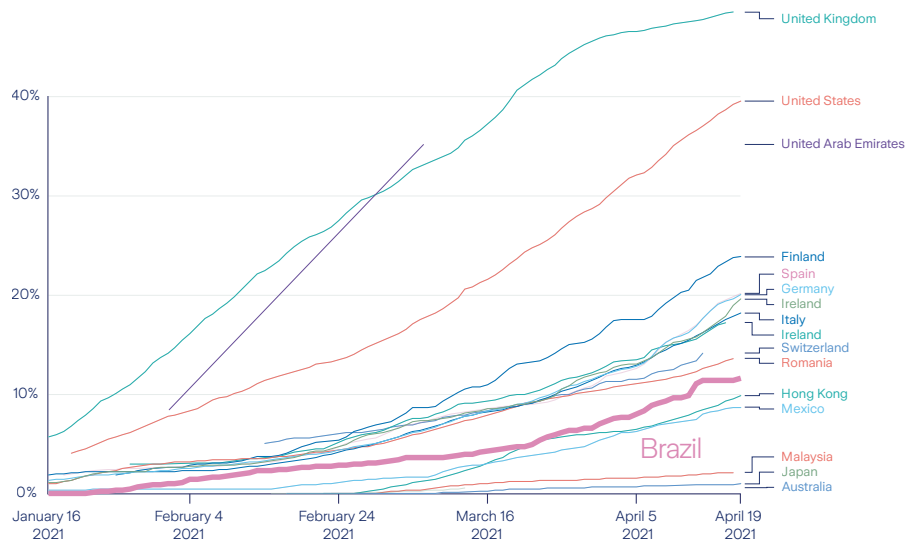
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

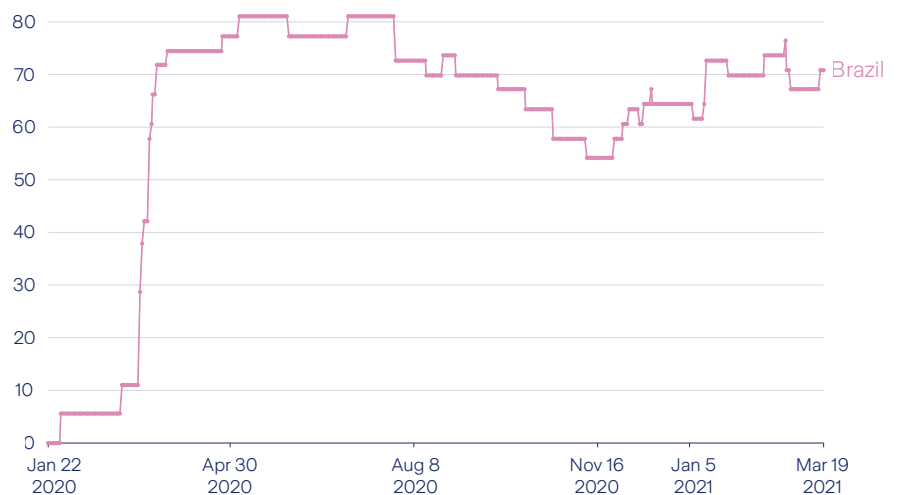
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Some companies were able to enhance their benefit offerings during the pandemic to cushion its effects on individuals.

The concept of an employer duty of care is thought to have been well established at large Brazilian companies even prior to the pandemic. “Taking care” of employees by offering benefits and ensuring work-life balance will now become an even greater part of corporate culture. Some companies were able to enhance their benefit offerings during the pandemic to cushion its effects on individuals, and could even extend some initiatives to employees’ families.

Going forward, companies and the government are expected to develop and offer wellbeing programs to treat certain health conditions that may not be immediate threats. Those who had chronic conditions prior to COVID-19 may have thought that they had them under control, but now see diseases such as diabetes and blood pressure issues as a greater threat.

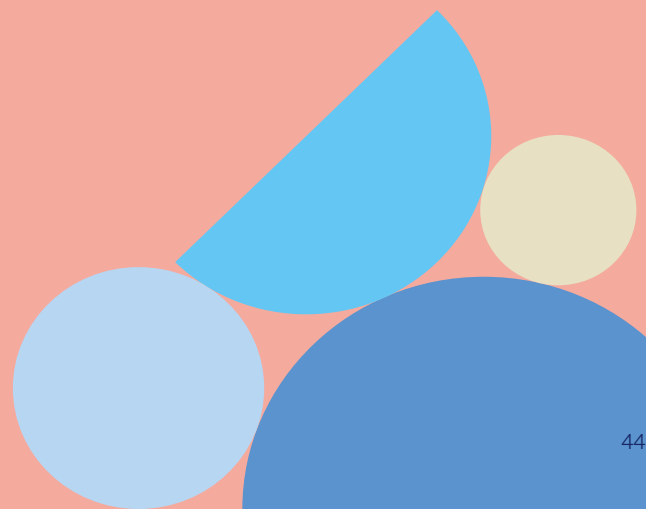




The outlook in Finland

These trends are noteworthy in the changing world of work:

- **Reskilling** in Finland has strong government support, through both state-run and state-financed programs, although uptake within the insurance industry has been relatively low.
- The state-run **pension** scheme is relatively robust, to the extent that there are no mandatory second- or third-pillar savings schemes. However, Finland faces the same demographic aging pressures as many other Organization for Economic Co-operation and Development (OECD) countries, so there is a recognition that private savings will need more encouragement.
- The social security system is also relatively generous, but it is expected that COVID-19 will lead to increased demand for certain types of **protection**, such as life, disability, and health insurance. Direct selling is expected to increase as part of a wider and accelerating trend towards e-commerce.
- The pandemic is not expected to have an effect on the pricing of insurance, or its availability to people with different risk profiles. Private provision of **vaccines** is unlikely given the robustness of the public rollout so far.
- The idea of an employer **duty of care** is relevant at some Finnish companies, as reflected in the promotion by some employers of healthy lifestyles. As in many other countries, younger people are also generally seen to be more interested in what employers can offer them beyond salary.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich FI]: Zurich Finland has ongoing skilling programs, some of which are mandatory. The company provides an extensive platform for different types of training. Managers are increasingly discussing reskilling and upskilling with respect to both new skills and reinforcing existing skills. The uptake of digital tools has accelerated, in part as a result of the shift to remote working, so this is one clear area where there is a need for ongoing training. While there is a recognition within Zurich Finland that its workforce's skilling needs will change, explorations of what these skills are and how they relate to the company's needs are ongoing.

Insurance industry-wide programs: The Insurance Distribution Directive requires industry professionals to undertake a minimum 15 hours of training per year. This can typically be achieved internally within insurance companies.

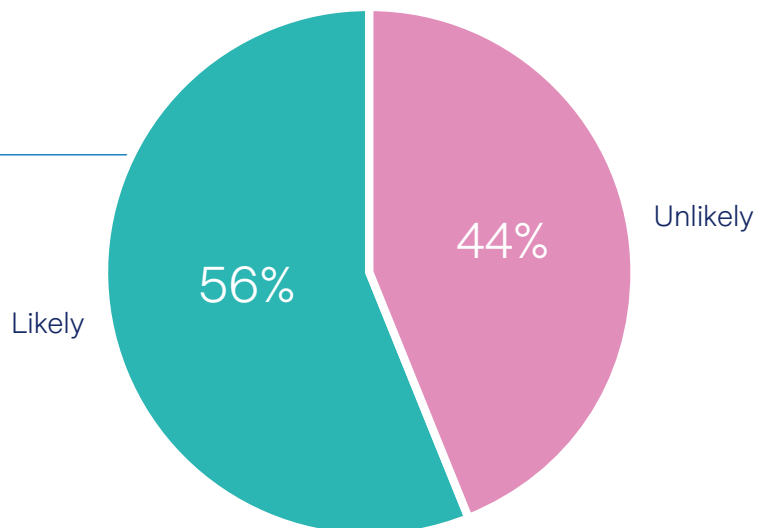
In general, adult education in Finland is geared towards formal or degree qualifications, although short courses or less formal learning are available through open university or community colleges.

Government policies and programs:

Finland is widely regarded as having one of the highest-achieving primary and secondary education systems in the world, as it consistently scores at or near the top of the OECD's Program for International Student Assessment (PISA) results. There is a universally available adult education system, mostly provided or financed by the state, but the system may not be keeping pace with the changing needs of the workforce.¹

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://www.oecd-ilibrary.org/sites/2ffcffe6-en/index.html?itemId=/content/publication/2ffcffe6-en>



Pension and retirement trends

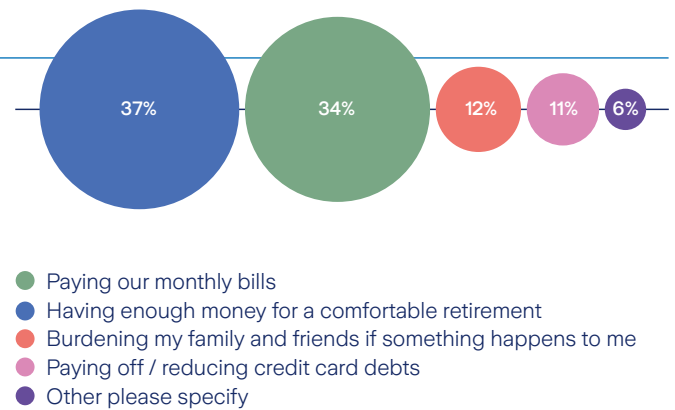
There are no compulsory (supplementary) pension savings schemes in Finland, as the social security system is entirely public. Voluntary savings schemes are available from the insurance industry. These types of products are usually in the form of a retirement benefit and are typically offered by companies to senior management.

There is a long-standing debate over how to maintain social security in its current form. Over the past five years, there has been a crisis as to how to sustainably finance social security and arrange funding efficiently. There is a recognition that demographic

aging and a low birth rate (although one silver lining of the pandemic has been that birth rates are rising for the first time in a long time) will increase pressure on the government's mandatory pension schemes. Concerns exist as to whether the schemes are adequately funded and whether the old age dependency ratio is unsustainably high. This will constitute a serious and thorough discussion going forward, with a possibility of more mandatory savings schemes being introduced in the longer term.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: The insurance market in Finland is based primarily on compulsory insurance coverage. Broker penetration in Finland is less than one-third of the overall insurance market.

With the largest companies, Finland and Sweden have tripartite agreements for direct trade in services.

The government takes responsibility for many private household concerns, although there is a growing private market for basic home insurance, and during the last 15 to 20 years, in private medical insurance and pension savings. There has been modest tax relief for private pension savings. A few types of personal insurance are compulsory, namely third-party liability motor, workers compensation, and small life insurance schemes through group protection.

Direct selling: Direct selling of insurance is likely to increase in the future, especially among younger buyers, as it is more natural for them to purchase their coverage through the Internet. Any direct sales platform would have to be trustworthy, clear, easy to use and free of complicated terms and conditions so that customers know what they are buying. If such a platform were to work, it could start with car insurance, which is already highly commodified. Customers can compare these

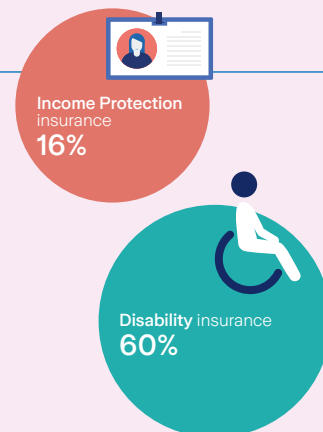
products easily, and price makes a big difference compared to products with more variable risk levels. This type of “first product mover” could facilitate comparable rates. As the platform and its brand became more reliable, other product lines like home insurance could follow.

Post-COVID-19 trends: In the last quarter of 2020, due to a reduction in consumption, the share of households’ savings in disposable income grew compared to the previous quarter and stood at 7.2%.² Households’ investments remained similar to the previous quarter and were mostly directed to housing. It is estimated that individuals have accumulated an “excess” €8 billion since the pandemic began. Some insurers expect that a portion of this extra disposable income may be directed towards protection products as people become more aware of the COVID-19-related financial and health risks they face.

In Finland, it is common for people to have minimal or no life insurance coverage. However, the pandemic has highlighted the importance of financial security and health for many people. This type of crisis could increase people’s awareness of their financial and health vulnerabilities and encourage them to protect against risk. Going forward,

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019

²https://www.stat.fi/til/sekn/2020/04/sekn_2020_04_2021-03-15_tie_001_en.html



Insurance and protection trends

there may be interest in types of insurance that will build a safety net should something happen in the future. For example, income protection may experience greater demand from the self-employed and entrepreneurs, for whom mandatory schemes usually do not provide sufficiently high coverage.

Likewise, private medical and health insurance have historically been seen as luxury products by customers, with concentration highest among high-income individuals. In the coming years there will likely be greater demand for health and disability insurance, given heightened awareness of healthcare in a post-COVID-19 world.

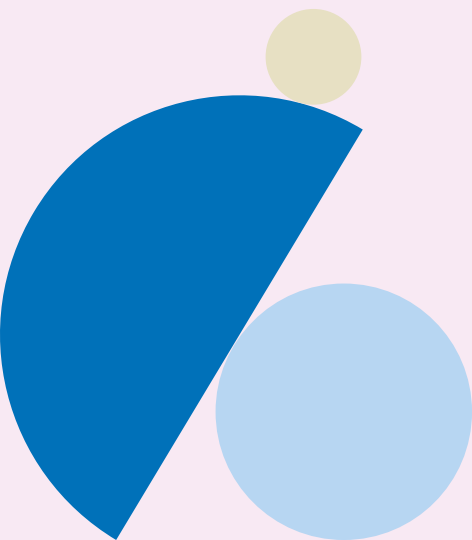
On the supply side, change is not expected in the retail market, which has been dominated by major global insurers for a very long time. There may be new providers of health and benefit products, but entry into this market is difficult. Acquiring new customers is a challenge as penetration of the broker market is low. It is not expected that the current government will be involved

in providing enhanced health or disability programs that cater to particular social groups over others.

Messaging: “Protection” is always an effective message in and of itself, especially for individuals.

Messaging in Finland tends to take a “gloomy” tone – perhaps ironically given that Finland has been ranked as one of the happiest countries in the world by the UN’s annual World Happiness Report. For example, messages can encourage people to think about what would happen to their families and their lifestyle if something bad happened to them. Otherwise, people tend to respond with individual self-interest in mind.

Protection for gig workers: Gig economy workers (and the self-employed more generally) have social security coverage through the public system, which captures all workers. However, income protection and business interruption coverage usually need to be supplemented privately.





COVID-19 related trends

8.1%

The unemployment rate rose to 8.1% from 6.9% in February 2020.

Government response: From a population of 5.5 million, the rate of COVID-19 infection is 65 among every 100,000 and there were approximately 800 deaths. The virus situation is worst in the densely populated capital. Looking at the nationwide numbers, the government managed restrictions and hospitalizations relatively well. Vaccination rollouts have so far proceeded slowly, in part because of an ongoing debate among the authorities on where to direct resources.

Behavior change in response to COVID-19 is thought to have come easily to people in Finland: they are said to be socially distant and very private. This is one of the key reasons why the country has been so successful in managing the pandemic. A survey conducted in 2020 found that a large proportion of those surveyed reported their quality of life had improved through the course of the pandemic. On the other hand, fatigue has set in, and trust in the government's response to the pandemic has decreased over time. There has been an increase in small demonstrations with 100-200 people, although these groups have faced criticism.

Unemployment has been rising in Finland. According to the most recent Labor Force Survey, there were 220,000 people unemployed in February 2021 - 35,000 more than one year earlier. The unemployment rate rose to 8.1% from 6.9% in February 2020.³ It is difficult to say whether this is permanent or pandemic-related and will cease when the economy reopens. When a worker in Finland loses their job, the employer is obligated to provide some healthcare, either at the minimum publicly mandated level or private medical coverage. There is not a significant loss of benefits. The governmental social security system is considered to be of high quality, and everyone is automatically enrolled.

Trust in vaccines: Overall, trust in vaccines is very high. A recent study mapping global trends in vaccine confidence across 149 countries shows that 66% of Finnish respondents "strongly agree" that vaccines

are safe.⁴ However, there is a certain area on the western coast of the country where trust is lower, and there has been a measles epidemic in the past. In geographically remote areas, people tend to be more vocal about anti-vaccine sentiment. The suspected link between the H1N1 influenza (swine flu) vaccine and narcolepsy was highly publicized when the disease broke out in Finland in 2009, leaving some residual uncertainty among people with respect to COVID-19, especially when it comes to parents vaccinating their children. In December 2020, the Finnish institute for health and welfare reported that 64% of Finns would take the COVID-19 vaccine when available, but 20% were strongly opposed.⁵ This was exacerbated by more recent reports of adverse reactions to the AstraZeneca and Johnson & Johnson vaccines. Vaccine hesitancy (reluctance or unwillingness to be vaccinated) may decrease when positive social outcomes become apparent.

Vaccines and insurance: It is not expected that preferential health-related insurance contracts could be offered to individuals on the basis of whether they have had the COVID-19 vaccination. The virus is expected to develop into something persistent like influenza, with a need for annual vaccines. It is not expected that insurers would ask their customers if they have had COVID-19 vaccine (or any other vaccine that is required on a regular basis).

Employer provision of vaccines and tests: A private market for COVID-19 vaccines is unlikely, since the government provides them. It is possible that employers could offer vaccines if the virus recurs seasonally like influenza: companies already offer vaccines against influenza free of charge.

Private tests are not available. Instead, they are provided by a doctor or a test facility. Doctors can be private or government employees. A private market is unlikely to develop.



³https://www.stat.fi/til/tytyi/2021/02/tytyi_2021_02_2021-03-30_tie_001_en.html

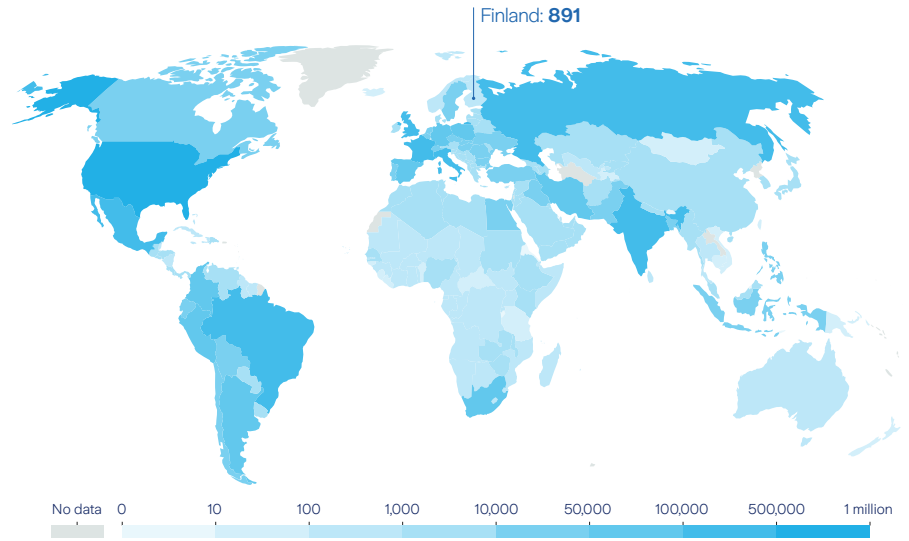
⁴[https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)31558-0/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)31558-0/fulltext)

⁵<https://thl.fi/en/web/thlfi-en/-/survey-most-would-take-a-coronavirus-vaccination-how-well-the-vaccine-protects-affects-acceptance-the-most>



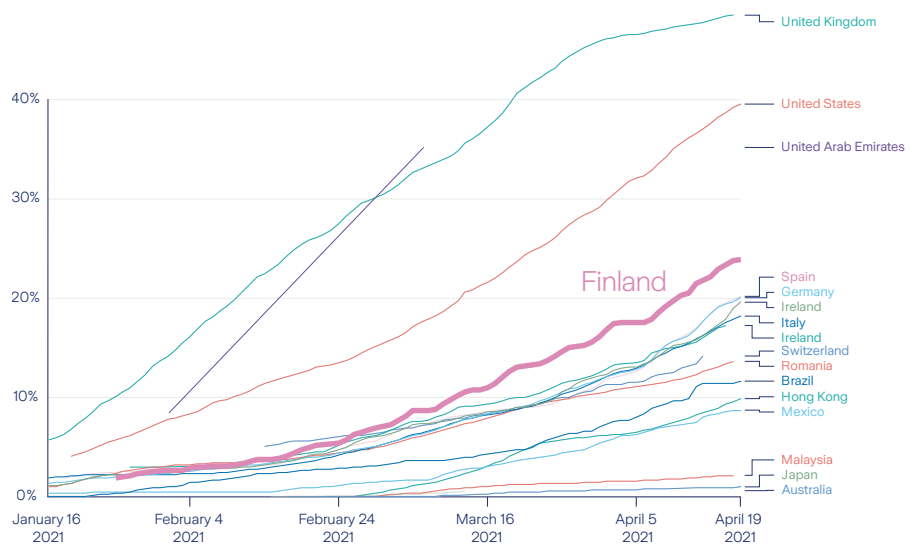
COVID context

Cumulative confirmed COVID deaths



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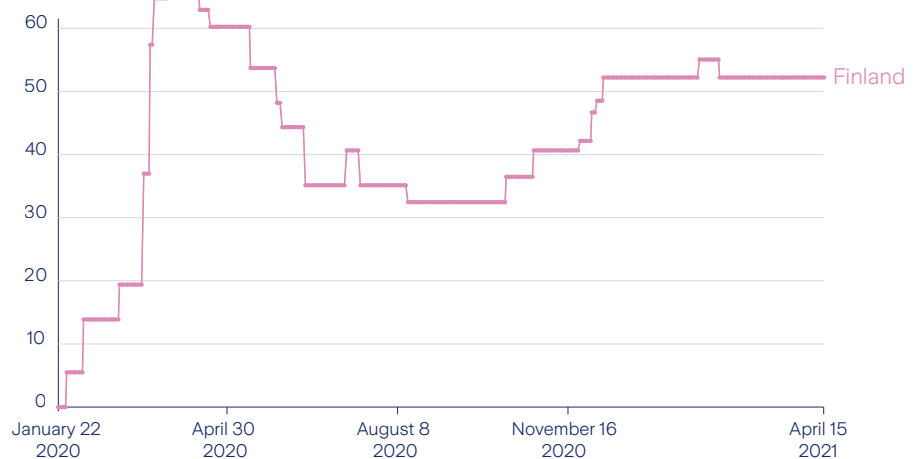
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

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Duty of care trends

A duty of care is also a retention mechanism: if employees feel as though they belong to a community, they will think twice before leaving.

The idea that employers should have a duty of care toward their employees is widely accepted in Finland. There was a trend in this direction, and the focus on the issue has increased, at least partly due to COVID-19. The younger generation thinks beyond salary and in terms of values such as freedom, employer appreciation, validation, and care when choosing an employer. This is recognized as being especially true in countries with generally high duty of care among employers. A duty of care is also a retention mechanism: if employees feel as though they belong to a community, they will think twice before leaving.

A general public interest in healthy lifestyles that feature less alcohol, healthy eating, and exercise is promoted by some employers. A government initiative (unrelated to the pandemic) offers employers the opportunity to offer bicycles to their employees through a provision in their salary to put toward the purchase tax-free. This program is also related to environmental sustainability, which is of interest to the government and companies.

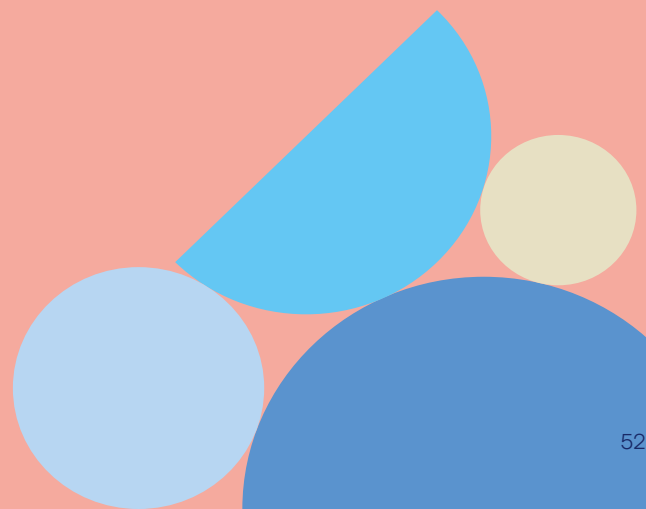




The outlook in Germany

These trends are noteworthy in the changing world of work:

- **Reskilling** at German companies is typically provided in-house, by third-party companies, or a partnership between the two. There has been rapid innovation in virtual and hybrid training over the past year.
- Reforms to pillar one and pillar two **pensions** have been ongoing since 2008. Provision will need to be improved for SMEs.
- There is a great deal of uncertainty surrounding future developments in the **insurance** market which will only be resolved after national elections in late 2021. Innovations in direct and online selling have been slow relative to other countries given high disclosure and customer information requirements associated with products.
- The government's response to COVID-19 was well managed with respect to containing the spread, hospitalizations, and particularly employment support, though the first two have faltered recently. **Vaccinations** are managed by the state and are not expected to develop a significant private market. Insurers are unlikely to discriminate in their offerings based on vaccination status or health risk.
- The concept of employer **duty of care** does resonate in Germany, but while large companies provide wellbeing programs, it is still ultimately seen as the individual's responsibility to make use of them.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich DE]: Zurich Germany has recently established many new skilling programs, particularly around the company's technology needs. Zurich Germany had the know-how and experience to develop the programs internally, with some external support from companies that specialize in new agile innovation learning, since COVID-19 has made virtual training a necessity. There had been a need for such skilling initiatives within the company for some time, but the pandemic brought the change to fruition in a much shorter timeframe than was previously assumed necessary.

Zurich Germany is working towards the optimal blend of in-person and virtual offerings. In theory, all training can be carried out on a virtual basis. In practice and in the long run, since people are social creatures

with a need for direct connections, it is clear they will need an element of social interaction, particularly as the pandemic has gone on.

Insurance industry-wide programs:

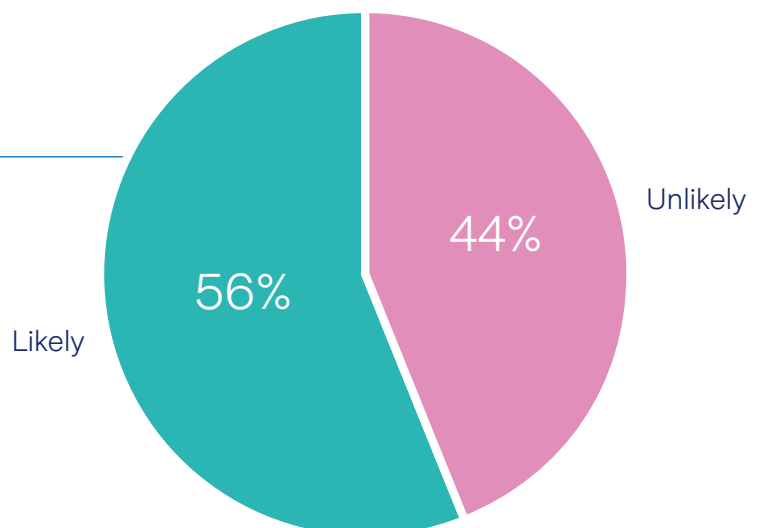
Established third-party training providers have pivoted to come up with new offerings in virtual training, allowing them to remain competitive in the reskilling provision market. New start-ups have also emerged since the beginning of the pandemic in this market, which presented them with an opportunity for establishing their company that might not otherwise have been present.

Government policies and programs:

Government reskilling programs do not play a significant role in the reskilling and continuing education landscape, although this is not necessarily regarded as a gap.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

48%

The retirement age was raised from 62 to 65 years and eight months, and the statutory pension level will remain at 48% of salary until 2025.

Significant changes to pension policy:

Germany enacted a major pension reform law in 2018. The retirement age was raised from 62 to 65 years and eight months, and the statutory pension level will remain at 48% of salary until 2025. All generations born after 1964 will then have 67 as the standard retirement age. The monthly salary threshold for contributions was also raised from €850 to €1,300 to relieve the financial burden on lower income earners without reducing their entitlements.

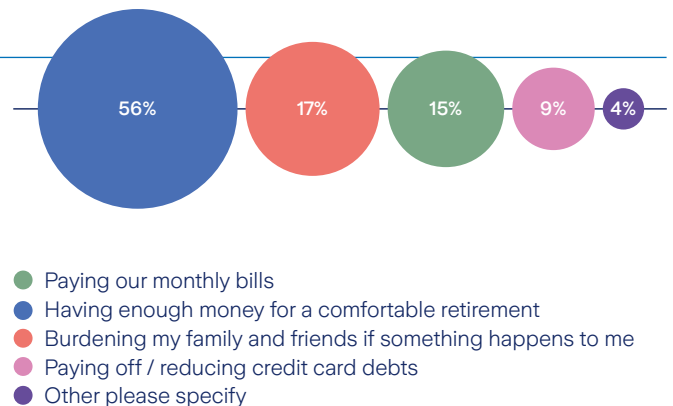
Taking a longer view of the past few decades, public pension provision has been significantly reduced, giving way to private provision, both through group schemes and individual savings and life products. There are several options of state-subsidized products for group coverage: in addition to corporate life and pensions (CLP), there is Riester (a direct state bonus payment, non-corporate pillar) and a base annuity (comparable to the state pension, but privately funded – mainly for self-employed people). The proportion of group coverage has constantly increased as the role of the employer has grown in importance. Companies in all sectors now have a sizable corporate life and pensions (CLP) part. It is a highly subsidized business and is attractive to workers, not least as it includes a salary sacrifice scheme that entails tax advantages.

Germany introduced a reformed social partner system (CLP schemes without guarantee and the possibility of auto-enrollment if labor unions and employer associations agree on model and control investment rules) as a response to a large old-age provision gap for low-income people. It will take time for these changes to have a discernible effect from an insurer's point of view. An additional change was introduced into the state pension system: The main changes here concerned linking retirement to years in service rather than age, higher benefits for mothers of children born before 1992, a new benefit for the wholly or partly incapacitated, and increased funds for rehabilitation.

Challenges to pension systems: Germany has the Deutsche Rentenversicherung, or statutory pension insurance based on earned income, which is a compulsory pillar one pension arrangement. As in many countries, there are challenges in guaranteeing everyone an adequate pension when lower-income segments of the working population are employed through atypical contracts and the old age dependency ratio has been rising. At the same time, very low to negative interest rates have been a challenge for insurance companies that offer income guarantees through voluntary pension savings products.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



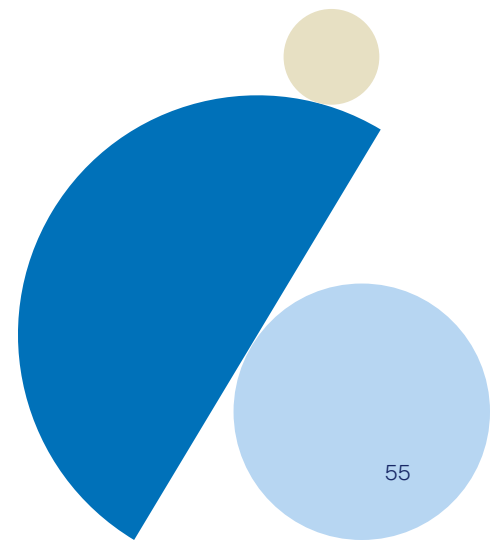
Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

In the past, Germany had a high level of state provision, with 55-60% of people's regular income insured by government pension systems. Due to financing problems, this has been reduced to around 40-45% coverage. Savings schemes are mostly out of reach for those who need them most, particularly low-income individuals without corporate life or private pensions. In the German population as a whole, the proportion of people excluded from such schemes is around 25-30%.

What solutions? The government is searching for new solutions to this problem. It has developed a new a "social partner model" whereby employers and insurers partner to design solutions for every employee scheme. Several possible changes that would move pension systems towards compulsory participation are being discussed ahead of the elections in late 2021. Different models, including a state pensions fund, have been proposed.





Insurance and protection trends

Distribution trends: Most retail distribution is intermediated, mainly through banks, tied agents, and brokers. Group policies are sold mainly through brokers, with the rest directly or through employee benefits consultants.

There have been considerable changes in the insurance landscape over the past few decades.

Areas such as disability have become totally dependent on private provision. Previously, only those with very high incomes needed private provision in addition to the state system; now everyone is responsible for their own arrangements. However, lower income earners struggle to obtain coverage given they have low overall savings rates, and this demographic is not attractive to tied agent brokers. The government is seen to have focused on retirement age over disability, as reflected in the new social partner model.

Direct selling: There appears to be little prospect of direct selling of insurance in the German market given the necessity of an intermediary to guide consumers. In an environment with various product layers, and in the current tax environment, customers can become confused or overwhelmed without a distributor helping them find the best solution. The exception is term life insurance, which can be bought directly online. As this is much cheaper (and is a simpler product), more people tend to go direct.

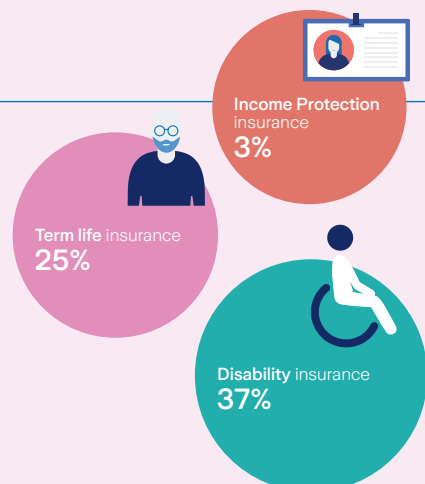
The German government has realized that with a build-up in product complexity, it will be challenging to simplify them so that they are easier for individuals to understand. They are discussing systems that would be easier to navigate, but each party has differing views on what this might look like.

Most insurance contracts run 30 to 60 years if the retirement phase is included. For those who have entered into long-term contracts (and potentially built up special tax environment advantages), it is then difficult to unwind this agreement. Thus, it has become a challenge to remove historical advantages in order to reduce systemic complexity.

Group benefits trends: At the end of 2021, there will be a federal election in Germany. Various parties' platforms contain proposals concerning compulsory pension savings. At issue is the viability of the legacy intergenerational social contract and whether income guarantees through insurance policies can be maintained. These issues have become important to large German corporations that have offered workplace pension benefits: as their workforces evolve, as they face challenges in fulfilling their occupational pension promises, and as they seek greater flexibility in their employment contracts, new models of occupational pensions are being sought.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Post-COVID-19 trends: It may be expected that consumers' sense of urgency for disability cover and term life insurance will increase. There have been signs of this on the part of individuals and companies over the past year. Employers are looking at social behavior and would like to improve overall offerings for their employees accordingly. Income protection insurance is also expected to grow in relevance.

Beyond purely COVID-19-related demand-driven trends, the German election at the end of 2021 could lead to considerable changes in the insurance system. For example, the Green Party is proposing to curtail the provision of life insurance contracts. This would have knock-on effects for other types of private insurance. If compulsory pensions are strengthened, personal pension and savings will likely lose influence, as it is difficult for distribution channels to explain add-on products.

Challenges in bridging protection gaps: Regulations concerning what customers must be shown in information packages attached to insurance products are becoming stricter and mandating more detailed disclosure. There has also been discussion on regulatory reform of the provision system – the maximum commission distribution channels are allowed to be paid.

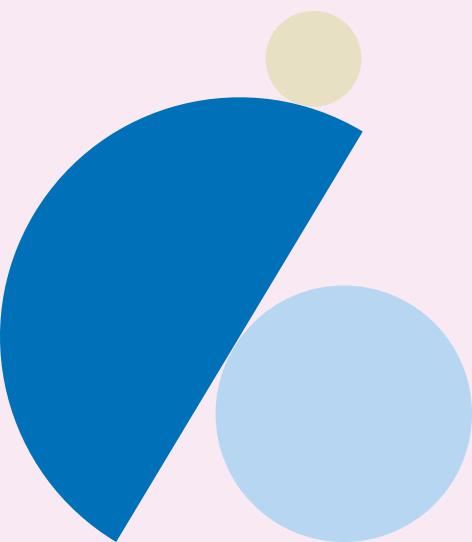
In the prevailing low-interest-rate environment, there are challenges around guaranteed products, as many subsidized products require high guarantees. For example, with “guaranteed payback” in Riester, it is necessary to pay 100% of the premium back at end of contract. The restricted interest environment makes it difficult to build product lines.

Affordability of insurance has become more problematic for some groups of people during COVID-19. Lower-income people will face obvious challenges in being able to afford protection. Many self-employed workers also seem to have deprioritized protection given that they are living off their savings reserves, although some receive a high level of state support.

Communicating the benefits of insurance: The most effective messaging about the benefits of insurance entails showing individuals the gap they have in their insurance coverage, what could happen, and how they can close it. Although people say they like more positive messages, developing a sense of urgency around finding solutions and understanding risk has been shown to work better. This is a change from a decade ago, when the focus was on risk; now messaging is more informative around creating awareness of gaps and helping clients to best protect themselves.

Messaging is slightly different for group benefits. For employers it is more positive: how can insurers help them be good employers and provide services to their employees? Employers wish to gain knowledge of people in areas of Germany where it is harder for them to reach.

Protection for gig workers: Protection for gig workers is a nascent market in Germany and is not as relevant as in countries such as the U.S. or the UK. Many regulations and legal restrictions make it difficult to offer private insurance to this segment of the labor force. In the future, however, offerings should develop more fully.





COVID-19 related trends



Government response: The federal government is seen to have managed containment of the virus well at the start of the pandemic. Its management of hospitalization is also perceived to have been effective, in part thanks to high standards in medical infrastructure. On the other hand, as Germany is a federated nation with 16 states, each state minister puts different measures in place. This has led to inconsistent regulations within the states, which in turn has caused public confusion and frustration, and ultimately contributed to trust issues in the vaccine rollout. As a consequence, the state has introduced the so-called “Bundesnotbremse” (national emergency brake) that makes central and equal obligations possible for every state.

Compliance with behavior changes was high in earlier stages of the pandemic, but there has been a shift in the way people are following directives. This stems from the inconsistencies between rules across the federal system. Germany is seeing more protests, for example the Querdenker movement in the eastern part of the country. Deniers and conspiracy theorists are positioning themselves more prominently and have a platform via social media.

The government’s economic response to the pandemic includes various offers of financial help for workers, especially the self-employed, and through short-term work allowances. However, dissatisfaction has also arisen among the population, as payments are paid out slowly. There were also many cases of abuse in connection with the financial support measures. A furlough-style scheme has allowed employees to reduce their time at work and have their earnings compensated by the state. The amount of wage top-ups has increased since the start of the pandemic. Due to this scheme, unemployment has only increased by 1.4% since March 2020, and remains relatively low at 4.6%.

The situation is more difficult for low-income workers who have lost their jobs, especially with respect to benefits coverage. Being unemployed per se has had no direct impact on their access to health insurance, since many are in the public system. However, coverage is linked to earnings, of which a percentage is contributory.

Trust in vaccines: Trust in vaccines in Germany is at 67.4% from a survey conducted on April 6, 2021. (Reputational issues surrounding the AstraZeneca vaccine have somewhat lowered overall trust in COVID-19 vaccines). The acceptance rate is higher for vaccinating children, at around 90%. Germans grow up with vaccination and it is normal to have their children vaccinated. It also depends on the illness. Childhood vaccines have proven their efficacy and safety over decades and very few mistrust them. By contrast, there is no long-term study on COVID-19 vaccines, so questions have been raised as to their long-term consequences and unusually short development timeframes.

Vaccines and insurance: At the moment, insurers in Germany tend not to ask questions about vaccination and do not offer a discount on insurance coverage based on whether someone has been vaccinated for COVID-19 (the exception being for travel insurance). The public likely would not respond well to this type of disclosure and possible discrimination. Insurers are assessing whether COVID-19 has impacted disability and old-age provision within existing contracts.

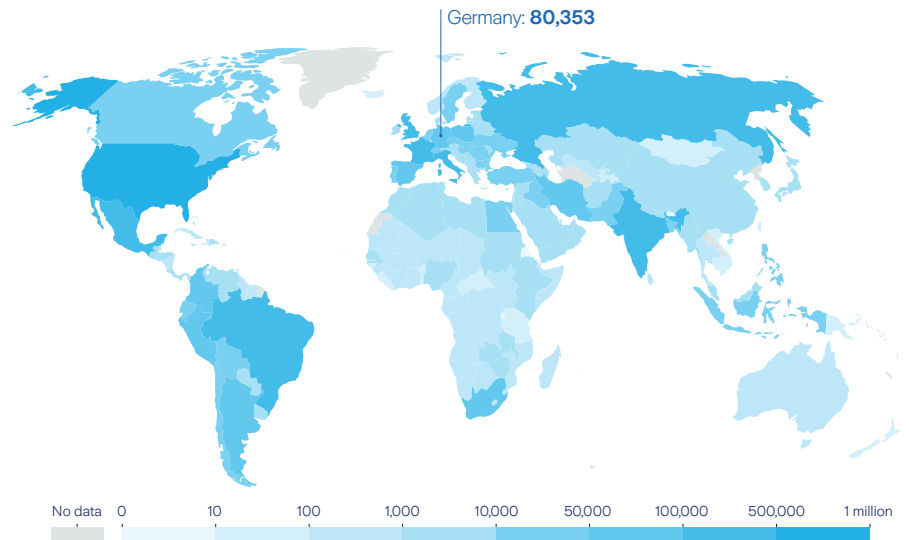
Employer provision of vaccines: It is expected that employers will offer COVID-19 vaccines, but ultimately the government would be in charge. Workplace vaccinations could be an additional offering alongside public programs. There is currently a pilot private vaccine center in Germany which is proving successful. Current developments might soon make it possible for companies to vaccinate their employees.





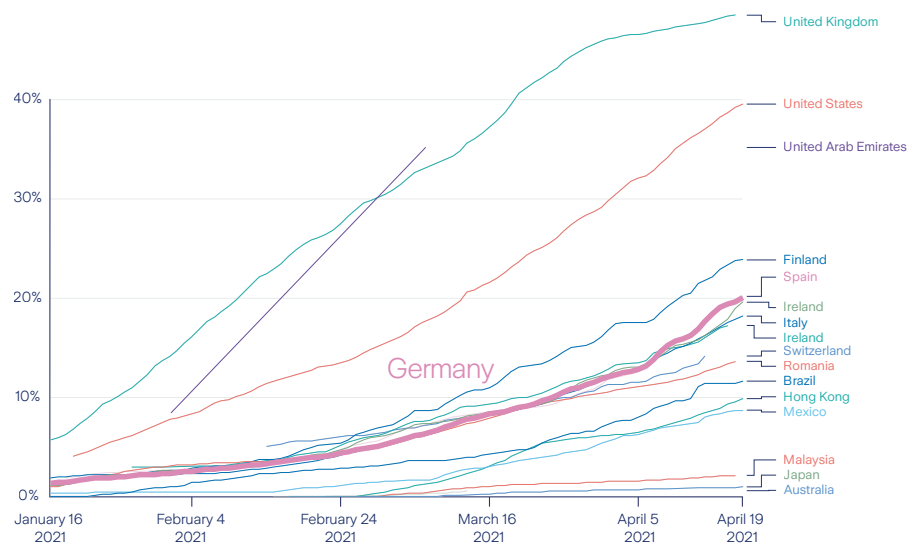
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

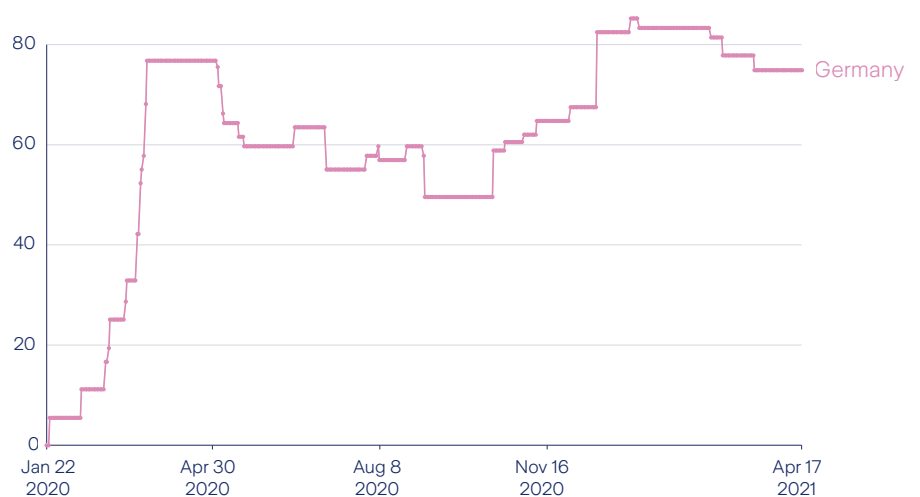
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Wellbeing remains very important for companies, although it is still seen as ultimately being the responsibility of individual workers to take advantage of company provision.

The idea that employers have a duty of care to their workers does have resonance in German companies, and this was present before the pandemic. It has not substantially changed, except insofar as employees are more mindful of it.

Wellbeing remains very important for companies, although it is still seen as ultimately being the responsibility of individual workers to take advantage of company provision. The government is also seen to have a role here. Whether from the perspective of companies or the state, it is difficult to target certain groups with greater underlying health risks for COVID-19 due to issues of discrimination. One possible

solution might be to develop different forms of direct messaging or information campaigns in response to people's changing mindsets around health risks, and their greater openness to buying insurance to protect against these risks.

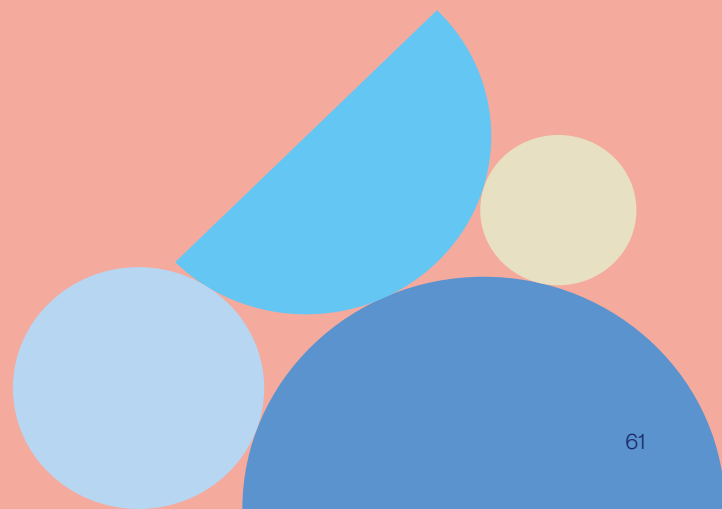




The outlook in Hong Kong

These trends are noteworthy in the changing world of work:

- **Reskilling** in Hong Kong's insurance industry is focused on enhancing workers' ability to make business decisions in an increasingly data-driven environment, and on virtual management and leadership skills. Private providers are active in the training space.
- A mandatory **pension** scheme covers all workers, though savings gaps are present. The government is making incremental reforms to raise contribution rates and lower fees to help close the gap.
- The **insurance** market has many global and pan-Asian companies operating in the space. Voluntary private health coverage is universal and fairly comprehensive, but challenges are related to overall savings levels and affordability for older people.
- The government's containment strategy for COVID-19, built on past experience with the SARS epidemic, has been quite successful. Public provision of **vaccines** is currently free for all Hong Kong residents, possibly giving way to private provision in the longer term.
- Larger employers increasingly see themselves as having a **duty of care** towards their workforce, particularly in the areas of mental and social wellbeing and flexible working. The government can play a supporting role in these areas, particularly for the recommended practice for lower-income workers who have been most impacted by the pandemic.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich HK]: Zurich Hong Kong offers a range of training courses, including traditional technical and remote working training. There is an increasing focus on sustainability education and virtual team management. Most of these programs are developed and delivered internally, with about 20% offered via Zurich Group with on-demand providers.

Zurich Hong Kong has undertaken an internal study on workforce transformation for efficiency and is working with the industry and the government for talent development. Demand for talent is driven by the need for technology-related skills in order to keep pace with the speed of digitization across the commercial sector. The Hong Kong market for insurance talent is very competitive.

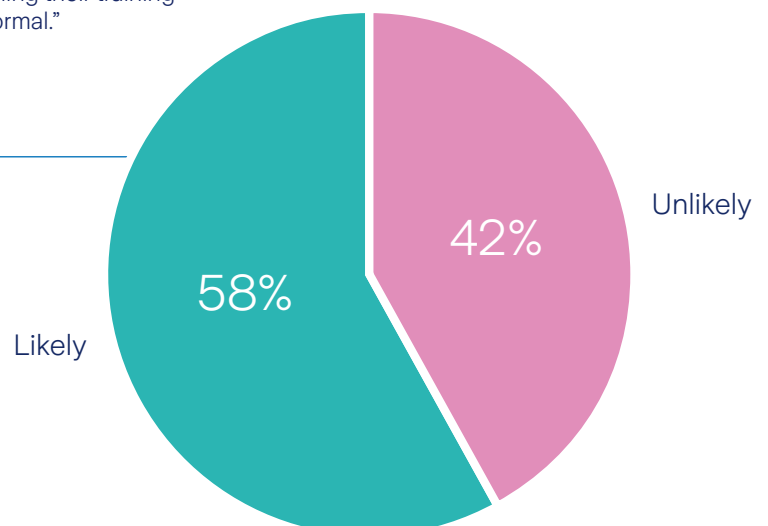
Insurance industry-wide programs: The Hong Kong labor market is a pilot market for adapting to new ways of working. It was a first mover in adopting mobile working tools (virtual teams), flexible working, and mental health initiatives. The training market is seen to be adapting to the new times, with providers actively refreshing their training portfolios for the “new normal.”

COVID-19 has made two areas particularly salient: there is higher demand for technological capabilities as business decisions becoming increasingly reliant on data; and business leadership and management must increasingly be done virtually. The pandemic itself was not the push factor in reskilling and upskilling, but it did accelerate the push and advance these areas.

Government policies and programs: While only two local tertiary institutes and the Vocational Training Council (VTC) offer subject matter courses to the insurance industry (providing basic knowledge in actuarial science and risk management, for example), no providers at present offer a full spectrum of specialized technical training in insurance. Various institutional committees are discussing these matters in Hong Kong.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends



Significant changes to pension policy: The Hong Kong public rely heavily on personal savings for retirement. Generally speaking, Asian countries do not possess the same level of social safety nets as in North American and European countries. As a result, there exists a more pronounced element of individual savings in place to supplement mandatory funds.

The Hong Kong Mandatory Provident Fund (MPF), a compulsory defined contribution savings scheme based on individual retirement accounts, was introduced in 2000. Participation is mandatory for full- and part-time employees between 18 and 65. MPF investments are outsourced to fund managers. Companies decide which of these funds they wish to use, with the choice of fund allocations dependent on the risk appetite of the individual worker. The selected funds adhere to strict criteria due to the fact that this is a pension-related scheme and is therefore conservative in nature.

Challenges to pension systems:

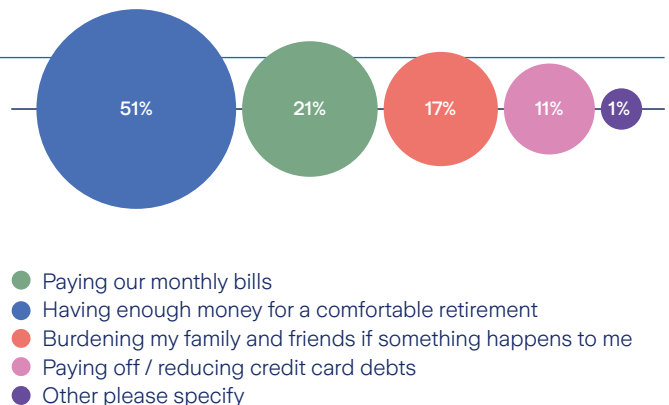
A retirement savings gap exists despite the relatively robust nature of the pension system.¹ In part this is due to MPF fees eating into investment returns. The MPF system is also unable to keep up with the high living

costs of the city. Retirement is still heavily dependent upon individual savings. Those in low-income groups will face a substantial retirement gap and are likely to rely on government assistance in old age. The one-size-fits-all approach of the MPF does not address the different needs of varying demographics, notably a growing middle class with increasing living expenses and higher demand and expectations for retirement. Finally, as in many other developed countries and regions, the city has an aging population.

What solutions? The government is generally hands-off with respect to the MPF scheme. Over the past 10 years, mandated contribution rates have remained stable at 5% of salary, capped at HK \$1,500. However, two years ago, incentives were introduced in efforts to intensify these savings through a top-up workplace contribution. The Hong Kong government is taking stock of a retirement savings gap. There seems to be a movement towards potentially lower MPF fees. In parallel, the insurance market has been offering annuity products over the past two years.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://www.pwchk.com/en/asset-management/hong-kong-mpf-review-and-recommendations.pdf>



Insurance and protection trends

Distribution trends: Hong Kong has a mainly intermediated insurance market in which many global and pan-Asian companies operate. Penetration in terms of consumer awareness of life and medical insurance is high (although coverage rates are mixed). Digital insurers, as encouraged by the regulator, have emerged. The government does not run insurance schemes. The only mandatory insurance products are in areas such as workers compensation, motor, and certain other liabilities such as management committee liability. These mandatory schemes are all run by the private insurance sector.

Life insurance demand has benefited in recent years from the increased flow of people between Hong Kong and Mainland China as Mainland Chinese visitors have become a new and major source of income. This will continue under the national policy called the Greater Bay Area connection.

The market for savings and protection products has been relatively stable over the past two decades. There are two exceptions, namely in-patient medical insurance (the Voluntary Health Insurance Scheme or VHIS) and a deferred annuity savings product (the Qualifying Deferred Annuity Policy or QDAP), both of which are voluntary schemes promoted by the government through tax incentives and delivered through the private

sector. They were introduced in 2019 and are intended to encourage wider participation in order to bridge protection and retirement gaps for the general public.

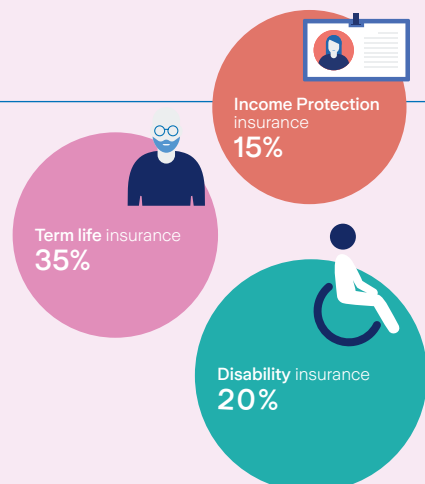
Two types of life insurance are normally sold directly online: small premium pure protection products to capture consumers (e.g., term, accident products), and high-rate savings products (short-term endowments of three to five years with higher savings rates than bank deposit rates and minimal life insurance protection), which are available from bank channels.

Post-COVID-19 trends: The experience of the SARS epidemic 20 years ago showed that, one or two years post-outbreak, there was a strong need for general insurance. A similar trend can be expected after COVID-19. Consumer awareness of the benefits of insurance has already increased during this pandemic.

In response to COVID-19, the Insurance Authority (IA) introduced temporary facilitation measures (TFM) that allowed insurers and intermediaries to sell certain types of long-term insurance by non-face-to-face methods, departing from the face-to-face distribution ordinarily required. The TFM applies to long-term insurance only, including Qualifying Deferred Annuity Policy (QDAP) products, Voluntarily

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Health Insurance Scheme (VHIS) products, term policies, refundable insurance policies without a substantial savings component, and renewable insurance policies without cash value.

Challenges in bridging protection gaps:

As mentioned, there is still a strong overall need for personal savings. Apart from the general issue of savings gaps, widespread unemployment (see section 4 below) since the beginning of the pandemic has made affordability a challenge for many, if only temporarily.

A more significant and likely persistent challenge relates to geopolitical risk. The social movement in Hong Kong in 2019 has caused polarization among the local population. Insurers such as Zurich have had to be cautious in managing their businesses as well as personnel in Hong Kong as a result. Most recently, the restricted flow between the border of Hong Kong and Mainland China has had major impacts on the life insurance market, which experienced losses of 30-40% annualized performance equivalent due to a halt to inflows of mainland Chinese visitors. Reopening the border would resume the opportunities for growth in the sector given the size of the Chinese market and the national policy of the Greater Bay Area connection.

Messaging: The general post-pandemic approach to messaging will continue to be a focus on promoting a general awareness of uncertainty and the need to plan ahead to prevent undesirable outcomes. Showing care and concern for the customers and technologies, beyond merely referencing the possibility of future economic uncertainty, is also seen as critical. Customers are already relatively well educated about the industry, and have become even more aware of their protection needs during-COVID-19.

Endorsements can be effective when the person has personally experienced the benefit of insurance: this approach is seen

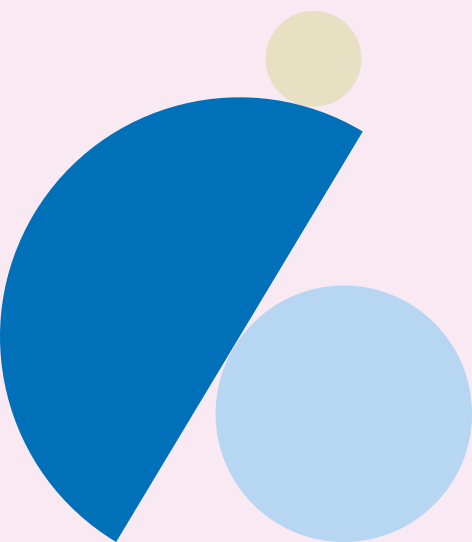
as more sincere and personalized.

Furthermore, tailoring messages to people's life stages (age) and lifestyle is seen to be effective, with the need to build a better future emphasized to the young while critical illness coverage and retirement resonate more with older generations.

Two major challenges confront effective messaging efforts. First, the simplicity of insurance language is a concern, particularly the complicated way in which insurance contracts are written. There are concerns that exclusions are not explained properly to clients who may not understand the nature of the contract and pursuant coverage. Second, in a market such as Hong Kong's where insurance is predominantly sold through agents, there will inevitably be a few "rotten apples" through which customers are mis-sold. This can unfortunately harm the reputation of the insurance industry.

Protection for gig workers: The self-employed are required to contribute 5% of their earnings to the MPF. The Labor Department is in the process of reviewing worker compensation benefits. Proposed amendments would account for interpretations around different working environments, including remote working as well as traditional office spaces, which are generally covered. Further changes to help make this type of benefit more open and inclusive could include adding communicable diseases to the definition of what constitutes an occupational disease. This point remains undecided.

Beyond this, the government is not likely to impose any wide-ranging forms of mandatory insurance for these groups: Hong Kong prides itself on being one of the world's most liberalized economies and positions itself as promoting business without curtailing activity by imposing regulatory constraints. There will continue to be a piecemeal, needs-based approach. For instance, there are measures in place to facilitate COVID-19 testing.





COVID-19 related trends

Government response: Hong Kong has fared relatively well overall in managing the spread of COVID-19. At the beginning of the pandemic in January 2020, a system was implemented quickly and decisively, with the government drawing on its past experience with SARS. Notably, regulations were put in place to manage incoming visitors. Even prior to these and other measures being made mandatory, the compliance of the populace was instrumental. People adapted their behavior more readily than in many other countries due to a cultural proclivity for collective social responsibility over individual freedoms, and for deference to authority for the sake of overcoming a crisis.

Meanwhile, the medical system, including intensive care units, were not overburdened (although there was room to improve the supply of PPE). The government invests a great deal in public health and healthcare infrastructure, so it is easy for them to swing into action. Overall the virus case count was relatively low, with a death rate below 1%.²

Although investment in healthcare is high and the public generally trusts the state's management of it, the government has been slower to roll out vaccination programs. This issue is compounded by longer global supply chains between Western pharmaceutical companies and Asian countries. It is also complicated by geopolitical tensions with China, which fuel skepticism towards the Chinese-developed and -produced Sinovac vaccine. Overall, however, there is still a reasonable level of public trust in vaccines, which is driven largely by politics as well as concerns about adverse effects, rather than by demographics, as is the case in many other countries.

The government's economic response to COVID-19 has been very different to its intervention during the SARS epidemic in terms of its scale and the nature of financial arrangements. SARS lasted between three and six months and was localized, and public

health could be managed through hygiene and containment measures – there was no need for vaccinations or long-term economic support schemes.

With COVID-19, by contrast, there has been a sharp rise in unemployment through the pandemic.³ This is particularly apparent among lower-income segments of the workforce and in certain sectors related to travel and tourism. Hong Kong is an open economy that depends on international business travel and related services such as aviation and hospitality. By comparison, Hong Kong's large financial services industry did not experience the same shock. Those in tourism, transport, and other impacted sectors lost health insurance and their employment benefits during the pandemic. Casual employment (daily and hourly rated pay) was especially hard hit.

As a first step, the government targeted businesses in the early stages of the pandemic by incentivizing them to keep their employees on the payroll rather than letting them go. Employment subsidies are non-discriminatory, but some segments (those temporarily unemployed and in low-income brackets) do not benefit and are still missed. This type of stimulus goes to the employer and supports commercial sectors rather than individuals directly (unlike a UK-style furlough scheme).



²<https://www.coronavirus.gov.hk/eng/i/index.html>

³<https://www.abc.net.au/news/2021-03-05/australia-covid-vaccine-survey/13203170>



COVID-19 related trends

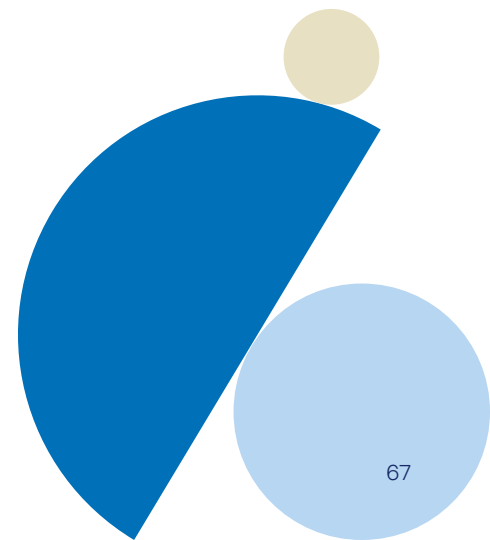
In addition to the employment protection scheme, the government also offered cash payouts of HK \$10,000 to every adult over 18 years. Additionally, targeted cash support has been offered to those in specific industries such as tourism, although this only amounted to a few thousand dollars and has not prevented mass layoffs (and associated financial losses in the sector).

Vaccines and insurance: The Hong Kong insurance industry is unlikely to make vaccines mandatory for health or travel insurance coverage. It is possible that insurers could cover vaccines as part of an existing benefits package.

There is no intention to offer preferential health-related insurance contracts to individuals on the basis of whether they have had a COVID-19 vaccination. Travel insurance covering international trips to certain countries like the U.S. may require vaccinations in the future, but when

Hong Kong's borders reopen, the insurance industry will rely on the authorities to make decisions about whether it is safe for people to travel based on their vaccination status. More data is needed on the mortality and morbidity risks associated with COVID-19, not only for the individual insurer but for the industry as a whole if decisions were to be made about adjusting product offerings and prices.

Employer provision of vaccines: Vaccines are now provided free for most of the population. Any future private market for the COVID-19 vaccine would depend, in part, on whether it will be mandatory for the entire population. There could be greater clarity on this issue towards the end of 2021. If COVID is here to stay, one would not be surprised to see the need for recurring shots to arise as is the case for influenza (though notably with the seasonal flu, there is a private market for vaccination in Hong Kong).

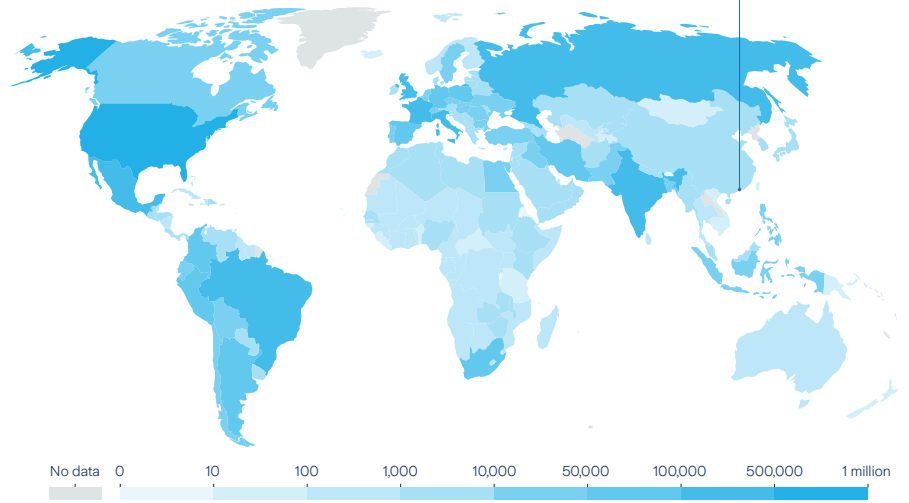




COVID context

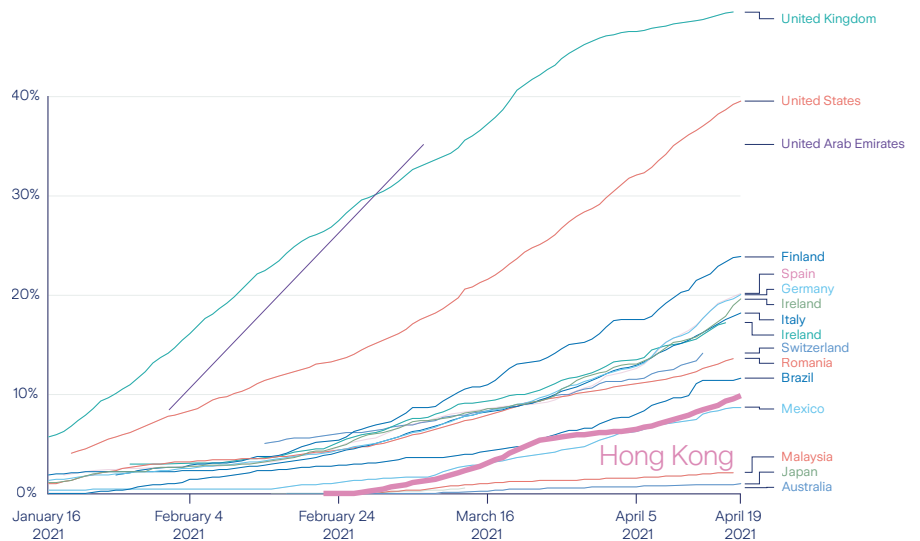
Cumulative confirmed COVID deaths

Hong Kong: **unavailable**



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

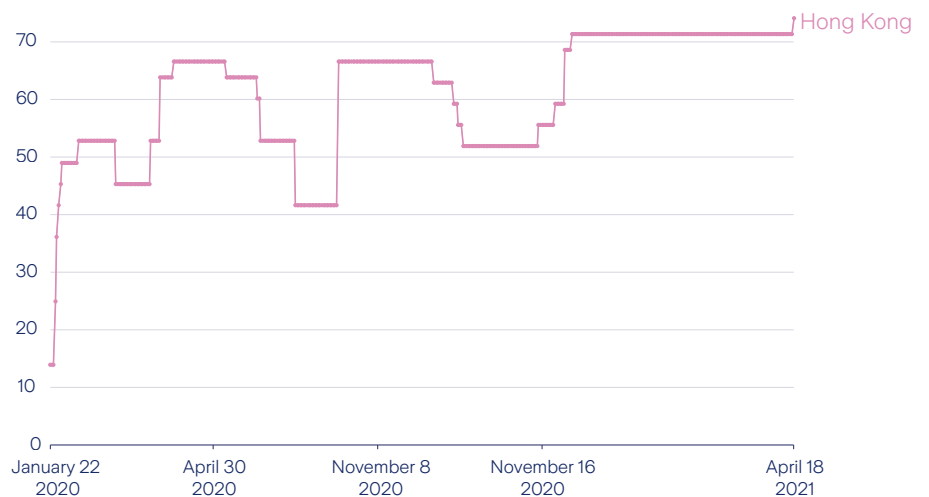
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

As flexible working becomes normal in a post-COVID-19 world, larger companies have the capacity to support their staff through both remote working arrangements and shared office space.

The concept of employer duty of care is seen to have traction at many companies in Hong Kong, particularly in the areas of home support and mental health. There likely remains scope for employers to do more to support their staff, particularly given that workers' long-term mental wellbeing needs will likely be considerable. For responsible employers, exercising a duty of care is believed to be a good recruitment and retention tool that can trump any increase in monetary remuneration.

As flexible working becomes normal in a post-COVID-19 world, larger companies have the capacity to support their staff through both remote working arrangements and shared office space (although a minimum in-office requirement will likely remain). However, SMEs face a greater challenge in adapting technologically given their relative lack of resources.

Both companies and government have a role to play in promoting healthy living and wellbeing. The Hong Kong government is already seen to inherently share this responsibility – now even more so given that Hong Kong's already stark economic divide has been exacerbated by COVID-19 and the people who require insurance the most cannot afford it. Aside from morbidity, those socio-economic segments of the workforce are more susceptible to sickness – especially given that they tend to live in close quarters where infections spread more readily – and lack the necessary healthcare and protection.

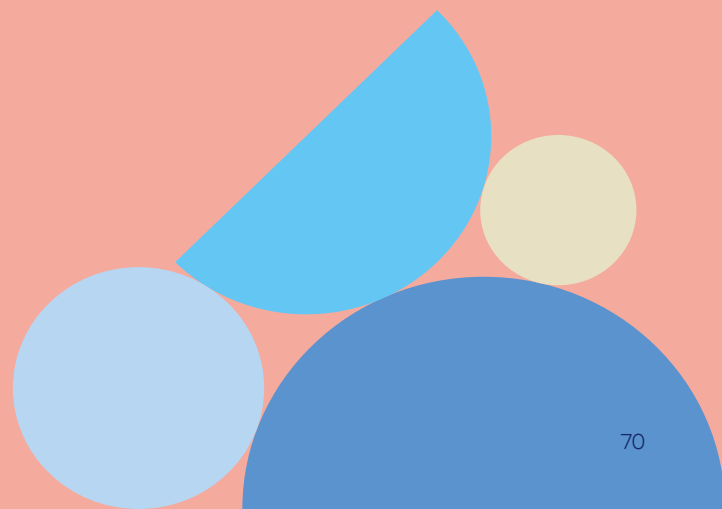




The outlook in Ireland

These trends are noteworthy in the changing world of work:

- **Reskilling** programs in the insurance industry in Ireland are generally delivered in partnership with third-party providers, of which there is a wide array. In-house initiatives are also being developed as companies assess their own needs. The government sponsors an apprenticeship program.
- A UK-style auto-enrollment scheme is expected to be introduced in workplace **pensions** in 2023. There is believed to be scope to increase the role of private savings to bridge an overall savings gap.
- Relatively few changes are expected in the **insurance** market. However, “excess” individual bank savings of nearly €16 million were recorded in 2020, and there are initiatives to determine how to communicate the benefits of protection to those with extra disposable income.
- Private provision of **vaccinations** remains a controversial topic and is unlikely to develop a market for the foreseeable future. It remains to be seen how COVID-19-related risks will be priced into insurance contracts.
- The concept of employer **duty of care** is on the agenda of many Irish companies. As in many other countries, the pandemic has made the issue even more salient.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich IE]: Zurich Ireland is considering how roles will change in light of global trends in the evolving nature of work. It is currently in the process of developing a skills gap analysis tool to assess its workers' training needs.

Throughout the pandemic, internal uptake of digital-related learning has grown considerably within Zurich Ireland. There is awareness within the company of the need to develop future skills and platforms internally, and for the moment training is provided via partnership with third parties. More broadly, Zurich engages with the Irish Business and Employers Confederation (Ibec) and Insurance Ireland. The Irish branch of the Chartered Institute of Personnel and Development, an international organization for HR professionals, hosts relevant seminars in continuing professional development.

Insurance industry-wide programs: Ireland has a competitive skills market with 15 top insurers in operation. Many third-party

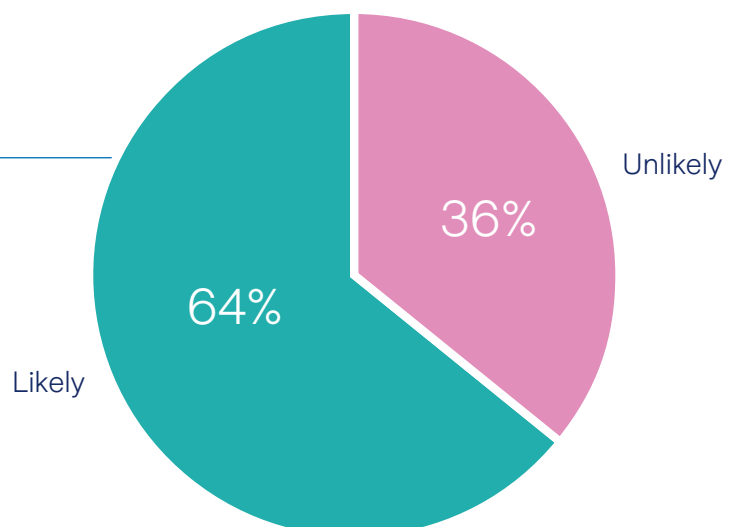
training providers operate in the Irish market. In fact, from companies' perspective, there is an abundance of supply, which is greater than ever post-COVID-19. Two key managerial skillsets that will be much in demand are adapting to customer demands and anticipating how work life and the future of work will change. Digital platforms have increased awareness of skilling in unprecedented ways. Meanwhile many existing skilling programs will need to be digitized, which will require expertise in learner engagement, design, and creating visual content.

Government policies and programs:

While the government does not provide skilling programs, companies can form public-private partnerships in this space. A new apprenticeship program, offered in conjunction with the Insurance Institute, is available whereby the state sponsors a three-year combined course of study and work experience, at the end of which apprentices earn a BA.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

Significant changes to pension policy:

Private pension provision was hit hard during the financial crisis of 2008 and the euro crisis of 2011 but has been recovering in the intervening years. The introduction of auto-enrollment in workplace pensions would accelerate this trend, and has been on the government agenda for many years. Legislation on compulsory private pension funding has been proposed for 2023 but is expected to take longer (at least five years). In reality, it is expected that automatic enrollment will be the end result, even though this is regarded as a “soft management” system.

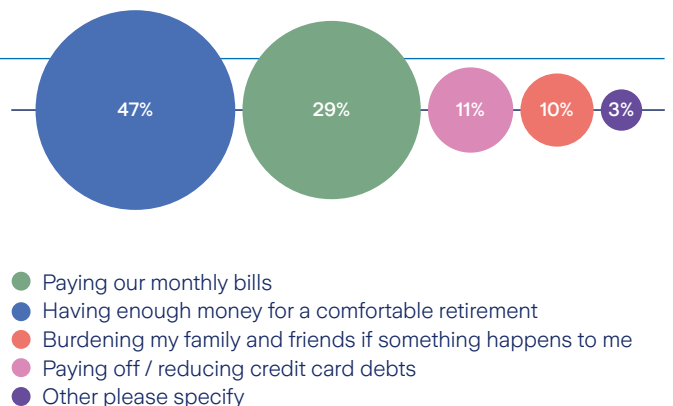
Challenges to pension systems: There is a high headline number for pension coverage in Ireland (64.7% in 2020), but on closer examination, this number mainly represents those working for large employers and in the public sector. Within the pensions and savings market, the Irish government has state provision in place as a base, but beyond this, employers provide for their employees. Ireland is a mature private market, as there is a less robust social safety net in place than some other European countries. However, there is still a needs gap as the public contribution is not believed to be sustainable.

As well as an overall savings gap, another challenge exists in the complexity of pension products. Many product options are available to customers, but this amount of choice can make it more difficult to explain and engage with them. The government plans to simplify the system over the coming years.

What solutions? There is room for a greater role for private pensions, both individually and through employers. A UK-style auto-enrollment system would reshape defined contribution workplace pensions: as mentioned, this is expected to come into effect in 2023. Personal savings products will also become more important in the medium term, with individuals’ surplus savings from the pandemic flowing into life insurance.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Most insurance distribution in Ireland occurs through intermediaries. Retail distribution has a diversified intermediary base comprised of many small individual brokers (500-600 in total). Group benefits are sold via employee benefit consultants. This makes it challenging for insurers to engage directly with corporate customers. Furthermore, distributors which insurers rely upon for business are in some ways in direct competition in this space. Insurers are developing a model of working with employers more closely in exploring “B2B2E” (business-to-business-to-employee) distribution models, which would entail working alongside employers to offer their employees products beyond standard pension packages. Both retail and group distribution channels will remain important, with few changes in the balance between the two expected in years to come.

Life insurance is not compulsory, except when taking out a mortgage. Otherwise, the only product that is mandatory in Ireland is car insurance. Apart from the above-mentioned planned introduction of quasi-compulsory pensions, this situation is not expected to change.

Post-COVID-19 trends: Losing a job often entails lost benefits, particularly when the benefits are provided directly by the employer. During the pandemic, many were laid off temporarily and employers continued

to cover them. There has been some innovation in continuing benefits coverage in these circumstances. However, most pandemic-related unemployment has been in the hospitality sector, where many employees are casual and would not necessarily have large insurance schemes to begin with. In other parts of the economy, jobs with traditionally stronger employee benefit packages have grown, notably pharmaceuticals and IT. About four in 10 Irish workers receive some form of income support.¹

Over the past year, an “extra” €15.7 billion has been recorded in retail bank deposits across Irish banks.² This surplus cash insurance (i.e. which reflects a positive spending/saving balance) could potentially be spent on pensions savings and protection.

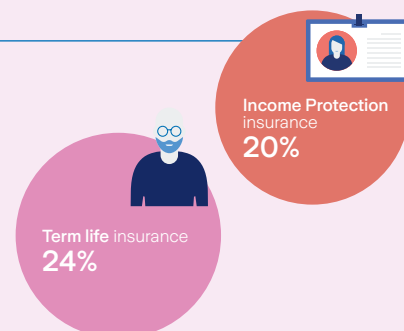
There may be more interest in life insurance products and those that cover serious illness, given that the pandemic has highlighted to many people their vulnerabilities to financial and health adversities. The market for these products has been stable for many years, though it remains to be seen how insurers can actively generate interest here.

Challenges in bridging protection gaps:

Insurance providers in Ireland do not particularly see themselves as facing significant challenges. Ireland’s insurance market has been strong over the past few

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://www.centralbank.ie/news/article/press-release-quarterly-bulletin-2021-2-1-april-2021>
²<https://www.centralbank.ie/news/article/press-release-quarterly-bulletin-2021-2-1-april-2021>



Insurance and protection trends

years, a function of the overall strong economy. This has in turn driven an increase in pensions and related savings products. One notable exception lies in generating interest in life protection: as mentioned above, the market for these products has stagnated. Protecting oneself in the event of death and serious illness is seen to be much needed but it remains a subject difficult for customers to engage with and talk about.

Affordability is not considered a significant challenge for consumers. Insurance prices are driven by competitiveness rather than affordability. As most of the retail market is occupied by a large number of independent brokers, consumers have the freedom to approach competitors, so insurers are conscious of price sensitivity. On the other hand, a small number of companies are operating in the life insurance space, reducing competitive pressure in the provision of this type of product. Prices are not expected to move materially over the medium term.

Healthcare provision remains a highly challenging area. Ireland has a two-tier health system, with 40-50% of people holding private insurance and the rest relying on a strained public system. Employees place great emphasis on health insurance as a benefit, so it is one of the first benefits employers provide; it can even take precedence over pension savings. Some employers go further and make a contribution to this insurance.

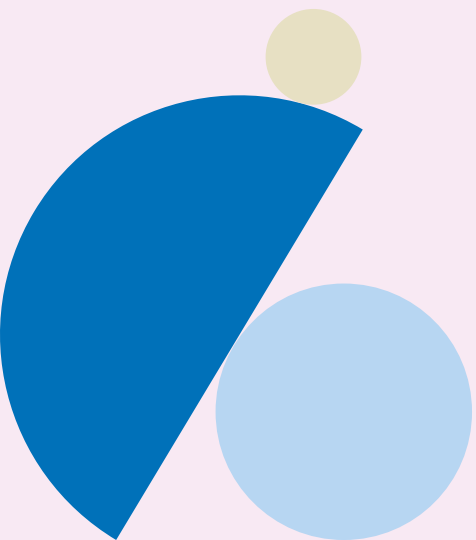
The Irish government will likely re-evaluate the balance between public and private healthcare in the coming years. However, the state can be reluctant to become involved in the private market, and even an auto-enrollment scheme could be seen as an imposition of “taxes.” In the short term, the pandemic does not yet appear to have driven increased demand for private health insurance or related benefits: everyone is treated in the same medical system regardless of whether they have private insurance. The overall market may surge post-pandemic as a result of systematic pressures, with backlogs in non-COVID-19-related treatments spurring greater demand for insurance.

Messaging: Insurers see several ways in which messaging can convey the benefits of protection. One is by way of examples demonstrating the benefits that pensions and insurance have brought people. It can be difficult to convince the public that they should provide for future risks, especially when there is no instant gratification from doing so. Storytelling with a focus on positive experience can show them how they could be protected through life insurance, income protection, or against poverty in retirement.

Timing is also seen to be important so that messaging can reach people when insurance is relevant to their current life circumstances. There are certain key milestones in life, such as a house purchase or the birth of a child, when customers are more attuned to their needs. Wider events can also have this effect, an obvious example being that COVID-19 has heightened awareness of wellness and public health.

Authority figures, notably independent experts, can also be engaged to speak on topics related to protection and thereby generate not only interest, but also support for measures such as vaccination. In Ireland, the views of professors such as Luke O’Neill, an immunologist, and Peter D. Lunn, a behavioral economist, have helped to keep the public informed during the pandemic.

Protection for gig workers: Gig workers are a growing segment of the Irish workforce. For instance, contracting for service is very prevalent in IT, as companies prefer to carefully select skills provided by contractors rather than employing new staff in significant numbers. There is a cohort of self-employed individuals who provide for themselves. In general, however, gig workers are not anticipated to have excess funds to invest in products outside of compulsory pension provision. This is where the auto-enrollment comes in: gig workers move between companies, so they represent a significant segment that auto-enrollment is meant to engage.





COVID-19 related trends

Government response: The Irish government is seen to have done relatively well within an EU context to contain the spread of the virus. While there was a surge in cases in early 2021, at no point during the pandemic did hospitals or intensive care units run out of capacity. Public trust in the government, while fairly high at the beginning of the pandemic, has diminished somewhat over time. That said, the Irish Taoiseach (Prime Minister) at the time the pandemic started (and who is now vice-premier) is a medical doctor, and although there has been public frustration with the vaccine rollout, which has been bound up with EU-wide supply constraints, delivery of the scientific argument directly from a medical professional is key. Overall, there are greater levels of trust in the National Public Health Emergency Team (NPHE), the public health agency which advises the government, than in the government as a whole. Accordingly, the public has generally been responsive for government calls for behavior adaptation.

The government has provided income support directly through the Pandemic Unemployment Payment (PUP). When first introduced, this was a flat rate payment irrespective of sector, and some reported receiving more than their average salary pre-pandemic (notably in the service industries and casual work, i.e. those most in need). The amount has since been reduced along a scale. The government's economic response has not necessarily targeted specific groups, although there is scope for them to do so. Pressure will be on the government to offer targeted enhancements for specific sectors.

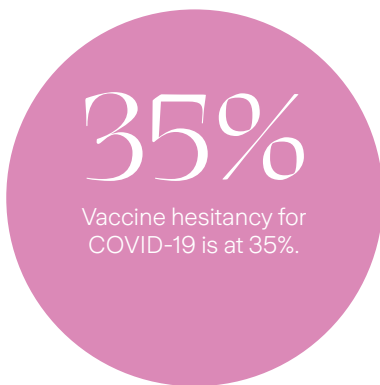
Trust in vaccines: Vaccine uptake for childhood diseases such as measles and hepatitis is high, at about 90% as of 2017,³ but there is evidence that trust in vaccines is waning. Vaccine hesitancy for COVID-19 is at 35%.⁴ That said, there is very little social tolerance in Ireland for explicitly anti-vaccine

campaigns, which tend to be isolated while not limited to any particular socio-demographic cohorts. Even if there is lingering doubt about the COVID-19 vaccine, most will be prepared to cast this aside for the greater good and to get on with their lives. Vaccines in the past have always proved successful, so while there is always some element of risk, people are willing to look to past examples and the benefits they brought.

Vaccines and insurance: Although there are no specific plans to do so at the moment, it is possible that preferential health-related insurance contracts could be offered to individuals on the basis of whether they have had the COVID-19 vaccine.

Employer provision of vaccines: At present, no insurer appears to have the appetite to enter the market for employer provision of vaccines in Ireland. This is partly driven by the regulatory environment.

Whether there should be a private market for vaccines is a controversial topic in Ireland. The government (and taxpayers) are paying at present, and this is unlikely to change in the future even if virus case numbers rise. It is anticipated that most people will wait for the rollout and follow the public vaccination route. However, if supply were to be suddenly curtailed, this could change the situation.

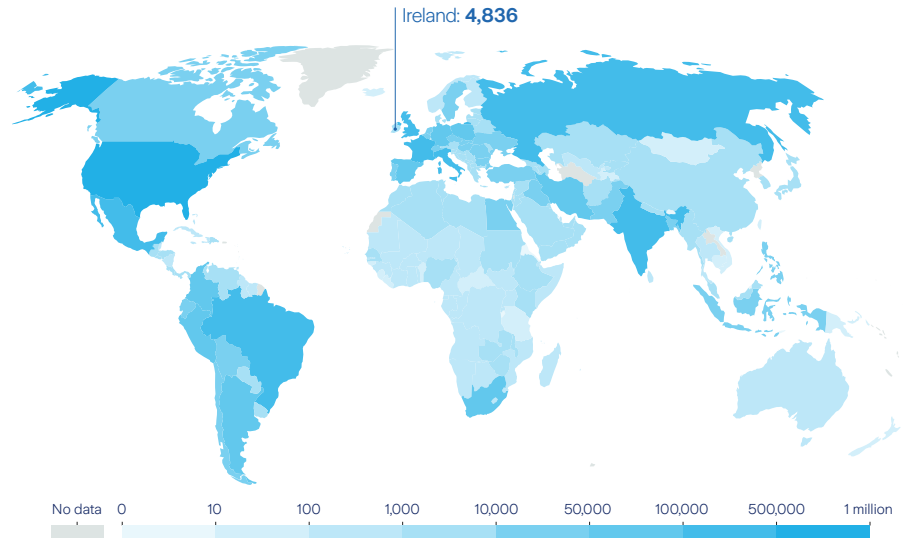


³https://ec.europa.eu/health/sites/default/files/vaccination/docs/20190426_special-eurobarometer-sp488_en.pdf
⁴<https://www.nature.com/articles/s41467-020-20226-9>



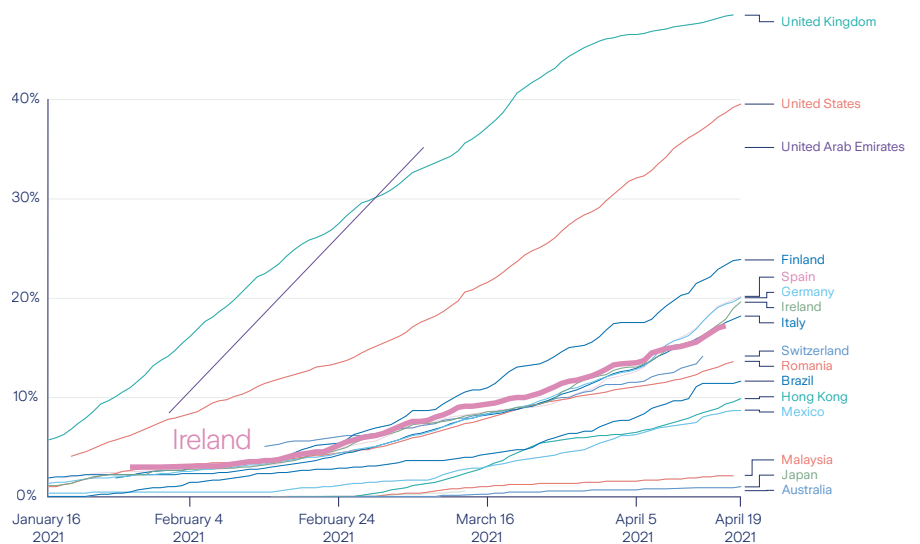
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

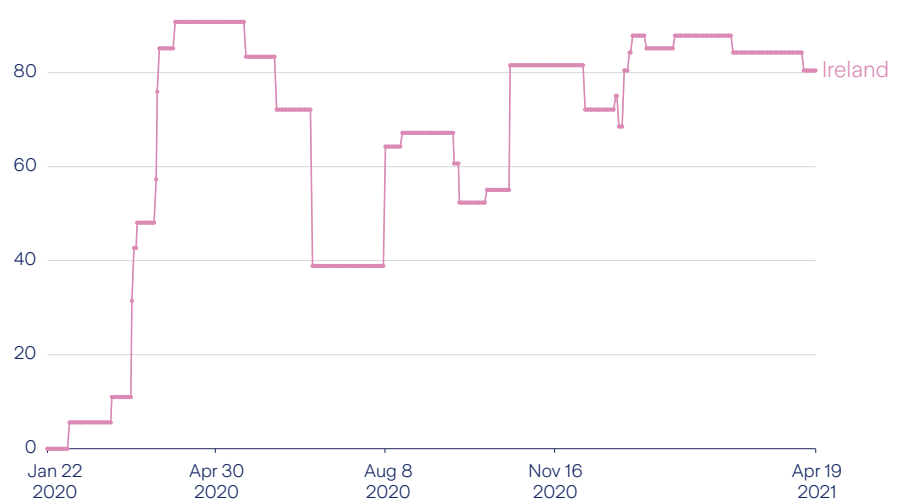
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

This past year there has been a spotlight cast on employer behavior, so their duty of care will become more enhanced in the future.

The concept of duty of care to employees has resonance for many larger Irish companies. There is a recognition among them that work is an integral part of people's lives, so their overall happiness can directly impact their productivity. In other words, many companies believe it makes business sense to enhance employee engagement and wellbeing. Moreover, the way people feel about their work is changing, and employers see themselves as potentially having an even greater impact post-pandemic in this respect. This past year there has been a spotlight cast

on employer behavior, so their duty of care will become more enhanced in the future. The push for greater diversity and inclusion is one aspect of this social contract, as are healthy living and disease prevention programs.

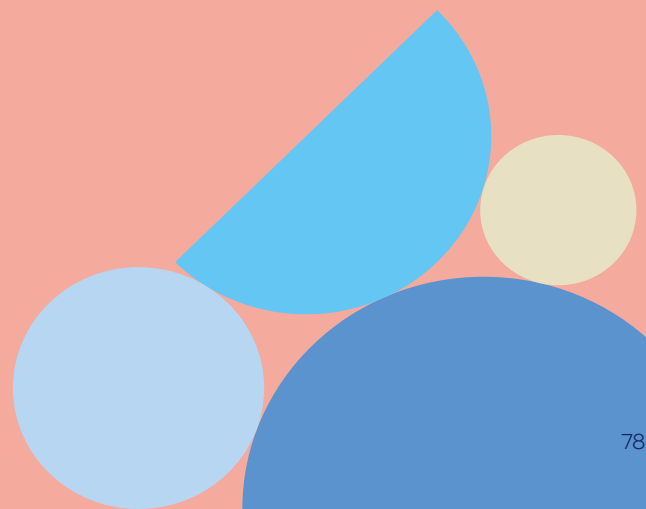




The outlook in Italy

These trends are noteworthy in the changing world of work:

- Resources for **reskilling** at Italian companies are provided by public funds with compulsory employer contributions. Companies and third-party providers have accelerated their development of virtual training over the past year.
- Companies are experimenting with offering voluntary individual defined contribution **pension** schemes to supplement private provision, which has decreased substantially in recent years. These schemes may eventually become universally compulsory.
- **Insurance** coverage has relatively low penetration rates in Italy given that the welfare state has historically been generous. Interest in protection has risen during COVID-19, but low to negative interest rates pose challenges around product development and long-term benefits.
- The government's response to COVID-19 has adapted over time. There is lingering uncertainty surrounding how long economic support can last. **Vaccines** are publicly available in the short term, but employers and insurers are expected to play a much greater role in provision in the longer term.
- As part of large Italian employers' **duty of care** towards their employees, wellbeing packages are expected to be increasingly offered through companies as a way of supplementing or substituting for government healthy living initiatives.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich IT]: Over the past few years, Zurich Italy promoted technical schools, starting with those offering claims and underwriting training and moving to initiatives for the development of sales skills. It has also rolled out leadership development programs, more recently including digital and flexible leadership. Virtual training is offered group-wide through a digital platform offered to all employees that can be accessed on demand at any time. During COVID-19, Zurich Italy moved some employees into different roles, so accelerated training activities were offered on a tailored person-by-person basis for improving existing skills and creating new skills for new roles. The challenge is how to focus on workers' "real" needs by guiding people to find the right training without sacrificing time.

Insurance industry-wide programs:

In the market there are different training offerings by third-party providers. Providers have changed their offerings to focus on digital delivery.

Government policies and programs:

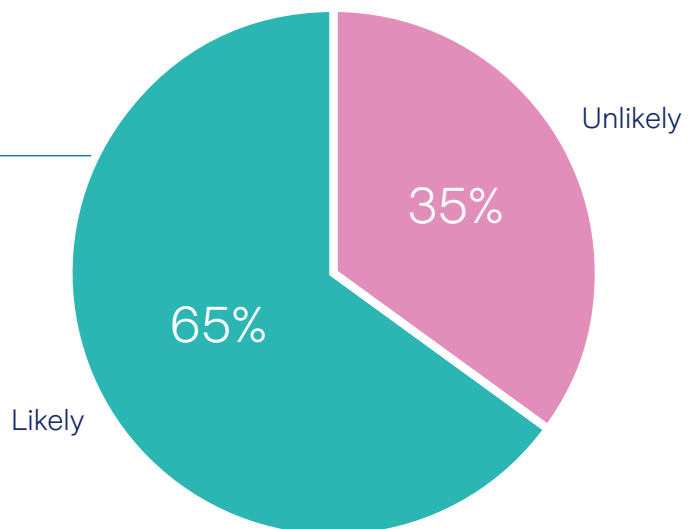
Companies that announced layoffs during the COVID-19 pandemic can access a public redundancy fund to financially support employees. These funds can also be used to buy specific training to reskill employees and offer them new opportunities.

At the government level, there is a mechanism in place in which each company contributes to the creation of a public fund which can be used to finance private training. The obligatory contribution rate is based on a number of parameters, including the size of the company and level of remuneration of its employees. If a company accesses the funds, they are required to demonstrate that they have developed courses (for instance in languages or technical skills in underwriting and claims). Access to training is always linked to a public audit.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019





Pension and retirement trends



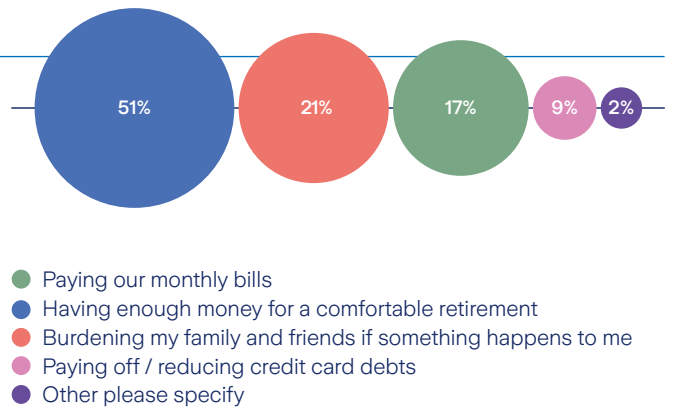
Significant changes to pension policy: Over the past few years, the Italian government has made a strong push to develop complementary individual pension (defined contribution or DC) schemes. As a result, there has been growing interest from employees to open individual pension accounts in order to supplement public schemes. These schemes are non-compulsory, and employees must opt in. The employer and the employee each contribute at least 2% of the individual's monthly salary, with some industries (including insurance) allowing for an additional percentage. Employees who enroll can claim tax deductions, and employers tend to use the scheme as part of their remuneration package to attract talent.

Challenges to pension system: Public pensions are not as valuable as they once were, so individuals and companies are attempting to make up the difference in funding retirement.

What solutions? In some industries, a mandatory complementary individual pension scheme like the one described above has been introduced. It is possible that similar schemes will be extended nationwide.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Most insurance in Italy is intermediated through brokers and banks. The market for private insurance is significant but underdeveloped relative to its potential. Historically, Italy had a strong welfare state, and it was difficult for the private insurance market to grow. However, public pension schemes' performance has suffered, so over the past three to five years, there has been stable and growing importance of the insurance sector in specific areas, notably health insurance and pensions.

There are mandatory insurance schemes for motor insurance, and a public scheme managed by INAIL (National Institute for Insurance against Accidents at Work, an independent public body) for employee accident insurance. Employers are also obliged to provide specific coverage to employees for health and workplace accidents.

Direct selling: In Italy, the direct business is mainly focused on compulsory motor insurance coverage. Otherwise, direct sales of insurance have not performed particularly well within the Italian market. Arguably there are cultural reasons for this: customers prefer to be assisted by an insurance intermediary. Although COVID-19 increased the percentage of those forced to go direct, this has been on the administrative side, not in the purchasing process.

Post-COVID-19 trends: There is heightened interest in and demand for insurance as a result of the pandemic, as is the case in many other countries. Demand is expected to be particularly strong for solutions and products offered through the employer. Through the pandemic, the relationship between the employer and employee has strengthened as employers take on further responsibility in helping and protecting their workforce. In the future, innovations in employer-led solutions can be expected.

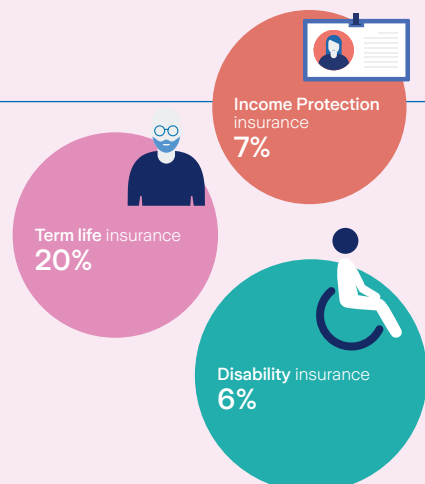
As a direct consequence of the pandemic, individuals' savings grew considerably. According to Eurostat, in Italy, in the second quarter of 2020, consumption decreased by 11.4 % and savings increased by 18.6%. These trends are in line with other countries of the European Union.

These savings are now moving into the personal savings and investment market, bringing benefits to the insurance and asset management industries. This trend will likely not continue beyond the end of the crisis as people resume travel, leisure, and other activities that consume their disposable income.

During the pandemic, there has been increased demand for term life insurance, as well as for long-term care insurance, as people became more aware of the risks

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

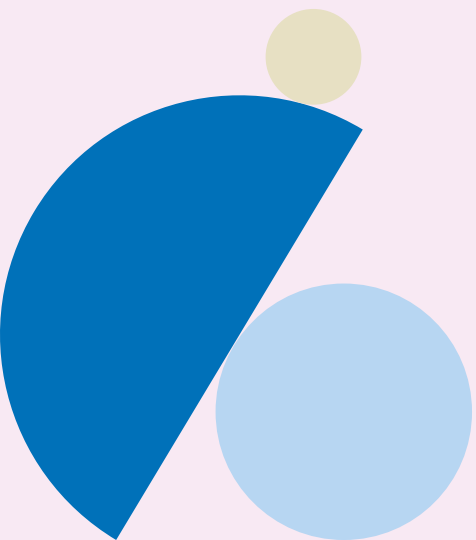
facing themselves and their families. Demand for health and disability coverage is likely to continue to grow in the long term.

Challenges in bridging protection gaps:

In Italy, there is a very low (close to zero or even negative) interest rate, which poses a challenge for the insurance industry, particularly when offering products which provide a guarantee for the customer. The low interest rate scenario puts the balance sheets of insurance companies under pressure. Capital allocation efficiency becomes even more important due to the fact that different products have different level of capital requirements.

Messaging: From an ethical standpoint, insurance could promote the importance of being protected and taking precautions, so messaging could be both positive and realistic. An “optimistic push” is important in proactive communication but the message has to be clear and not “sell dreams.”

Protection for gig workers: In Italy, there are few policies designed to ensure protection for gig workers. However, 2020 saw the first widespread protests against certain online platform companies’ hiring practices. In March 2020, a court in Milan fined food delivery platforms €733 million for violating hiring practices. The government is now taking a more vocal stance on EU-wide rules, and is coordinating with the Spanish government to regulate online platforms. It remains to be seen whether employment ‘status’ will eventually be extended to gig workers, although there is pressure to do so given high unemployment rates.





COVID-19 related trends

Government response: Italy was the first Western country to be hit by COVID-19 and to manage the unknown effects. Public statistics suggest that the Italian government was not well equipped to manage the crisis. Italy did not have a “pandemic plan” before the crisis: the only official document (akin to a formal plan) was last updated in 1995. However, the capacity of public institutions improved month by month. Mistakes in the first phase were not repeated in the second and third.

Government reaction was relatively quick and lockdowns were strict. In turn, trust in public health services increased. The pandemic has been entirely managed through public health services. A year ago, trust in public service healthcare efficiency was low, but now trust has increased as healthcare workers were seen as heroes through the media and endorsements.

Citizens are careful and conscious with the aim of reducing risk. They were adaptive and aligned with rules. People are now more lax and restrictions are less tolerated, and overall trust in the government has slowly decreased. Millions are without earnings and do not have enough to pay basic expenses; public expectations were that there would be a different approach to restrictions in subsequent waves. According to preliminary estimates from the Institute for National Statistics, in 2020 5.6 million people lived in absolute poverty, over 1 million more than in 2019.

Italian regions had the freedom to make their own decisions regarding vaccines. The approach from region to region has been somewhat different. Some regions have taken an ethical approach, starting with the elderly and frail categories. Italy's Prime Minister recently made a strong declaration against a region that was deemed not to have used an ethical approach in prioritization.

As of May 2021, the unemployment rate was 10.1%, 33% for workers aged 15 to 24 and 15% for those between 25 and 34 years old. Special legislation was introduced at the beginning of the pandemic which prohibited companies from firing employees. When this legislation is lifted, a large number of people will be under threat of losing their jobs. Access to supplementary health insurance, pension schemes, and all private insurance coverage previously provided through the employer will be lost to people who lose their jobs. However, a political solution could be found to facilitate a “soft landing” and avoid an unemployment crisis.

It has been challenging for the Italian government to manage expectations of economic growth. For example, several billion euros were spent across impacted industries. But there was frustration within some industries receiving support, notably restaurants and hospitality, when it became clear that there was no guidance as to how long subsidies will last.





COVID-19 related trends

Trust in vaccines: In Italy, childhood vaccines are mandatory. There is a rule that students cannot attend school without being vaccinated – parents have to demonstrate full vaccination of children yearly with certifications. There are anti-vaxxers who refuse the mandatory vaccine. The government recognized this phenomenon and began to react a few years ago. According to a survey in January 2021,¹ vaccination intent is growing. In February 2021, eight out of 10 Italian adults declared that they would agree or strongly agree to take a COVID-19 vaccine if it were available. Of those who said they would not take a COVID-19 vaccine, 36% mentioned being worried about side effects.

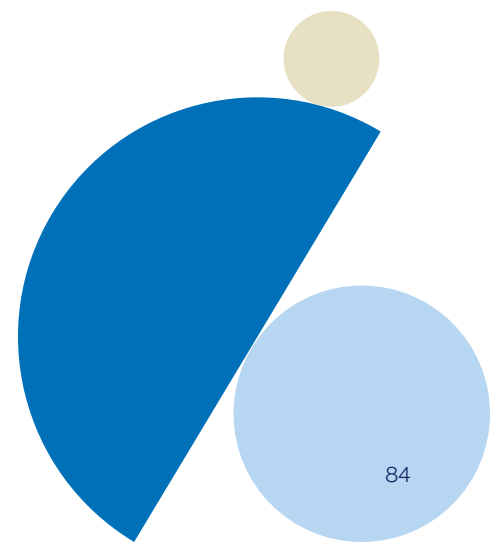
Vaccines and insurance: As COVID-19 is expected to remain in circulation in Italy over the long term, there is potential for a private market for vaccines. However, since the vaccine is offered for free to employees in Italy, it is unlikely that insurers will provide this benefit in the short term. If recurring vaccinations are required, and there is no liability or risk in making this kind of provision, insurers might leverage their purchasing power within the health industry to procure vaccinations at competitive prices for the insured person.

Preferential health-related insurance contracts could be offered by the industry to individuals by their COVID-19 vaccination status. There is a correlation between being vaccinated and life expectancy. Since the virus is likely to persist in the population, vaccination could be taken into consideration by the industry in the underwriting process.

Employer provision of vaccines: It is illegal for employers to oblige employees to be vaccinated, but it is very much in their interest to have healthy employees in terms of lost productivity linked to staff illness. Thus, there could be interest on the part of employers in purchasing a health or wellbeing package that includes vaccinations as an optional benefit for their employees. Insurers could also play a role in insuring against any negative effects of vaccines.



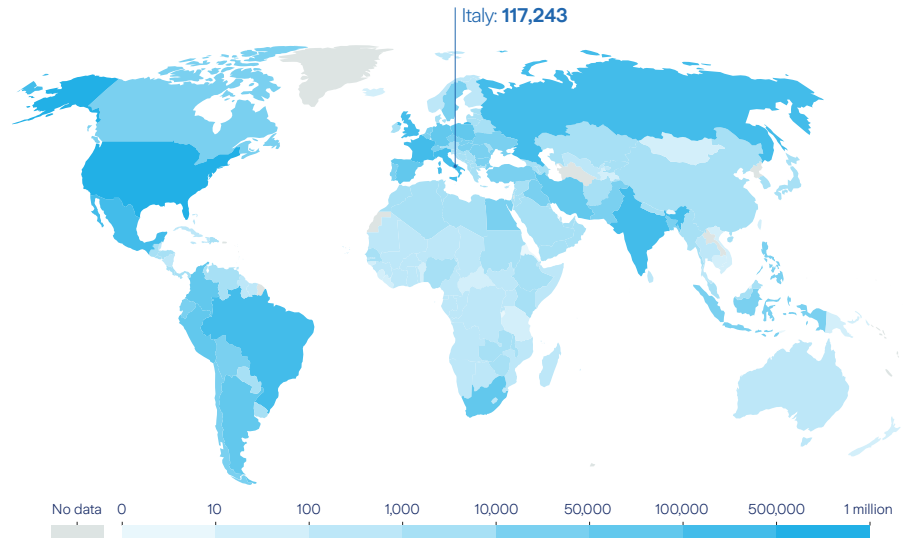
¹<https://www.ipsos.com/en-ro/global-attitudes-covid-19-vaccine-january-2021>





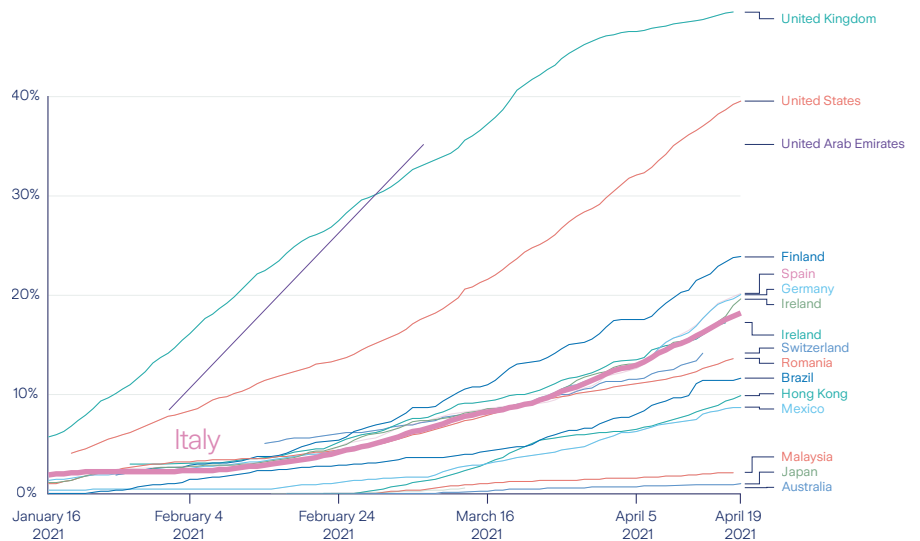
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

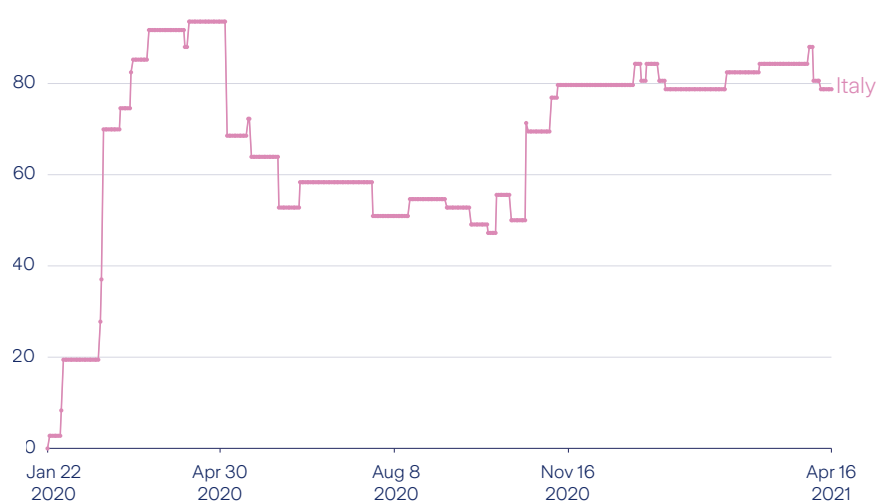
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

People's awareness of and interest in wellbeing and lifestyle grew through the crisis.

The concept of employer duty of care has resonance for large companies in Italy. It is important in workforce management, through various initiatives, activities, tools and offers that are promoted to employees. It is also linked to corporate performance.

Given the vulnerability of certain groups to COVID-19, there is a role for employers, with the support of insurers, in promoting programs for healthy living and disease

prevention. There will be a market for solutions, programs, and ideas to help people to live in a healthy way. People's awareness of and interest in wellbeing and lifestyle grew through the crisis.

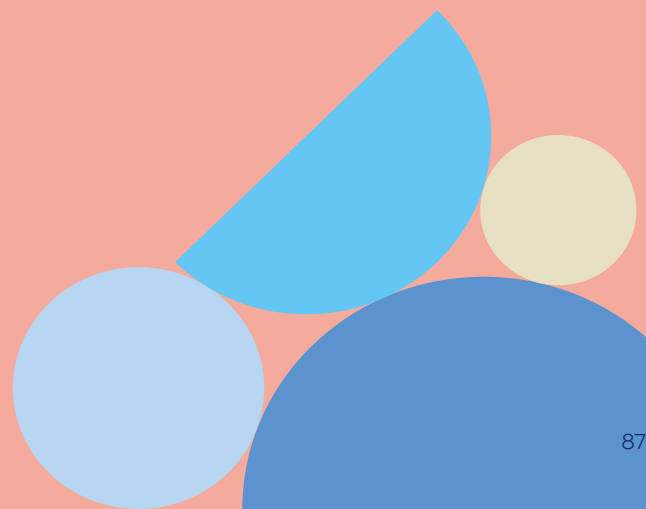




The outlook in Japan

These trends are noteworthy in the changing world of work:

- The Japanese government is working to develop more advanced **reskilling** programs, with a focus on digital and AI-related skills. A new ministry has responsibility for advancing an overall digital transformation in Japan.
- A series of **pension** reforms is underway. Some of the main changes include raising retirement ages and providing better coverage for part-time workers.
- The development of digital platforms for direct sales of **insurance** is in early stages but has the potential to transform the industry. There will be growth in demand for private health and life products.
- There is little scope for private or employer provision of **vaccines**. It is also highly unlikely that insurers will be able to offer preferential contracts to those vaccinated against COVID-19.
- In stark contrast to just a couple of decades ago, the concept of an employer **duty of care** has taken hold among Japanese companies, with greater encouragement of work-life balance and overall physical health.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich JP]: Due to Zurich Japan’s function as a life insurance company, it hires many technical individuals who are well educated in statistics and mathematics. However, AI capabilities are one step away from statistics and are required for the company and its workforce to be effective now and into the future. In early 2020, the Zurich Japan office hired a data scientist and brought on a team providing AI-related skills. At present, Zurich Japan has 11 fully accredited actuaries, many of whom have undertaken educational training in R (a statistical analysis program) and Python (a programming language). This is another way in which additional skilling has proceeded within the company.

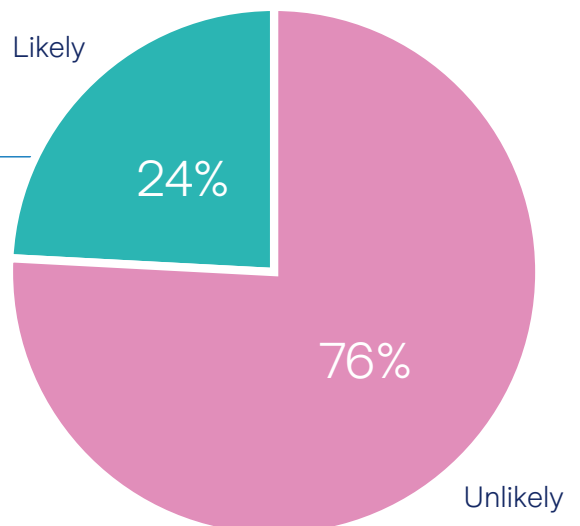
Zurich Life Japan does not have a new-graduate hiring program. Instead, it hires from the secondary market

(similarly to the practices of Zurich Group globally). It is therefore important to be able to recruit those who have necessary skills. There are no specific internal programs training people in specialized areas beyond ad hoc managerial and leadership skill development.

Government policies and programs: The Japanese government has been developing a number of training programs. The Ministry of Economy, Trade and Industry has sponsored programs for data analytics and AI, the results of which remain to be seen. While state-sponsored training is not considered “best in class” globally, the government is attempting to catch up. Japan has a Minister in charge of digital transformation. The development of this ministry is at an embryonic stage, but progress is ongoing.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends



Significant changes to pension policy:

Pension reforms have been underway in Japan and are ongoing. Publicly provided pension benefits were cut by 0.1% for the fiscal year 2021, reflecting changes in prices and wages. In March 2021, the government expanded coverage to part-time and temporary workers on a rolling basis over the coming years (a move in part intended to help women, who make up the majority of this segment of the workforce), and raising pensionable ages for different categories of workers. It will also increase benefits for people who continue to work and pay into the system after age 65.¹

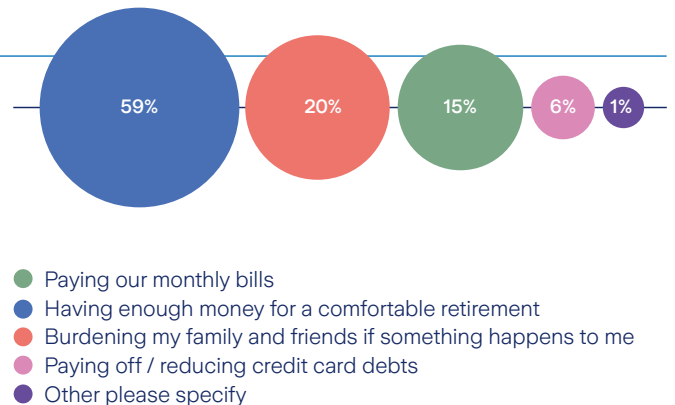
Japan is not believed to be at a stage where there will be a mandatory level of private savings programs (like superannuation plans) to augment what is provided in the corporate workplace, at least in the near term. For the time being, corporate plans have auto-enrollment, though most people remain enrolled. It is compulsory to provide some level of benefit, but this is not standardized across industries. There is a great deal of variation. For instance, small or medium-sized enterprises (SMEs) may have small employee benefit and pension programs in place compared to a corporate employer.

Challenges to pension systems: In 2019, the J-FSA sponsored Financial System Council Financial Market Working Group of experts reviewed the current state of pension planning and sufficiency of assets into retirement. Their findings communicated that the average Japanese citizen would need at least ¥ 20 million (USD 200,000) in additional privately funded savings to have enough to fund their retirement. This is a factor of mortality decreasing, longevity increasing significantly, and the public pension systems being under pressure.

What solutions? A key development has been in encouraging individuals to think about their savings portfolios and how to generate enough assets to save for retirement. Over the past 15 years, many companies have introduced individually managed defined contribution (DC) plans to augment defined contribution (DB) plans. Additionally, there are some tax advantaged supplementary schemes for people who are not entitled to corporate programs and can be enrolled independently through retailers, broker dealers, and other establishments for the provision of tax deferrals or tax benefits.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://www.japantimes.co.jp/news/2020/03/03/business/pension-system-reform-plan/>



Insurance and protection trends

Distribution trends: Japanese consumers are very insurance aware. They may not always be highly literate in understanding, but insurance is seen to hold an important place in society and people feel the need to have it. Although the penetration rate has decreased over time, Japan is still at about 86% penetration for life insurance (compared to a peak of 94% about 20 years ago) which is very high relative to other markets. The Japanese like to have additional life and medical insurance above what is available through the public system.

Most insurance (77%) is sold via intermediaries in Japan. The largest channel is through tied sales representatives (54%), followed by independent agencies (18%) and 5% from bank assurance (panel-based, not captive). The 3% sold directly is conducted via direct writers of insurance.

Japan has one of the more robust universal medical insurance systems in the world with a very high level of publicly backstopped social insurance plans in place (including medical insurance). Everyone has a 30% co-pay ratio for health insurance, with the remaining 70% of costs covered by their health union (which in turn is underwritten by the state healthcare system). The self-employed can belong to a direct national government program which is similar in approach. Public sector employees have their own program. The level of co-pay

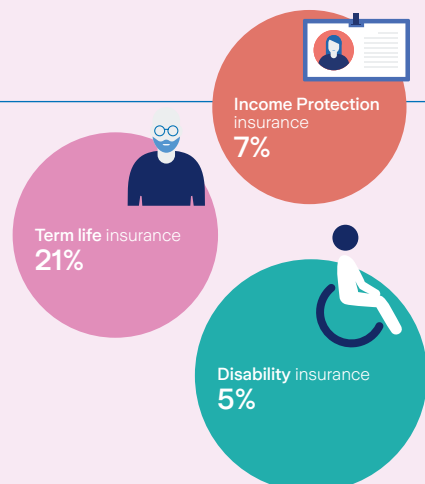
decreases over time, dropping to about 10% for those advancing in age and retiring. Over time, the co-pay level for medical insurance has increased. Upcoming legislation is likely to increase co-pay for senior citizens going forward in light of the very significant fiscal deficit in Japan.

It is unlikely that any new forms of protection will be made compulsory by the state. However, if the government feels that some form of protection should be bolstered, they will put pressure on the industry. For instance, some politicians are worried about the low birth rate in Japan. In response, they proposed an approach in which private life insurance providers would offer coverage for couples having difficulty conceiving. Due to this political pressure, some companies are providing fertility coverage.

Direct selling: Retail direct selling, and the development of platforms to do this, is growing in importance. Japanese society is generally not considered a global frontrunner in adopting the latest technological innovations such as AI. However, the digital space has accelerated significantly as a result of COVID-19. In Japan there was growth in digital direct selling of insurance over the two years prior to the pandemic. The growth (albeit from a small base) came from direct insurers, and Zurich Japan benefitted from this growth. It comes in the context of

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

greater demand for digital technologies in two significant areas post-pandemic: as a way of maintaining health, and (for older people and younger digital natives alike) in retail.

Some insurers may be experimenting with direct digital methods, although there have been no new developments thus far. Of greater significance is the potential entrance of platforms or digital native companies that will eventually take over the intermediation between the customer and the insurance company.

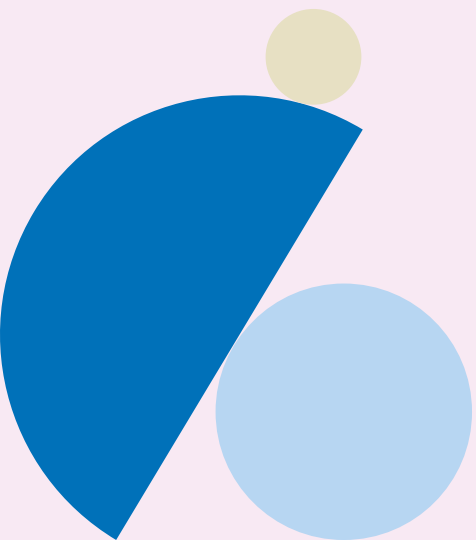
Insurance is a heavily regulated (and fully licensed) industry, which has made it more challenging for new entrants in the intermediary space. However, a relevant new law, The Financial Services Intermediary Act, is anticipated to go into effect in late 2021. Whereas one would need a license obtained through a formal application in order to be able to sell insurance, the new law will create a filing-based system. Companies can file for the handling of all sets of products (i.e., mutual funds, life insurance products, general insurance). This legislation will facilitate a higher level of new entrants into the intermediary space. Any number of platforms, or even organizations with a large customer base (retailers and online broker dealers), should now be able to attach a selling intermediary function. Through the use of application programming interfaces (APIs), they can link their customers to insurance or other financial service providers and in return be paid a commission.

Post-COVID-19 trends: COVID-19 has resulted in enhanced awareness of the need for insurance coverage. There has been some increase in the level of interest in life as well as medical insurance. There were spikes in demand at the peak of the pandemic (April 2020 in Japan). In the life space, insurers are moving towards providing affordable death

benefit coverage, leading some to revamp death benefit products such as income protection and term life insurance. Here it will be important to protect against “tail risks” such as death. Replacement insurance is expected to ignite more demand in the life space including term life insurance. Due to increased longevity, this could be priced more affordably than was the case 20 years ago.

Even apart from COVID-19-related considerations, the Japanese are generally more worried about the risks of contracting a serious illness or an injury that would be debilitating, making it more difficult to work. Morbidity-related demand (supplementary medical or critical injury) insurance coverage will therefore continue to be in high demand. While small at present, there is also a growing market for occupational disability insurance. As in Australia and Europe, it is expected that there will be heightened demand for this type of coverage in Japan as people are worried about not being able to work. Some players in the industry in Japan have made a bold move and put in place “COVID coverage” that pays double the benefit relative to per diem hospital coverage for people who contract COVID-19. Finally, the government is looking to the insurance industry for the provision of “health promotion”-related products offered to customers to help them stay healthy (and in turn, less likely to file a claim).

Savings-related products are growing in popularity among younger people, in the form of online broker accounts. The strategy of “buy term and invest the rest”, which is common in Anglo-Saxon countries, is not yet widely ascribed to in Japan. Recently, however, insurers are seeing this approach in Japan through rapid growth in online broker accounts among people in their 20s and early 30s. Most will invest in mutual funds through tax beneficial schemes.





Insurance and protection trends

Individual saving rates have increased in the past year. The government offered a few significant handouts in 2020, one example being a grant of 100,000 yen [USD 1,000] per individual. Most of these funds stayed in the banking deposits of individuals, generating approximately ¥ 6 trillion in additional deposits.

Challenges in bridging protection gaps:

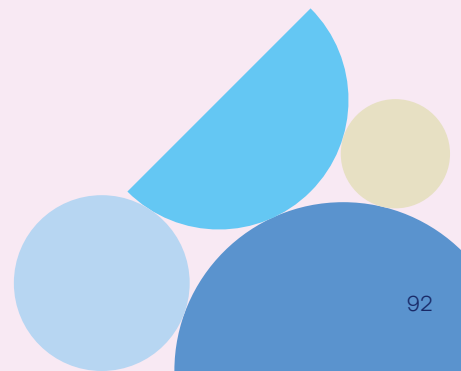
There is heightened competition in life insurance distribution. Due to the success of major insurers, new independent agencies have entered this space. The fiercest competition is coming from large tied-agency incumbents. As a result, in the short term there has been a reduction of market share for new business. Gross written premiums have been continuing to grow very quickly over time. Incremental new business will add to the overall stock.

Affordability has been a key motivation for “replacement demand” for at least the past decade. This service consists of an insurer taking over an individual’s portfolio of insurance purchased many years in the past (and generally not cost competitive) through a tied agent and replacing areas that are outdated or can be more reasonably priced, for instance due to improved longevity rates. Demand for this service will continue to grow and will be accelerated by COVID-19. There are three drivers behind it: economic pressures generating interest in cutting household expenditures; lower levels of confidence about the future; and health-related worries.

Messaging: Negative messaging can be effective in the Japanese market, but only in the short term. Generally speaking, messaging that emphasizes positive motivations is thought to be longer-lasting and more effective. Messaging works best in an environment with peer support and healthy peer pressure, and is also meaningful when it comes from the top of an organization – leading by example. Using digital technologies such as gameathons can make engagement fun.

Protection for gig workers: Gig workers’ protection needs are generally not well accommodated. There are direct government programs available for health insurance, but otherwise freelancers are relatively unprotected. Even during the pandemic, work stabilization benefits are at zero or, at best, extremely limited. The Japanese system caters to those working in both large companies and SMEs.

Protection for non-regular employees is also receiving heightened attention. This category makes up approximately 37% of the Japanese employment sector. Temp workers are dispatched by agencies and often work for many years in the same company without the same level of benefits. Recent legislation tries to provide a similar level of benefits through the agency system after a certain period of employment (three years), or by encouraging companies to hire temp workers as full-time regular employees.





COVID-19 related trends

60%

Surveys indicate that the majority of the population (about 60%) is interested in being vaccinated for COVID-19.

Government response: The Japanese government and public's response to the initial stages of the pandemic was effective in keeping the level of infection low relative to Europe and the United States, though less effective relative to other APAC countries. The Constitution of Japan provides for high levels of personal freedom and does not allow for lockdowns. The government can make requests and issue mild penalties (not through the threat of incarceration, for example), so there is no legal way to enforce a lockdown.

The level of congestion in hospitals has been relatively controlled overall, although there have been a few spikes in occupancy. The capacity of Japan's ICUs is very small, at about 5.2 per 100,000 inhabitants, half of the average reported by the Organization of Economic Co-operation and Development (OECD).² Offsetting this, the level of social responsibility and adherence to hygiene standards was seen to be very high.

Economic assistance has targeted certain sectors which were highly impacted by COVID-19, notably restaurants, hospitality, travel, and tourism. Restaurants, for instance, can benefit from subsidies and access funds in return for their cooperation with regulations on reduced opening hours. Japan has work stabilization subsidies in place. For lower paid workers on furlough, almost 100% of their initial salary and benefits are backstopped by the government.

Unemployment numbers are rising, albeit not as dramatically as in other countries (or past economic crises). The Japanese government has an employee stabilization program in place whereby the costs associated with employee furloughs are underwritten by the Japanese government through local governments. This program was in place until April 2021.

Those unemployed during the pandemic have also lost access to health insurance and benefits through their employer. That said, Japan has a robust safety net. Many pension schemes and health benefits can be replaced by government-sponsored programs. One can enroll directly into the public national health insurance system. If there are no means to provide the required premiums of US \$100-300 per month depending on age and income levels, one can apply for welfare support directly from the government. At least 2 million households in Japan receive this type of support. Anecdotally, a growing number do not (or cannot) apply for welfare support benefits. There have been more bankruptcies as well as higher levels of unemployment (approx. 100,000 persons) as a result of COVID-19.

Vaccines and insurance: Vaccinations are generally well received in Japan, and people are comfortable with taking them (particularly in the official infant vaccine cycle). But Japan experienced difficulty in rolling out the HPV vaccine against cervical cancer due to anecdotal (and in reality, rare) cases of serious side effects that were widely publicized. Surveys indicate that the majority of the population (about 60%) is interested in being vaccinated for COVID-19, although a minority have concerns.³

Since Japanese society is sensitive to discrimination, it is highly unlikely that preferential health-related insurance contracts will be offered to individuals on the basis of whether they have had the COVID-19 vaccine. Similarly, although there has been debate in Parliament about whether to issue vaccine passports, some view this as a form of discrimination against the unvaccinated.

Employer provision of vaccines: A private market for vaccines does not appear likely. The Japanese government and medical system control vaccination. Even an illegal back door for this service is unlikely.



²<https://www.oecd.org/coronavirus/en/data-insights/intensive-care-beds-capacity>

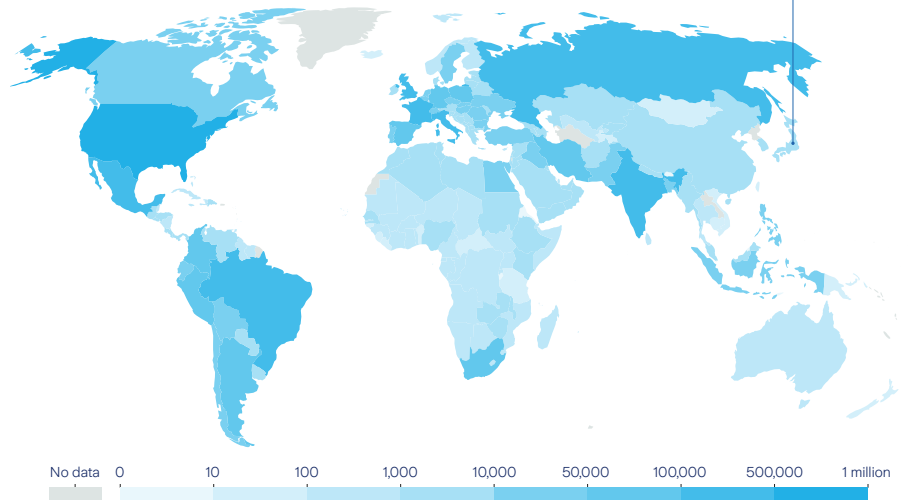
³<https://pubmed.ncbi.nlm.nih.gov/33802285/>



COVID context

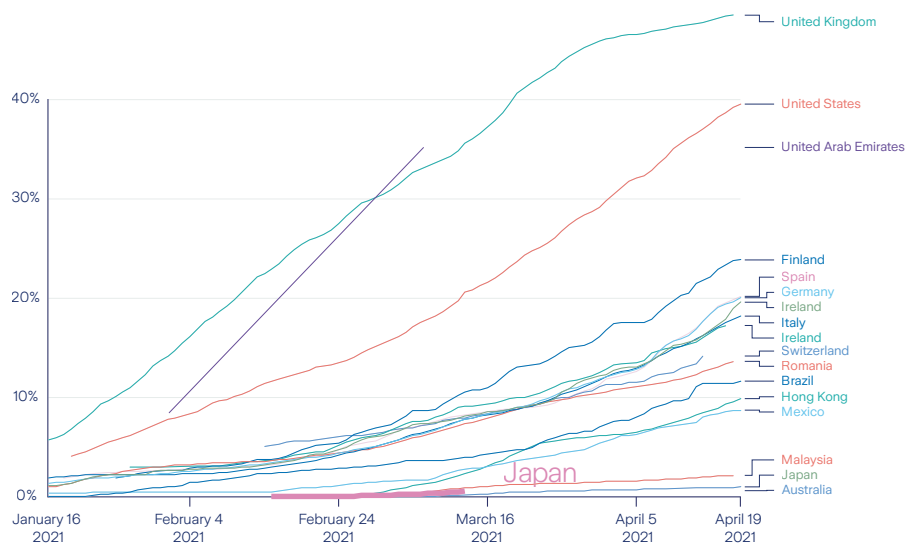
Cumulative confirmed COVID deaths

Japan: **9,629**



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

Share of the total population that received at least one dose of the COVID vaccine

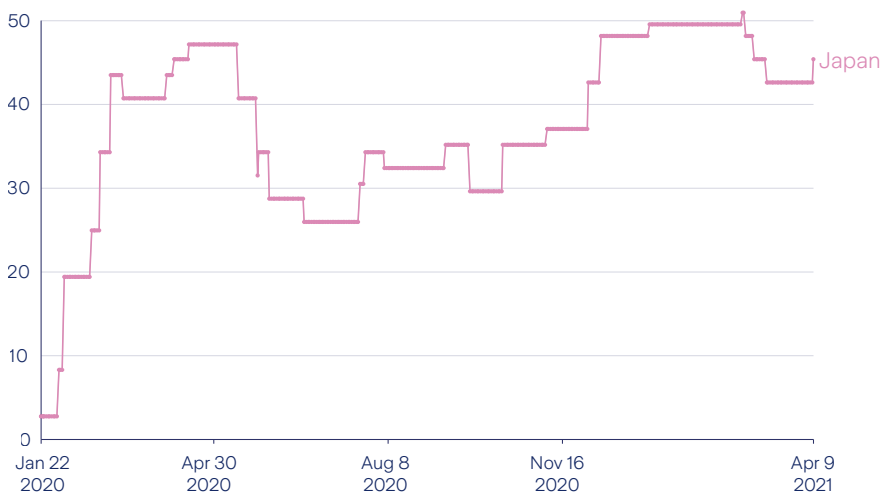


Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.





Duty of care trends

Already among young people, one of first questions asked at a job interview is “What is your thinking on quality of work-life balance?” – something that would be unthinkable just 20 years ago.

In a break with the past, employers in Japan are beginning to pay attention to their duty of care towards their employees. A couple of decades ago, the stereotypical Japanese employee would put in very long hours and devote their life to their company. This has been changing. Legal cases have been filed, resulting in large payouts to individuals, including the families of those who committed suicide or those who became disabled through their employer’s adverse practices. There is legislation in place allowing for criminal charges to be laid against employers who treat their employees without due respect for their wellbeing. Company leaders are therefore criminally liable if their employees work too much overtime or become sick.

The level of care, and expectations of employers in this regard, will continue to increase into the future and should be a differentiation factor when attracting talent. Already among young people, one of first questions asked at a job interview is “What is your thinking on quality of work-life balance?” – something that would be unthinkable just 20 years ago.

Those companies experimenting with wellness programs have benefited from peer pressure and support from other companies. Companies with 50 or more employees are required to conduct a stress check on all employees on an annual basis and allow employees to consult with worksite doctors if they wish. In addition, some employers have introduced employee assistance programs (EAPs), which are modeled on those offered in Australia. Third-party counseling services are brought in to provide stress relief, and a workplace doctor is on hand to ensure employees are leading a healthy and balanced life.





The outlook in Malaysia

These trends are noteworthy in the changing world of work:

- **Reskilling** in the Malaysian insurance industry is focused on a combination of digital and customer-service-related skills. It has significant support from companies, the government, and third-party providers.
- Private **pension** provision has been slow to develop due to product technicalities.
- A current focus in the **insurance** market is to promote direct and online selling of protection products. Post-COVID-19, there will be opportunities to develop private healthcare policies, although cost inflation in the healthcare sector is a challenge.
- **Vaccinations** are managed by the government. A private market may emerge, albeit generally not through employers. Insurers are unlikely to adjust relevant policies on the basis of customers' vaccination status.
- The concept of employer **duty of care** is increasingly relevant at large Malaysian companies. The main focus has been on physical as well as mental wellbeing, with insurers increasingly encouraging healthy lifestyles.



Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich MY]: For Zurich Malaysia, upskilling includes managing interactions remotely and leading people virtually, not only for managing employees internally but also for interactions with customers. Although employees adjusted quickly to remote working during COVID-19, including for customer call centers, the pandemic pointed the upskilling focus in the direction of customer service interactions via online and over-the-phone mediums. As well as with customers, interactions with Zurich Malaysia's other stakeholders had to be adapted overnight to digital forms at the onset of the pandemic, irrespective of employees' career level or "rank." Upskilling has largely taken the form of on-the-job training, notably for technological and digital as well as customer service skills.

Insurance industry-wide programs:

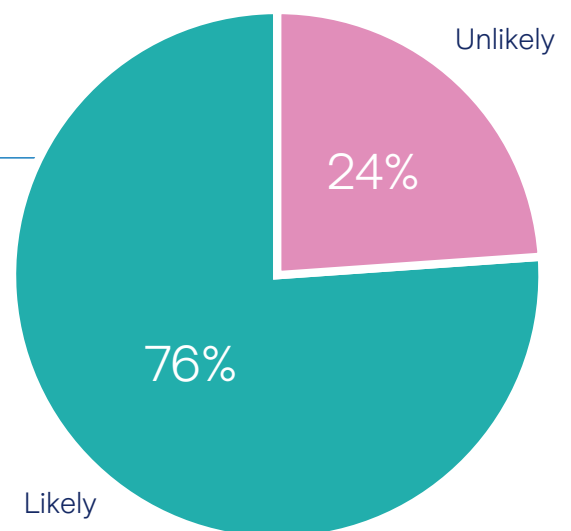
The industry recognizes that reskilling and upskilling are not merely "nice to have" – insurers see them as necessities for their employees. In a modern working environment, a number of companies in Malaysia offer skilling to improve their employees' day-to-day performance. Third-party provision of training, which, normally, is physically carried out outside company walls, has been switched to digital platforms. The pandemic has increased the rate of adoption of technology in this regard: what many CEOs were trying to achieve in relation to technology over the previous five years was accomplished within months.

The level of differentiation in the training of employees in the insurance industry has changed: there are many new graduates in the IT and data analytics space. Their skills are often in demand in somewhat unexpected ways. One can already see the

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019



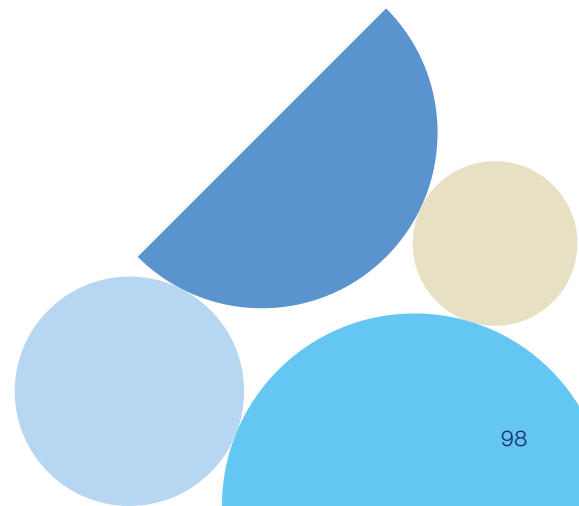


Reskilling, training and continuing education trends

impact of the pandemic on the retail industry, with even sizable purchases being increasingly conducted online. In this context, investing in maintaining personalized customer service is key, yet even this will require digital skills. For instance, some companies are developing “chat bots” and managing the associated programming.

Government policies and programs: The Malaysian government has invested in training and human capital development. Official unemployment in Malaysia sat at 4.8% in February 2021, a level which the government is keen to manage. In order to address this “unemployment mismatch” – that is, improve the uptake of jobs and the ability to secure them – upskilling is needed.

Prior to the pandemic, for the insurance industry and some related financial services, there was a requirement for companies to allocate a minimum of 3.5% of employees’ gross salary towards training expenditures. The banking sector’s allocation for these training levies is slightly lower at approximately 2.5%. Other industries are statutorily mandated to contribute 1% to the Human Resources Development Fund (HRDF), although last year the government issued exemptions. The government also offers allowances to encourage people to undertake upskilling at public universities.





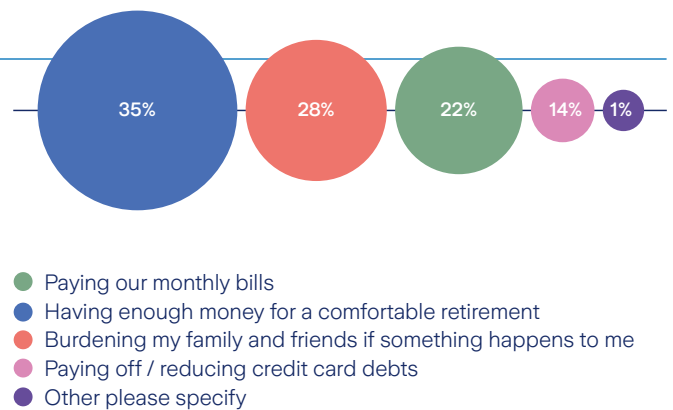
Pension and retirement trends

There have been no significant recent changes to the pension system. In Malaysia, retirement schemes are public. Civil servants have existing defined benefit (DB) pension schemes which are similar to those in the UK. Within the majority of private companies, it is compulsory to contribute to a state-managed defined contribution (DC) scheme, the Employees Provident Fund (EPF). Contributions total over 20% of earnings and come from both the employer (12% minimum) and employee (11%). Employers may choose to contribute more as part of the benefits they offer. During the pandemic, employees younger than 60 had the option to reduce their contributions to about 9% for a period of one year; the contribution rate for workers aged 60 and older remained unchanged.

Although there is an increasing role for private savings, products are not yet widely offered. In the past there have been government incentives, for instance tax relief, for insurance companies to develop appropriate products. The relief is still available, but product development has been slow. The state scheme remains attractive as the dividends it pays out each year are highly competitive and difficult to match. As a result, one does not see private pensions gaining significant traction, whether through pension or deferred annuity insurance plans.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: For life insurance, distribution is agency focused. Some of the most prominent companies balance agency and bank assurance. Alternate distribution (approximately 20%) occurs through brokers, financial advisors, and affinity partnerships. Bank assurance operations are beginning to gain market share. For general insurance (GI, which includes non-life-related personal products such as motor, fire, and traditional property casualty), there is digital and direct distribution. Private insurers provide disability insurance, although there are government programs and tax incentives in place. Subsidies and benefits are dependent on individuals' income category.

Motor insurance, along with basic cover on third-party and bodily injury insurance, are the only products that are compulsory. In Malaysia, motor and fire premiums have been regulated under a tariff structure for three decades, and there have been many developments in this area since the regulator implemented phased liberalization effective July 2016.

Direct selling: Direct Internet-based selling of all insurance (not just GI) is thought to be the aspiration of the Central Bank. Direct selling should be viable for pure protection products such as term life insurance, critical illness insurance, and for some medical insurance which have been simplified and pre-approved. However, direct selling has

not gained traction, which has been attributed to insufficient financial literacy on the part of consumers. Nonetheless, the Central Bank is compelling all insurance companies and banking associations to participate in raising financial literacy rates in order to improve understanding and direct engagement with products via the Internet.

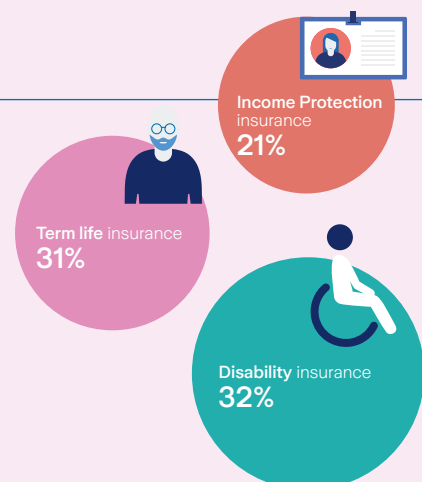
The best means of developing a digital sales platform is by way of partnerships with the digital companies themselves. This is something many insurers are entering into. For example, the "tie up" between rideshare company Grab and insurer Chubb ensures that loss or damage to goods delivered by Grab will be covered through "on-demand insurance."

Post-COVID-19 trends: There is more of an awareness of medical coverage, in particular post-COVID-19, and there will be increased demand for both health and disability insurance. There is evidence of this apparent trend and companies are adopting thematic messaging around "health." Insurers have seen growing requests for "pandemic cover" as a medical-related benefit. However, communicable diseases are considered exclusions by insurers and reinsurers.

Prior to COVID-19, there had already been strains on the health system. The Malaysian government provides medical coverage through universal healthcare. General

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

hospitals provide for the population at large (people pay nominal fees of 2-5 ringgit) and the affluent choose to use private hospitals. Strains were apparent in two areas: medical school graduates returning to Malaysia were not immediately offered intern placements to complete their training as they had been in the past; and while hospitals used to provide non-generic medicine, this has been largely replaced by generic medication. Given these pressures, in the future there may be scope to develop more private medical insurance options.

Term insurance is expected to become more popular in years to come. This type of insurance is dependent on one's stage of life. Those in their 30s, who are more likely to have outstanding loans, will not see term insurance as a better alternative in terms of affordability and for protection. However, for older people, income protection insurance will be more relevant.

Challenges in bridging protection gaps:

Overall insurance penetration rates in Malaysia are not particularly high. Regulators are pushing for penetration to grow from 50% to 70%. This began a few years ago, but the rate remains fundamentally stable. In part this may be due to a relatively low overall insurance literacy rate. In addition, since the pandemic began, many households have been struggling with their day-to-day finances, and insurers face lapses in existing policies. The Malaysian government has tried to place moratoriums on banks and insurance companies to provide financial relief to customers.

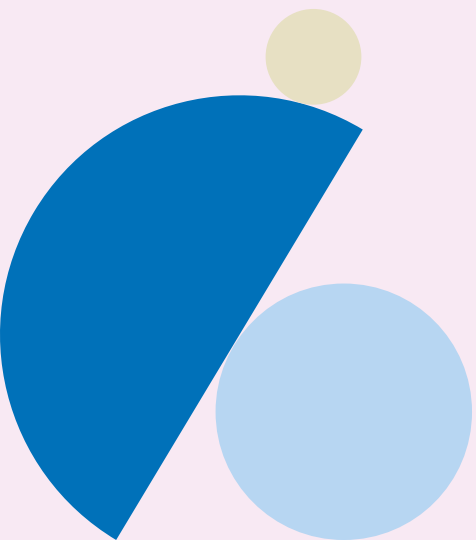
The distribution of life insurance, which as noted has historically been largely conducted via in-person contact at agencies, was a major challenge due to lockdown. Products include a combination of protection and investment and involve advisory services, so they are not simple or conducive to on-demand selling. A related challenge is that digital adoption in Malaysia, while relatively high among younger people, is much lower for those over 40.

Affordability and sustainability of insurance are two interrelated challenges. There is currently high medical cost inflation in the market (15-18% over the past few years). Companies are finding it unsustainable to continue to offer their standard rates and are revising insurance costs, with premiums rising accordingly. Many insurers are undertaking medical repricing on policies. In advanced countries, regular revision is the norm, but in Malaysia, it is uncommon and has not been undertaken recently. With an overall increase in premiums, the industry is expected to face challenges in policy retention and lapsing of policies due to affordability.

Although there is a need for long-term care insurance, insurers are not keen to offer it due to the risks and complexity involved. This gap is therefore likely to persist.

Messaging: Messaging is focused on preventions rather than cures. It requires a tailored approach depending on the area of wellness addressed. It also depends on the target audience's hierarchy of needs. Generally, the more financially secure they are, the more they pursue financial freedom and "wellness." Overall, there is an increasing focus on mental wellbeing and the impact this has on physical wellbeing. These aspects form a messaging "ecosystem."

Protection for gig workers: In Malaysia, gig workers have insurance protection whenever they are working, through a premium of approximately 1 ringgit (approximately USD 0.25) per day for a small amount of cover. While far from sufficient, it is a step in the right direction in protection provision. One of the largest employers of gig workers in Malaysia is Grab, a ridesharing app-based company. Since 2019, there has been encouragement for Grab to offer better protection for its workforce, since the government does not provide this.





COVID-19 related trends

Government response: The Malaysian government is seen to have reacted quickly to curb the spread of the pandemic in the early stages. However, bowing to pressure to balance public health with economic health, it eased lockdowns, which led to successive waves of infection. Hospitalizations were manageable within the public system until early 2021, when the government entered into discussions with private hospitals to request admittance of COVID-19 patients and attempted to impose mandatory coverage via a pooled fund (see above).

The public has been responsive to mandated behavior changes. Unlike in many European countries, there have not been protests or strikes, and people do not feel their rights and freedoms have been restricted. However, fines can be imposed for breaches of rules, with levels increased recently to 10,000 ringgit. The government publishes how many fines have been issued on a daily basis.

Over the past year, the Malaysian government has launched successive stimulus packages. At the beginning of the pandemic, the focus was on the “bottom 40%” (income classification B40), with cash allowances issued. Certain industries have received support: the latest stimulus in March 2021 included support for the tourism and entertainment industry and three-month extended wage subsidies for these and other sectors. The government is incentivizing and encouraging domestic tourism within a given state (Interstate travel requires a travel operator).

For those who have lost their job, there is an Employment Insurance Scheme (EIS). This scheme came into effect just prior to the pandemic and was in high demand throughout. Recipients of social security are able to claim for some assistance through EIS. Although workers who leave employment typically lose their benefits, those made redundant must be offered “separation schemes” by their employers. There are certain regulations and minimum calculations

for the provision of benefits which apply to employees on the basis of years of service and base salary.

The COVID-19 vaccination rollout is carried out by the Malaysian government. Everyone is required to register through an app (MySejahtera). There is currently no private market for vaccines on an individual basis. In fact, people are unable to choose which brand they will receive through the registration portal. That said, as of the end of March 2021, the government was considering allowing private hospitals to receive the vaccines. If a private market does emerge, the pharmaceutical industry and selected approved private hospitals are expected to be responsible for rolling out vaccines.

Trust in vaccines: Trust in vaccines is relatively high overall but slightly lower than for more established diseases such as hepatitis and measles. Despite being mandatory, however, vaccine registration has not been very encouraging. There were concerns as to whether this hesitancy was based on concerns related to side effects. Mistrust is more common among older people, those undergoing immunotherapy, and people with chronic severe allergies. A small group are concerned from a religious perspective. Respected scholars quickly responded by encouraging their followers to proceed for the betterment of society.



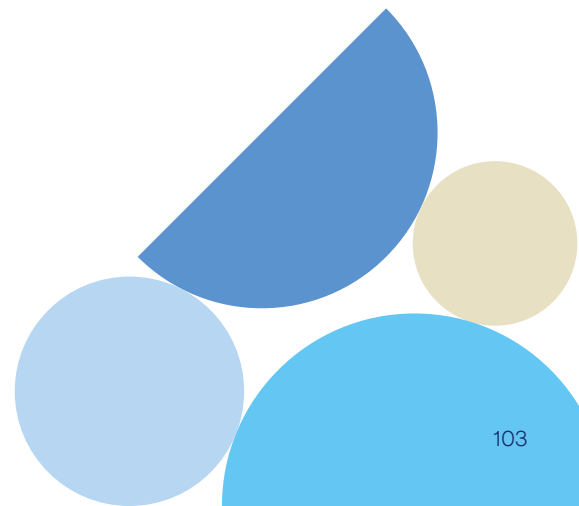


COVID-19 related trends

Vaccines and insurance: It is unlikely that preferential health-related insurance contracts will be offered to individuals on the basis of whether they have had the COVID-19 vaccination. Such differentiation would be a moral issue which insurers might be very reluctant to endorse, given they would prefer to be known for “doing the right thing.” In any case, without more research, it is too early to establish a policy.

Vaccines will likely be considered an exclusion by insurers, although there is likely to be innovation in coverage for the side effects of vaccinations. For now, the Malaysian government has announced that it will take responsibility for all side effects and will compensate up to 500,000 ringgit.

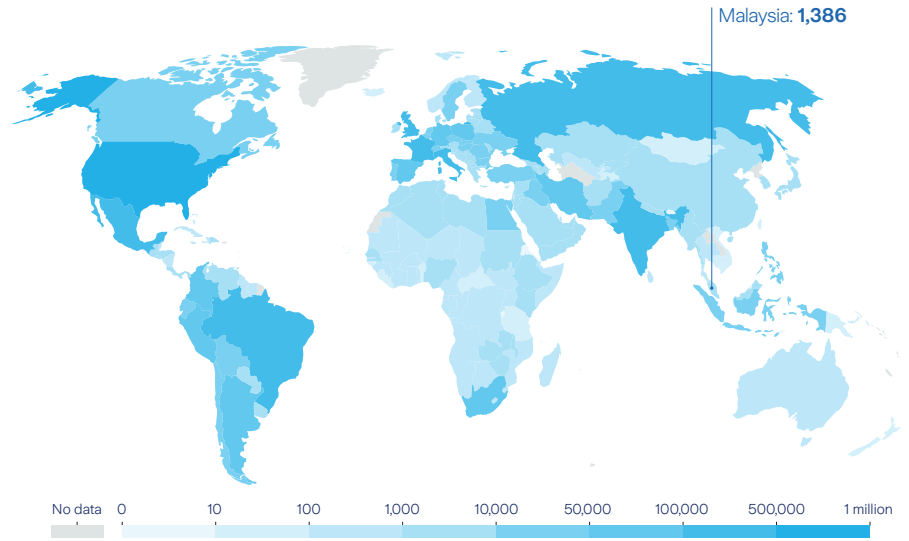
Employer provision of vaccines: Currently, vaccination is not within the ambit of group benefit policies, especially for communicable diseases like COVID-19. However, companies could cover the side effects of vaccinations for selected products, programs, and customers.





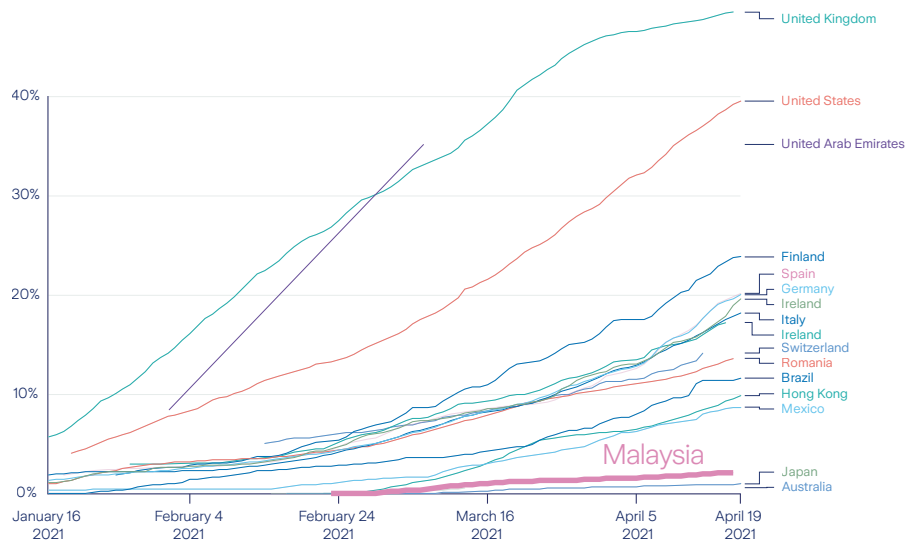
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Over the past several years, insurers (particularly life insurers) have had a strong focus on health-related themes and promoting healthy lifestyles.

Larger Malaysian companies are said to accord an increasingly high level of importance to the concept of a duty of care toward their employees. Rather than “factors of production” or “revenue-generating resources,” people are increasingly seen to have a symbiotic relationship with their employer. The management of the overall employee “experience” is a differentiating tool in recruiting and retaining talent.

Looking after employee wellbeing is part of an overall package beyond salary: most companies now offer health policies on top of their basic benefits packages. For this reason, the Malaysian insurance sector is increasingly moving into the wellness space. Over the past several years, insurers (particularly life insurers) have had a strong focus on health-related themes and promoting healthy lifestyles. In fact, some insurers enter the health space as a means of reaching out to customers.

Many insurers are encouraging customers to be more active through health-related challenges and subsequent rewards. They understand that having a more health-conscious customer base will eventually translate to a better experience and improve overall company sustainability. Customers can participate in programs that insurance companies develop for loyalty purposes, for instance via connecting through wearable fitness trackers. There are programs whereby those who can prove they are healthy can obtain discounts. This incentivization through “carrots” rather than “sticks” works more effectively than using ‘doomsday’ messaging.

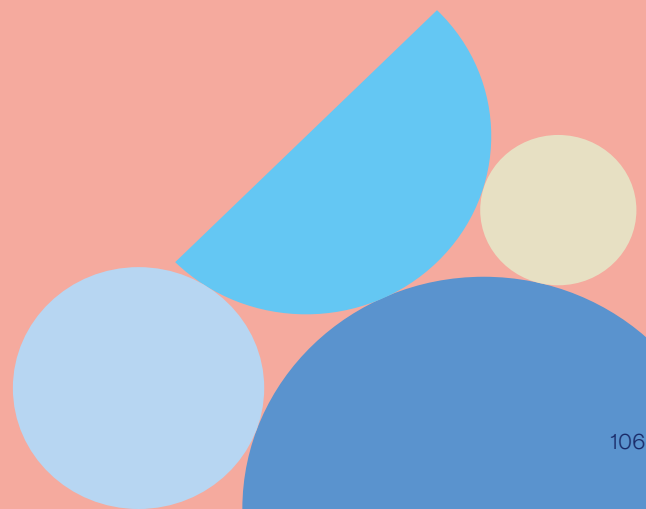




The outlook in Mexico

These trends are noteworthy in the changing world of work:

- **Reskilling** in the insurance industry in Mexico tends to be at the initiative of the private sector and is focused on training for automation and other technological changes. Private education companies provide services to employers looking to offer skilling opportunities in-house.
- **Pension** contributions by companies are legally mandated to rise significantly from 2023 to 2030, from about 4% to nearly 12%. This is an early step to support sustainable retirement savings.
- **Insurance** penetration is low in Mexico, with only 10% of the population having life cover. Demand has grown for health and protection products since the pandemic began and is expected to be sustained longer term. There is an ongoing shift to online distribution, but it will continue to be intermediated rather than direct.
- It is likely that a private market for COVID-19 **vaccines** will develop in the medium to long term. These may be available through employers. Insurers expect to be able to offer discounts and preferential pricing based on whether customers have had vaccines, and whether they are at lower risk of being seriously ill from the virus.
- The concept of an employer's **duty of care** is not explicitly referred to as such in Mexico, but since the pandemic began, employers have taken the view that they have some responsibility for actively encouraging staff wellbeing rather than leaving the initiative with individuals. The government also plays a role in encouraging physical wellbeing.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich MX]: Skill enhancement within Zurich Mexico is tailored to the company's business needs and existing competences, as well as skills shortages that are predicted to occur over the coming two to three years. Zurich Mexico has put in place "behavior and competence" training in areas such as customer focus, collaboration, empowerment, and development. This program was available to senior leaders, people managers and individual contributors. The company launched a Design Thinking Certification to take advantage of new ways of thinking and to strengthen innovation skills internally.

The pandemic has made Zurich Mexico think more creatively about how to provide skilling. Before the pandemic, learning programs were delivered face-to-face, but when the first COVID-19 lockdown was announced in March 2020, Zurich Mexico went from a fully office-based company to a fully operational home office company in about two weeks. In shifting to virtual and shorter training schemes, the company realized that this was more cost effective, and employee participation increased. It is, however, important to consider employees' time availability and to be mindful of not "saturating" them with too much training. Notably, weekly meetings are still held in order to assess the impacts of the pandemic

on the company, since it will take time to understand the full implications, particularly in areas such as skilling.

Insurance industry-wide programs:

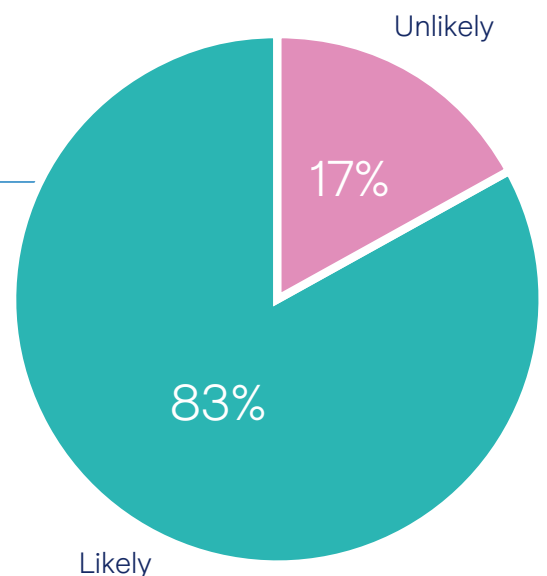
Reskilling within the insurance industry in Mexico is mainly driven by the expected needs of the future world of work, especially with respect to automation and technological change. Third-party training providers are active in this space. Rather than new providers entering the sector, the pandemic has seen existing providers adapt their services to the "new normal".

Government policies and programs:

Government participation in skilling tends to be minimal. The government is usually reactive, and little has happened in the way of investment or tax incentives for skill enhancement. Adaptation has been slow and is more visible in the public health sector (online training for doctors and health employees, for example). The relationship between government and the insurance industry in this area has not been as productive as it possibly could have been.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019

Likely



Pension and retirement trends

10-14%

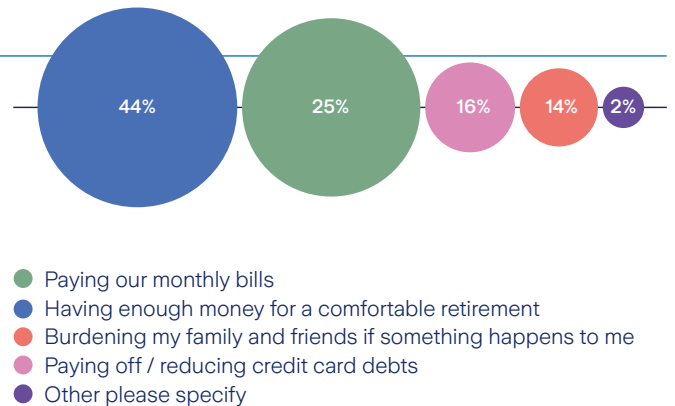
Households in Mexico have saved between 10 and 14% of their income over the last 5 years.

There is a compulsory pension savings program, which is managed by private fund managers, in Mexico. Households in Mexico have saved between 10 and 14% of their income over the last 5 years, according to the Organization for Economic Co-operation and Development (OECD).¹ Savings within the program build for at least 15 years of an average individual's working life. If someone leaves the scheme for some time, the number of years is adjusted. At the point of retirement, they are entitled to a pension based on the reserve they managed to save.

In December 2020, the government decided that company contributions to public pension plans would increase to 11.875% from 4.241%. Higher contributions will gradually be phased in beginning in 2023 and ending in 2030. Beyond this mandatory scheme, however, there is not a strong savings culture in Mexico. This is particularly disadvantageous to informal workers.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019

¹<https://data.oecd.org/hha/household-savings.htm>



Insurance and protection trends

Distribution trends: Insurance in Mexico is mainly sold through intermediaries, including brokers, agents, and banks. Bank assurance is important, and can be provided through exclusive distribution agreements between insurers and banks or through an aggregator or “panel” whereby multiple insurers can sell their products through a single bank channel. In the corporate life and pensions business, products are only available through employee packages.

There has been a seismic shift in distribution towards online channels, particularly on the group benefits side. The pandemic has accelerated Internet-driven consumer behavior, and this trend will continue. On the retail side, although people are becoming more technologically savvy, it is not expected that they will purchase most or all of their insurance online. Motor insurance is an exception, but affinity products, extended warranty, and protection products will likely adapt to new consumer behavior.

Direct selling: The way in which insurance companies approach clients directly will be one of the main challenges for the industry over the coming years. Direct selling of group policies depends on the contracted service that the business requires, and would only be viable for specialized services. It might not be viable to outsource personnel if their function is part of the core business of the company.

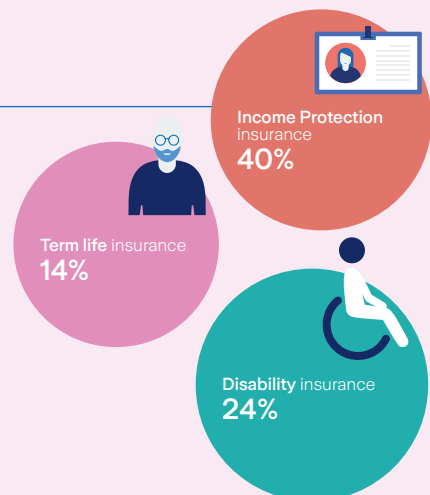
Bypassing intermediaries is unlikely. Agents seek to maintain their market relevance so, in the past, when a given insurer tried to go direct with one type of product, agents would withdraw from other products. Agents and brokers are developing their own platforms, in part because their face-to-face model of doing business was disrupted by COVID-19. It is expected that these aggregators may take control of the market. It is unclear whether this poses an opportunity or a threat to insurers.

In any case, there are some products for which customers feel the need to have an intermediary working for them and providing assessments of policies on issues such as property and medical expenses. On the other hand, the outsourcing of platforms is thought viable. Sometimes insurers need platforms that they do not manage or cannot develop internally. Direct selling in Mexico often requires a shell company that does not operate under the parent company’s brand.

Post-COVID-19 trends: The market for insurance has gained relevance since COVID-19. As in many other countries, it is expected that there will be greater interest in health insurance. During the pandemic, many people lacked sufficient medical coverage. In the first months of the pandemic, there was a surge in requests for medical insurance even with prices up by 20-30%. Demand from

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

individuals and companies is evident and will remain strong.

There could also be a rise in demand for discretionary insurance. Rates have changed as a result of COVID-19, and some employers have introduced pandemic coverage. Whereas many people were previously unaware of pandemics and related public health risks, insurers are now seeing consumers request specific cover for damages, loss of income, and other negative effects of the pandemic. For this reason, whole of life insurance and personal savings products will also be more important in Mexico in the next few years.

Challenges in bridging protection gaps:

Insurance penetration in Mexico is very low: only 10% of the population has life insurance through loans or as an employee benefit, and only 1.5% of the population has a Major Medical Expenses (MME) policy. This is believed to be the case in part because the government does not promote the benefits of insurance.

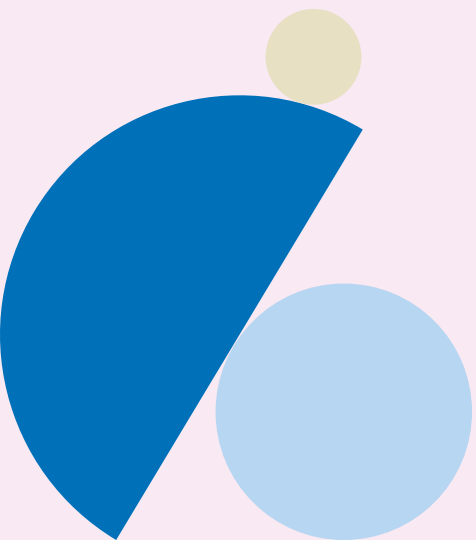
There have also been challenges in the regulatory environment. Some members of the Mexican National Insurance and Surety Commission with expertise and experience left the organization at the end of the last presidential administration, leaving insurance companies to educate new members. On the compliance side, as a result of the pandemic and previous unmet regulations, regulatory measures against money laundering were implemented across the industry.

Affordability is a challenge, as customers in Mexico are price sensitive. They will first consider insurance prices; if they are similar, they will then look to brand reputation, solvency, good reviews, service standards, and so on.

Coverage rates for health insurance in Mexico are currently low unless the individual has this benefit through their employer. Otherwise, it is expensive for some (and the public health service is not always well regarded). Medical insurance is commoditized and with little difference between products, service becomes important. Unless service is excellent, even a small difference in price would be too much for the customer to continue with coverage. At the same time, individual medical policies are expensive and the insurance industry has not been able to produce tailored products.

Messaging: For Mexico, people respond to positive messaging about “making good things happen” and, more generally, being protected. Messaging with real statistics and testimonials featuring trustworthy medical figures are also preferred. In the past, some companies have tried to launch publicity campaigns with negative messages, but these have not been successful.

Protection for informal workers: Providing protection in some form for the informal sector has taken on greater relevance since the pandemic began. Those not in a position to have a home office or socially distance face risks to their health and livelihoods. National actuarial calculations show that over the coming two or three years, approximately 90% of Mexico’s population will be at risk of COVID-19 and/or COVID-related losses. The country is also vulnerable to long-term circulation of the disease because no local companies produce vaccine supplies – everything is imported.





COVID-19 related trends

10%

Although the government is procuring further vaccines, only 10% of the Mexican population has received a first dose as of early May 2021.

Government response: While effective at managing hospitalization, the public sector has been overwhelmed by the pandemic. Government efforts to contain the spread of the virus were initially slow, and there was a lack of information and misleading messaging. Mexico has been in continuous lockdown for almost a year, which has reduced the spread. Vaccination rollouts have so far proceeded relatively slowly. Although the government is procuring further vaccines, only 10% of the Mexican population has received a first dose as of early May 2021.

The public trusts the government's handling of the pandemic so far. Trust has been increasing over time, especially with the procurement and arrival of vaccines. Many people have been moderately responsive to the need to change behavior. Non-compliance with lockdown regulations and guidance has been found in the informal sector due to business needs to remain open in order to survive: the informal sector cannot necessarily set up home offices.

In March 2020, 9.1 million Mexican workers lost or quit their jobs or closed their businesses.² The government's position in offering economic support packages was to help those most in need. However, support overall has been scarce. There are some basic income programs for which one must be registered and under the poverty threshold to be entitled. Beyond this, there is no social security network to rely upon, so the informal sector was worst hit by the economic downturn. Employees in the formal sector lost both their income and benefits. By law, employees are entitled to some severance pay, but those who lose their job no longer receive social security or private insurance. Most companies attempting to retain their workers reduced their salaries and working hours and some companies have reduced the employee benefits they offer.

Trust in vaccines: In Mexico, there is a culture of vaccination particularly for childhood diseases. There was some apprehension about COVID-19 vaccines due to misinformation around the development processes, as well as perceptions that some may have been mismanaged. As the vaccine program progresses, people are more likely to get vaccinated. A recent national survey shows that in January 2021, 85% of Mexican would agree to getting the COVID-19 jab.³

Vaccines and insurance: There is a surcharge for COVID-19 in medical expense products, but preferential health-related insurance contracts are not offered to individuals on the basis of whether they have had a COVID-19 vaccination. Some insurers have begun asking people if they have been vaccinated and including this question on a policy submission form could become a practice across the Mexican insurance market. Going forward, insurers might begin offering a discount to those who have been vaccinated before issuing a policy.

Vaccine complications were not previously covered by insurance for more established diseases (such as smallpox and measles). The public is increasingly asking for this coverage. In order to consider this possibility, insurers would need to know whether those seeking insurance have been vaccinated.

Employer provision of vaccines: Initially, the government indicated that a private market for vaccines could be a possibility. But, this is unlikely in the near future. In principle, companies within the private sector might be providers. This would allow insurance companies to enter the market and for employers to offer vaccines as a benefit to their employees and their families.



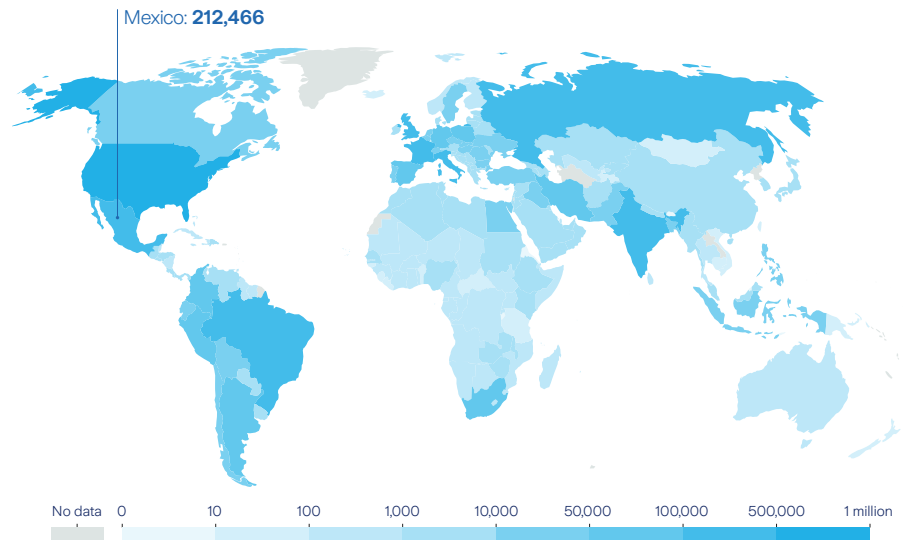
²https://www.inegi.org.mx/contenidos/investigacion/etoe/doc/etoe_presentacion_resultados_abril_2020.pdf

³<https://www.ipsos.com/en-ro/global-attitudes-covid-19-vaccine-january-2021>



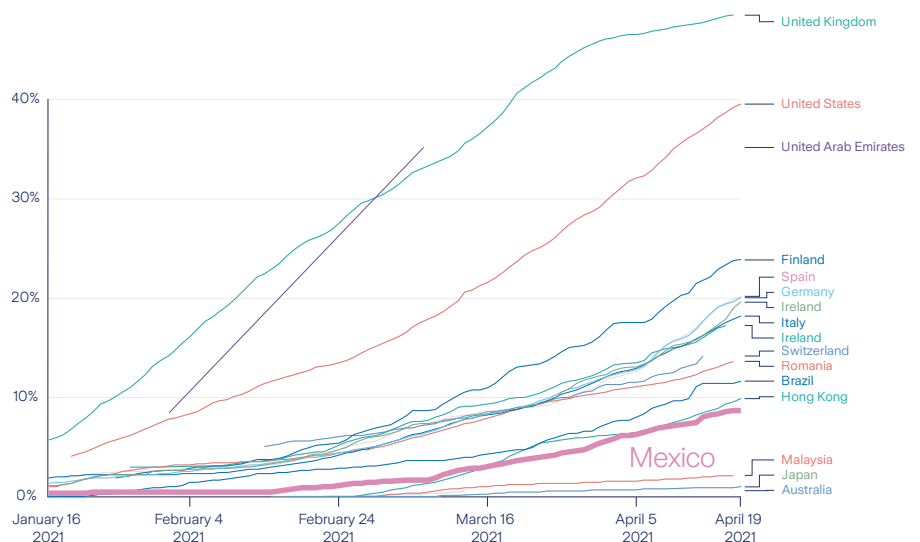
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

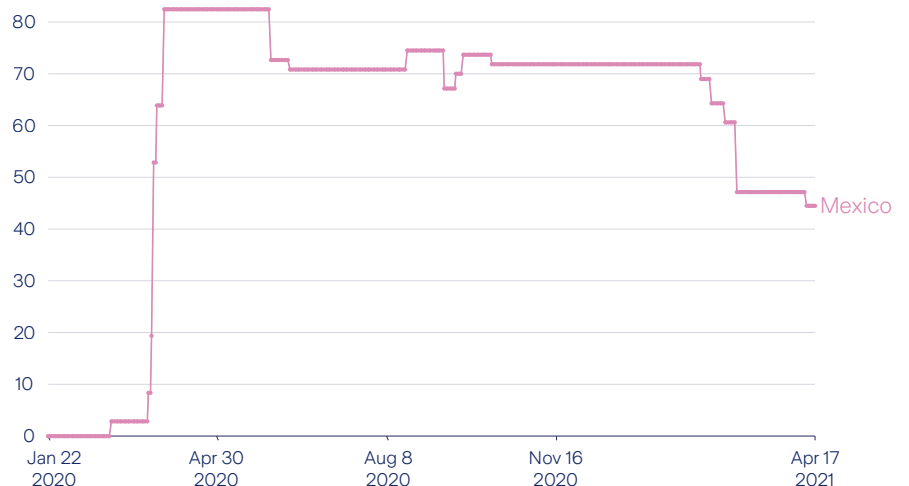
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



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Duty of care trends

The private sector has engaged in wellbeing-related efforts in trying to prevent lifestyle and chronic diseases. The pandemic has put wellbeing in the spotlight.

The idea that employers have a duty of care towards their employees appears new in Mexico, and has gained some traction since the pandemic began. Whereas the focus used to be on individual responsibility for wellbeing, there is now greater support and focus on wellbeing programs, tools, information, and more awareness regarding mental health. A related shift has been to encourage flexible working and work-life balance at the same time. Working late or on weekends is common practice, being deeply embedded in organizational culture within large companies in Mexico. The pre-pandemic culture was to work overtime at the office and not be at home. Because remote working has blurred the boundaries between home and work life, it will be important to find new ways to continue to discourage overwork.

Both public and private initiatives on wellbeing exist in Mexico. The country faces challenges with diabetes, obesity, and malnutrition, all of which put people at greater risk of severe COVID-19. This and previous government have initiated programs to help control or modify the local diet and encourage exercise. The private sector has engaged in wellbeing-related efforts in trying to prevent lifestyle and chronic diseases. The pandemic has put wellbeing in the spotlight.





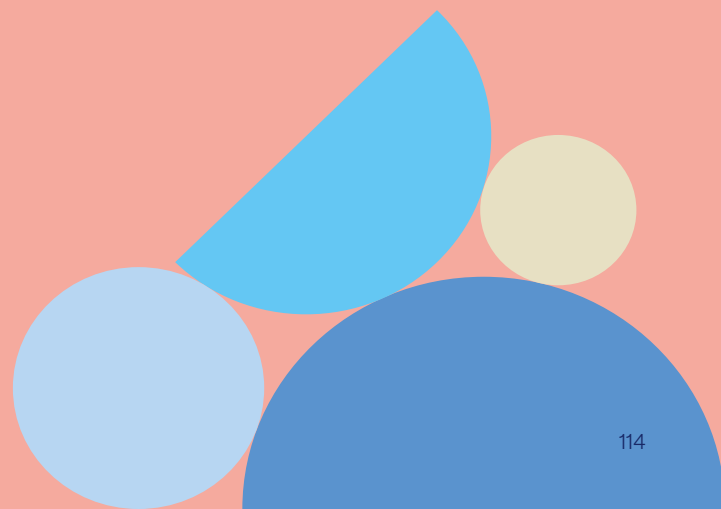
The outlook in Portugal

These trends are noteworthy in the changing world of work:

- The Portuguese government provides a baseline of support for **reskilling**, but most responsibility lies with employers. Programs are focused on digital skills and innovation, and wellbeing.
- **Pension** schemes face the combined challenges of low mandatory public pension savings, no mandatory 2nd or 3rd pillar participation, and the overall economic climate. A recent growth in public awareness about retirement, especially among young people, can be harnessed to educate workers about their options.
- There is a clear divide between SMEs (the vast majority of employers) and large companies in the provision of **insurance** and benefits as well as pensions, so retail

products will be very important. An overall shift to digital selling presents an opportunity for insurers to offer simpler processes in explaining their products. Some products will become compulsory to offset gaps in public coverage.

- Public provision of **vaccines** is likely to continue with strong public support. It is unlikely that insurers will be able to factor vaccination status into insurance policies due to strong anti-discrimination laws.
- There is new government support for employers' **duty of care**. Going forward, this duty will include support for hybrid working styles, which are notably less popular in Portugal than in other OECD countries.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich PT]: Zurich Portugal has developed training in line with group policies. COVID-19 is thought to have put Zurich 5-10 years ahead of its original training program implementation schedule, forcing an accelerated assimilation of the implementation and transformation process. This includes reskilling in two broad areas: technical skills and “soft” skills such as adaptability, capacity, flexibility, and collaboration.

Insurance industry-wide programs:

In the last 10 years, there have been movements towards training programs for “new competencies of the future” that allow workers to adapt to a more innovation-driven, digital world. The pandemic has reinforced the importance of these kind of skills in

adapting to a future (hybrid or remote) model of work. These training and skilling services mainly tend to be provided by external companies that are contracted by employers, rather than being developed in-house.

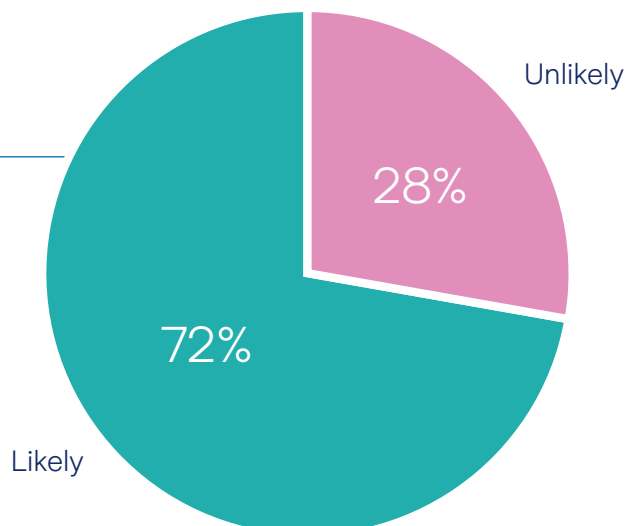
Government policies and programs:

The Portuguese government, in an effort to guarantee a minimum level of support for worker training, required companies to provide 30 hours of training per person, per year. These programs are regulated by the government. However, all additional responsibilities are transferred to employers. Many companies see this as an opportunity from an employee value proposition and branding perspective, as they believe they can differentiate themselves in the market for talent by offering skilling opportunities.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019





Pension and retirement trends



Significant changes to pension policy:

There have been no significant changes in government policy in relation to public or private insurance for some time. The last major change to retirement benefits laws was in 2007 and it reduced benefits significantly.

Challenges to pension systems: Although public pension savings are mandatory for all employees and employers (through annual contributions), as mentioned above, the rules were changed in 2007. Retired people receive less than 50% of their original salary on a sliding scale according to their age and level of disability. This is considered low for a pension by OECD standards and may not meet individual needs.

Meanwhile, the private pension space is seen to many obstacles to its development. Neither occupational pensions nor private savings is compulsory in Portugal, although some employers (mostly in the service industries, including in financial services, and in major sectors such as the chemicals industry) have agreements with their employees to provide benefits. Since the 2011 euro crisis, the tax benefits associated with occupational pension savings products have been reduced, and the number of customers using these products is lower than it was 10 years ago. And more generally, because the economic situation is not as

positive compared to other European countries, it is difficult for individuals to save privately.

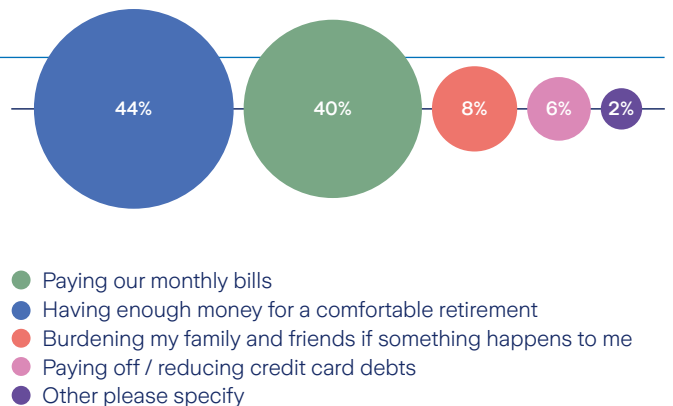
There is also a divide between what large and small to medium-sized enterprises (SMEs, i.e. businesses with fewer than 250 employees) provide. The majority of private companies in Portugal are small; these account for 68.3% of value added and 77.4% of employment, according to Eurostat. The minority of companies that are large tend to cover retirement savings and health insurance, but SMEs may struggle to provide these benefits.

What solutions? Because of these challenges, it is widely agreed among policymakers and within the pension industry in Portugal that the current pension system is not sustainable. A move to compulsory private savings is widely seen as inevitable. While some believe this may not be feasible in the medium term, it should be part of a long-term overhaul.

Retail retirement benefits (both public and private) are expected to continue to grow post-pandemic because people are now more informed about their financial and health risks. The media also covered these issues frequently before the pandemic. Younger demographics are increasingly interested in retirement guarantees.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Insurance in Portugal is mainly distributed through intermediaries including brokers, agents, and banks. For non-life products, the main distributors are agents and brokers, which primarily offer individual (retail) products. Half of the distribution of life products occurs through banks. Because group benefits are less common in Portugal, individuals are the most important customers for insurers.

Direct selling: There is an opportunity to bridge the gaps in government-provided social security through direct selling to individuals. The state pension age is 66, and given greater longevity, people will likely need help adapting to the financial realities of retirement.

Post-COVID-19 trends: Since the pandemic, people and companies in Portugal are believed to have greater appreciation for health benefits. People also have a greater desire to protect their lifestyle, particularly their mental health, and see a greater need to manage the risks associated with disabilities.

As is the case with pensions, there is likely an even greater recognition now that the non-retirement-related social security system is not sustainable. It is likely that in the longer term, compulsion will be a feature of public and (some) private benefits. At the moment, workplace accident coverage is the only type of compulsory insurance in Portugal (along

with Belgium, Portugal is the only country in Europe where work accidents are not covered by the government).

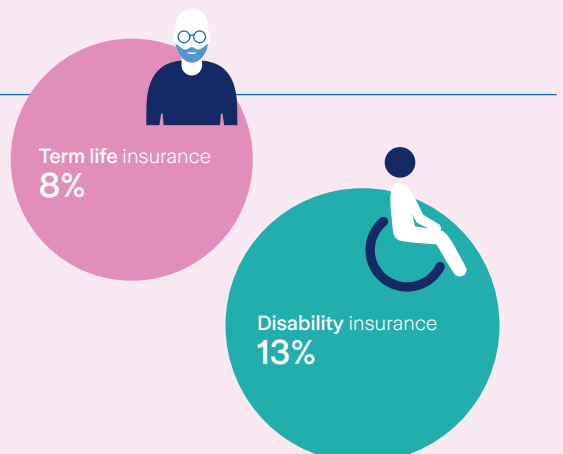
Challenges to bridging protection gaps: The economic environment in Portugal is seen to be a barrier to the affordability of insurance. The majority of employees earn relatively modest salaries. Most SMEs have between five and 10 employees and have felt greater impacts from the Portuguese financial crisis of 2010-14 and the ongoing economic fallout from COVID-19.

Partly because of this affordability issue, the capability of companies and individuals to both buy insurance and define their protection priorities could be regarded as a barrier to overall market development. For example, if an insurer presents a choice between savings products and health insurance, customers are believed to be more likely to choose health insurance due to the immediate and more obvious benefits.

The pandemic has accelerated the shift to a more digital economy, notably with the rise of e-commerce. This is true even among older people. This shift will change consumers' overall mentality when it comes to buying insurance. It also means that affordability will become more important. There is an opportunity here for insurers to offer simpler processes in selling (showing and explaining) their products.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



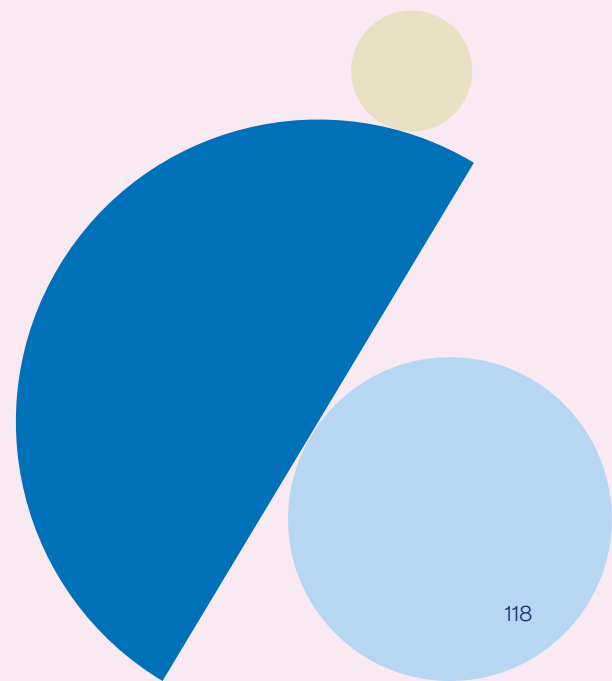
Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Messaging: In general, research (including one of our previous reports, [Mapping Income Protection Gaps: Awareness, Behavior, Choices](#)) shows that people respond to messaging related to experience and loss. Vulnerability is a key concept in communicating the benefits of insurance. Insurers perform risk assessments for every scenario, but an event like the pandemic was extremely difficult if not impossible to predict – this has helped give people the idea that they must be prepared for all eventualities. Over time, more forward-looking discourse, for instance around setting objectives for retirement, could become more important in demonstrating the importance of protection.

Protection for gig workers: Many gig workers in Portugal do not have government support. Supporting this group will likely become even more important over time, particularly for training. Currently insurers provide the necessary information to these groups about their protection needs, but more will likely need to be done to build their capabilities. For example, many gig economy workers such as social media influencers are expected to be an important channel for information sharing – if the insurance industry can find a way of communicating their options to them.





COVID-19 related trends

6.9%

Portugal has around 6.9% unemployment possibly as a consequence of government support.

60%

The incumbent president was re-elected with a 60% majority in January 2021.

Government response: During the pandemic, the Portuguese government implemented procedures to prevent layoffs, guaranteeing employees protection against dismissal and access to certain benefits through furlough schemes. According to the Portuguese Office of National statistics in February 2021, unemployment stood at 6.9%, a rate that has so far remained steady, possibly as a consequence of government support. When these measures end, the unemployment rate may change.

When the pandemic began, there was uncertainty about how long it would last, so Portugal was seen to be slow to shut down. Later, however, the government instituted clear and specific rules to prevent the spread of the virus. The Portuguese population is believed to have responded well to state and expert recommendations, exercising responsibility and willingness to compromise. As of May 2021, there have been no protests or political movements of note in response to restrictions. The incumbent president was re-elected with a 60% majority in January 2021, a result widely seen as a referendum on his government's performance during the first year of the pandemic.

Vaccines and insurance: In Portugal, most important vaccines are publicly provided free of charge. Certain exemptions are not covered by public support, but in these cases, doctors usually prescribe the vaccine. Public support for this approach is strong.

Insurers currently write contracts with major employers that make provision for tests of infection. They can absorb the costs of testing into their health coverage for now but may restrict this coverage over the coming years. Companies will need a period of two to three years to undertake impact studies, so it will be some time before this is clear.

When issuing health insurance contracts, companies do ask questions on customers' health characteristics. In the future, insurers may add questions regarding vaccines but whether or not this will happen will depend in part on anti-discrimination law.

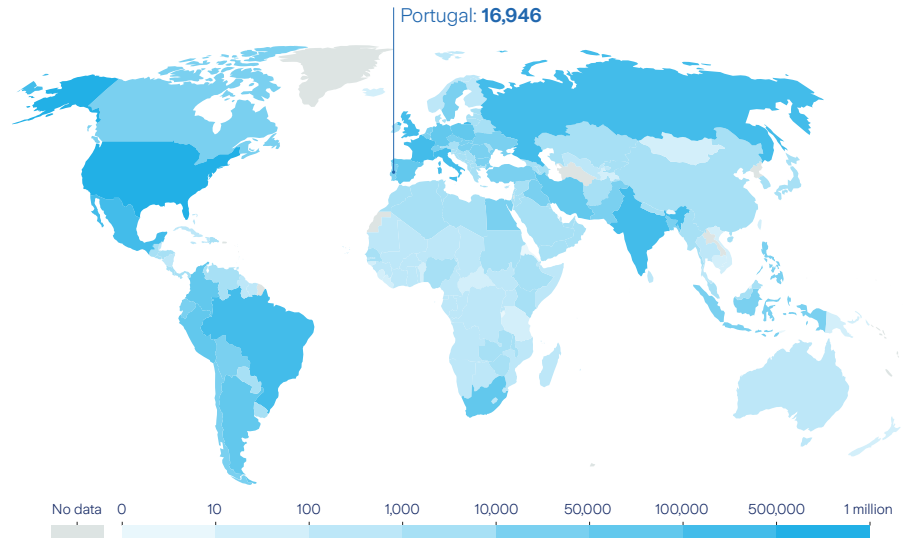
Employer provision of vaccines: Portugal has strong non-discrimination laws related to insurance contracts such that insurers cannot decline a contract without clear "technical support." Providing vaccines through company-based insurance and wellbeing packages could cast the insurance industry in a negative light.





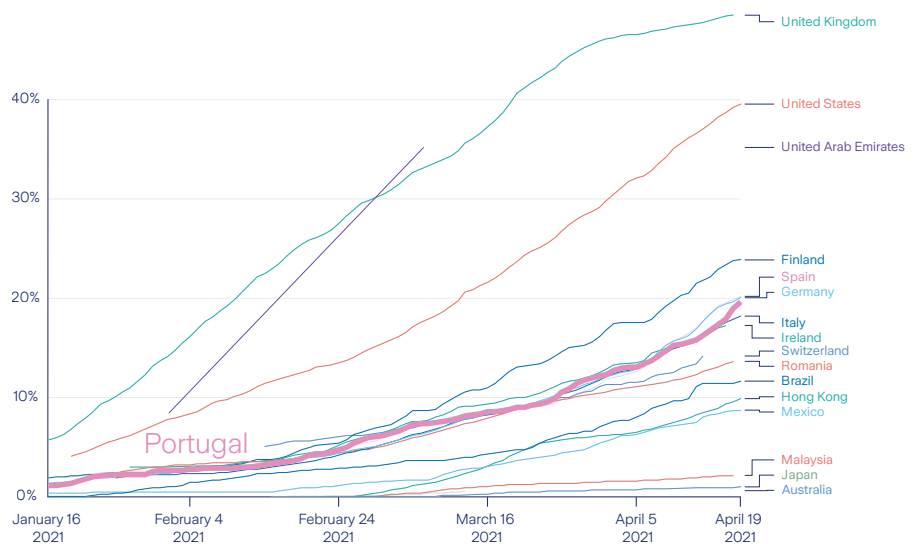
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

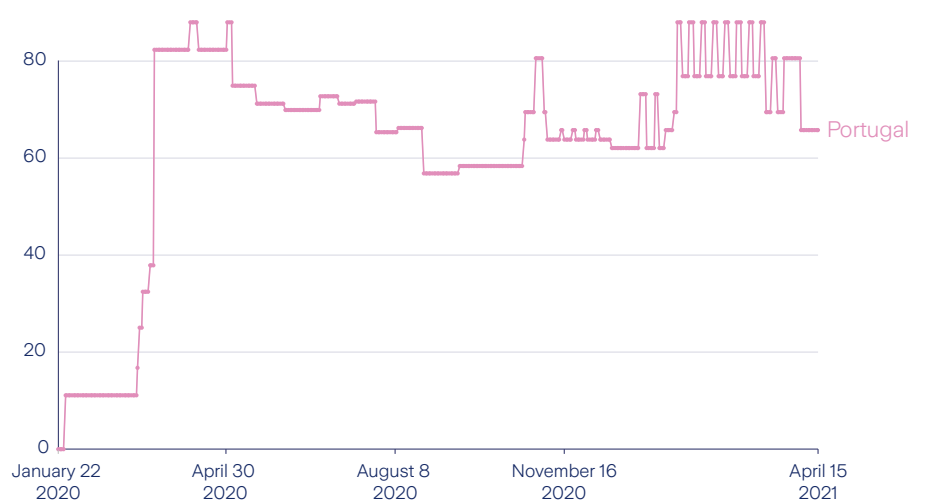
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

There is believed to be firm support for the concept of an employer duty of care in Portugal. This is seen as a form of *'responsible citizenship'*

There is believed to be firm support for the concept of an employer duty of care in Portugal. This is seen as a form of "responsible citizenship" that goes beyond simple accountability. It can be a differentiating factor for workers when choosing an employer. Notably, this cuts against Portugal's historically conservative labor laws, which are protective from a labor relations rather than a social perspective.

At the same time, the government plays a role in supporting employers' duty of care. Since 2017, official entities have been put in place to oversee company conditions in order to prevent mental health issues. Companies

themselves must develop their own action plans. Companies are also required to promote healthy-living and disease prevention programs.

Beyond COVID-19, part of Portuguese companies' duty of care will be the need to adapt to a new hybrid working style. While there has been much talk over the past year about the benefits of remote working, this may not be all workers' clear favorite. For example, it is estimated that roughly two-thirds of active Zurich employees in Portugal prefer working in the office.

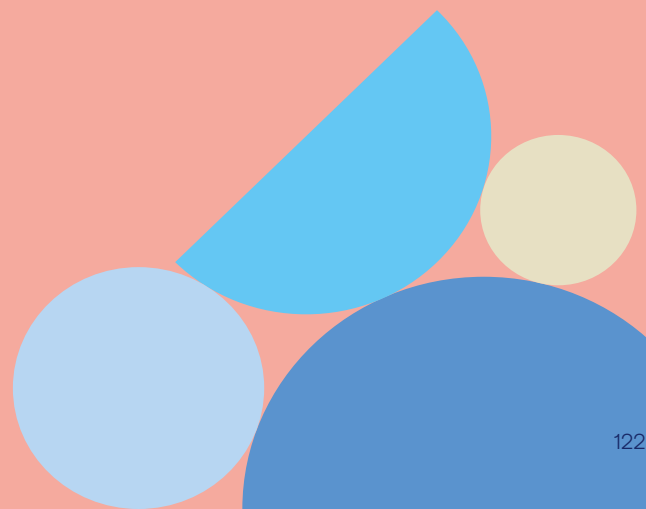




The outlook in Romania

These trends are noteworthy in the changing world of work:

- **Reskilling** in the Romanian insurance industry takes place at the company level, and tends to be focused on the technicalities of insurance provision rather than digital skills.
- Public **pension** benefits vary from year to year, making it challenging for workers to plan their savings. Recently mandatory contributions to certain private schemes were raised modestly, but significant savings gaps remain.
- Growth in demand for health **insurance** is currently about 20% year on year and is expected to remain high in the future. Demand for other types of protection is expected to remain much lower.
- **Vaccine** hesitancy in Romania is among the highest in Europe. It is unlikely that insurers will take people's COVID-19 vaccination status into account when issuing and pricing relevant policies.
- The concept of employer **duty of care** does not yet resonate strongly among Romanian companies, but some have begun following a trend of offering wellbeing programs.





Reskilling, training and continuing education trends

Insurance industry-wide programs: At some level, each company within the insurance industry tries to ensure employees are up to date with the necessary skills. For example, employees have to undertake courses and exams as part of a continuous learning process. This is centered around the technicalities of insurance, not IT or high-level skills for adapting to digitization.

Skilling has become increasingly important due to the pandemic, which demonstrated that digital and remote solutions are available and easy to adapt to. In the space of a few months, Zurich Group's fronting partner in Romania, OMNIASIG VIG, digitized its internal processes. Employees were working from home; the business remained open and even grew, as evidenced by positive financial results. The company regards the past year as having been a beneficial transformation period.

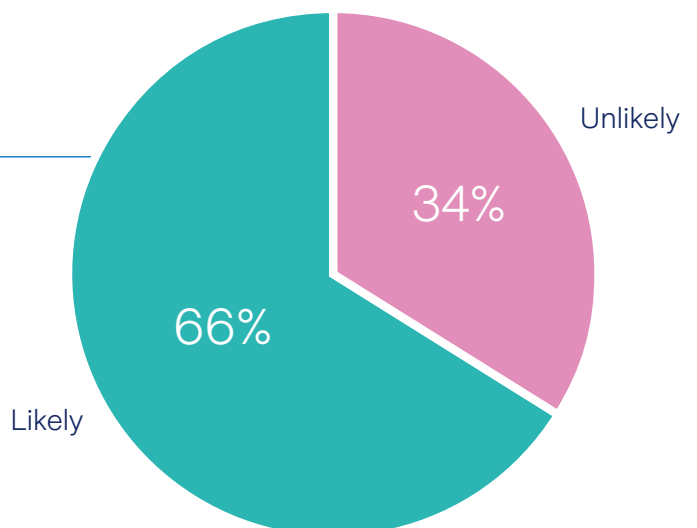
It is difficult to predict whether and in what areas there will be skills shortages in the future. If skill enhancement does not take place in an organized fashion, people can adapt individually.

Government policies and programs: The Romanian government has not developed skilling or continuing education programs or initiatives, and is unlikely to do so in the foreseeable future given other priorities.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019





Pension and retirement trends

Romania has a high old age dependency ratio, with approximately one quarter of the population receiving a pension. However, most resident Romanians perceive¹ public retirement savings schemes simply as a high “tax,” as mandatory contribution is 20% of the gross income and no amount is guaranteed at any point; therefore, people do not view pensions as a “benefit” per se. Benefit levels change on a yearly basis according to the government’s budget. Each new government administration has tended to introduce new legislation while retaining some of the previous legislation, so there is only a degree of continuity in pension policy. A few years ago, it became mandatory for each person to contribute a part of their salary towards the private pension system via a tax.

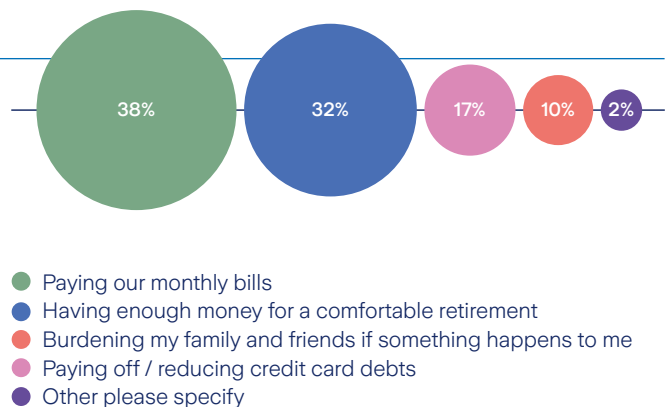
Generally, people are becoming more aware of the need for a retirement income and contingency savings. Private pensions are clearer and more transparent to them; everyone has access to their own account.

It is compulsory to have a percentage of one’s salary directed to a private pension scheme. It is 3.5% of gross salary, a small percentage compared to the amount channeled into the public system. Individuals also have a choice as to which insurer manages their personal funds.

Another private optional pension is available, whereby each employee can choose to channel a maximum of 15% (up to €400 per month) of their gross salary to a private guaranteed pension, and the contribution is tax deductible for employees and employers. Even so, very few people manage to set aside extra savings, as the average monthly salary in Romania is €1,150 and the minimum monthly income is €460 gross (€320 net).

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019

¹It is worth mentioning that 3.6 million Romanians currently live and work abroad, mainly in Italy or Spain, compared to a resident population of 19.3 million.



Insurance and protection trends

Distribution trends: Insurance distribution takes place through a number of different types of channels, including brokers, insurance company employees, and agents (those who are subordinated to brokers or other entities which sell insurance in accordance with their own type of business). Agents are tied; only brokers are permitted to sell for all insurance companies. Brokers are the most important channel, intermediating 68.34% (in 2020) of all sales.

There are two types of mandatory insurance in Romania: motor third-party liability, and home insurance for property owners. The Romanian insurance market initially developed around these two product types.

Over the last 10 years, the health and accident segment of the Romanian insurance market has experienced accelerated growth. Romania's public health system is outdated, overwhelmed, and underfunded, so private health insurance came about as an alternative. The rate of growth is approximately 20% annually (noting that the market for health insurance has a tendency to grow), whereas other segments tend to experience single-digit growth or decline.

Direct selling: The adoption of direct selling is dependent on the speed of digitization and on customers' receptiveness to this sales channel. The majority of clients need an advisor and explanations with respect to

risks. With no historic culture for understanding and buying insurance products, the majority of Romanians are afraid to take out insurance via the Internet. This may be more feasible for mandatory policies (i.e., household and motor liability) in the future. Direct selling will evolve as a process as more people come to access insurance.

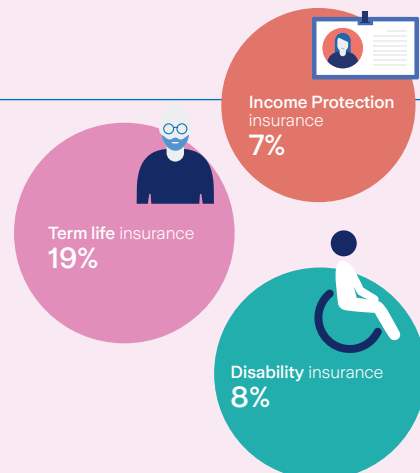
Post-COVID-19 trends: Reform of the healthcare system has been expected for a long time. However, it is only recently that political responsibility has been assumed for this change. Preparations are underway, and hopes are widespread that this reform will come about as this would support the case for mandatory insurance.

Apart from health insurance, the pandemic reduced demand for many types of protection. For example, the volume of gross profit decreased in property insurance during the pandemic. With business interruptions, many companies closed their doors, and many policies have been suspended or cancelled. Policyholders in these cases often assume that their exposure to risk or liability disappears along with the suspension of business.

Growth in the retail market for health and other protection products is not expected post-COVID-19, but corporate policies likely will experience greater demand.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019

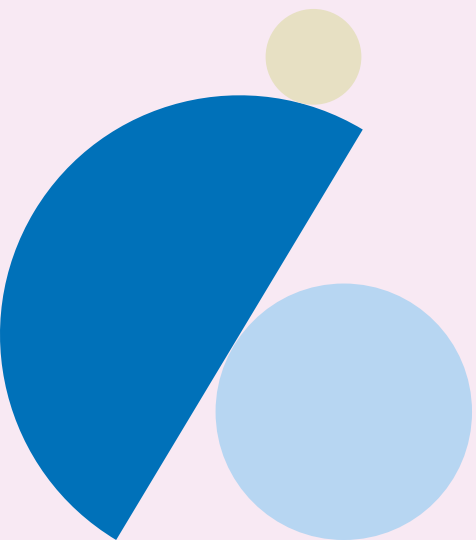


Insurance and protection trends

Challenges in bridging protection gaps: In Romania, the population generally chooses to allocate resources towards urgent necessities rather than insurance. Few people understand the importance of insurance. For those who do, the market is price oriented: customers prioritize finding the cheapest policy over focusing on the protections or benefits themselves. This has been the greatest challenge to the industry. Given that the unemployment rate in Romania is projected to increase in the near term, it will remain a challenge.

It will be difficult to come to the market with another form of compulsory insurance. Many people in Romania cannot afford to pay for the mandatory household insurance priced at approximately €10-20 annually. The majority of the population (60%) are on a minimum wage salary, or the equivalent for informal workers. In 2020, GDP per capita stood at USD 12,757.²

Messaging: There is not believed to be a “recipe” for the best type of messaging about risks and the benefits of protection. The Romanian population will look to peers or influential figures and follow by way of example. Accordingly, the only type of messaging that is believed to have the potential to be effective is the power of example.



²<https://pubdocs.worldbank.org/en/27317149201110329/mpo-rom.pdf>



COVID-19 related trends

19.2%

As of May 2021, 3.71 million people (19.2% of the total population) have received at least one dose of the vaccine.

Government response: The Romanian government is seen to have managed COVID-19 reasonably. The state did what it could with available logistic and human resources, given the uncertainties surrounding the virus, especially in the early stages of the pandemic. During the pandemic, there was a certain degree of organization and a few beneficial measures introduced.

Although Romania has recorded 1.07 million infections and 29,135 deaths since the pandemic began, there is relatively positive sentiment around vaccination rollouts. As of May 2021, 3.71 million people (19.2% of the total population) have received at least one dose of the vaccine. In February 2021, the World Health Organization (WHO) and the EU piloted a series of interventions to engage health workers and support them as COVID-19 vaccine administrators and advocates.³

A small part of the Romanian population has been very adaptive to behavior change. These include people who have an understanding of what is happening with respect to the virus and do not subscribe to conspiracy theories. Other segments of the population do not believe in the existence of the virus and are not willing to adopt sanitary measures. Some members of these groups have staged protests.

Poverty levels increased throughout the pandemic, remaining high in the first months of 2021. Lower-earning workers and those with non-standard contracts were and continue to be more affected by employment stoppages due to the lockdowns. Approximately 20% of households reported that their income in January 2021 was lower than prior to the pandemic, with impacts felt across income groups.⁴ There is no furlough program in Romania or any related safety net. According to the institute for national statistics, in the last quarter of 2020 the

unemployment rate stood at 5.2%, reaching 17.1% for people aged 14 to 15.⁵ Those who lose their job in the formal sector also lose access to company health insurance and associated benefits.

The government tried to make provisions with financial assistance targeted at industries that were most affected, for instance hospitality. The fiscal stimulus package included VAT refunds supporting firm liquidity and bonuses granted for the payment at maturity of the tax on the income of micro-enterprises and the corporate income tax. However, they did not succeed in delivering on their initial announcements. For individuals, there were challenges in attaining the promised support. Similarly, the necessary steps for entrepreneurs and those who have their own businesses to claim support were complicated to navigate.

Trust in vaccines: Vaccine hesitancy levels in Romania are high and stable. Almost half of Romanians say they are not inclined to get the COVID-19 vaccine - one of the highest hesitancy levels in Europe.⁶ Although there is a relatively low level of trust which breeds conspiracy theories, it is believed that if many people are vaccinated and they do not exhibit side effects, others will follow. Through this demonstration, vaccine skeptics could come to doubt conspiracy theories about supposed hidden risks associated with COVID-19 vaccines.



³<https://www.euro.who.int/en/countries/romania/news/news/2021/3/who-engages-health-workers-in-romania-to-reach-out-on-the-benefits-of-covid-19-vaccines-in-pilot-project>

⁴<https://pubdocs.worldbank.org/en/27317149201110329/mpo-rom.pdf>

⁵https://insse.ro/cms/sites/default/files/com_presa/com_pdf/somaj_tr4e_20.pdf

⁶<https://www.globsec.org/wp-content/uploads/2021/04/GLOBSEC-Vaccination-Trends.pdf>

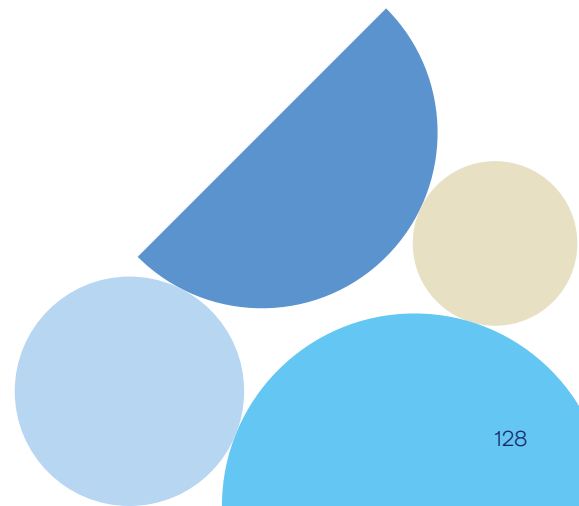


COVID-19 related trends

Vaccines and insurance: It is unclear whether insurers in Romania could offer preferential health-related insurance contracts to individuals on the basis of whether they have been vaccinated for COVID-19. They would likely be seen as discriminating, which would not be well received by customers. Issues around discrimination are already being discussed in the context of activities dependent on vaccinations, such as entering restaurants, attending concerts, or travel, so presumably offering preferential insurance would be controversial also.

Employer provision of vaccines: Currently, COVID-19 vaccines are publicly provided, but if private clinics and medical providers attain approval by fulfilling sanitary requirements,

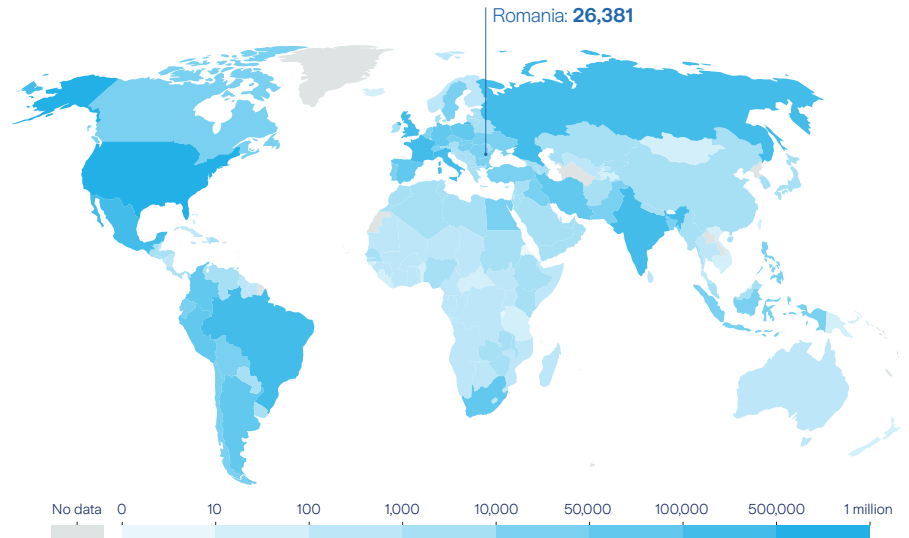
they could be permitted to carry out vaccinations in the future. It is possible that employers could someday offer the vaccine also, especially large multinational companies. However, it remains unclear how and when Romanians will return to the workplace. Many employers are still deciding whether to adopt a hybrid working model. Companies whose workers return to the office at least part time may develop testing or vaccine programs internally (particularly for those required to be in the office on a daily basis), but it is too early to say.





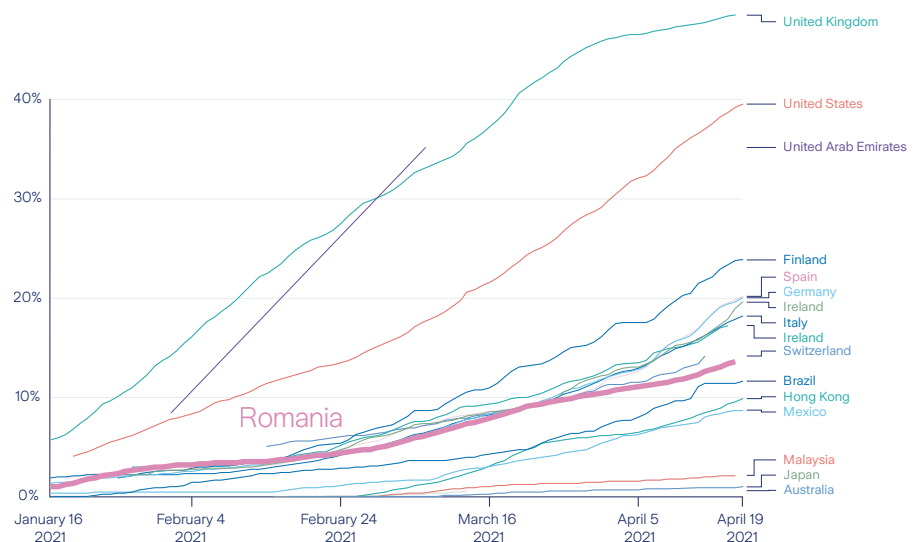
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

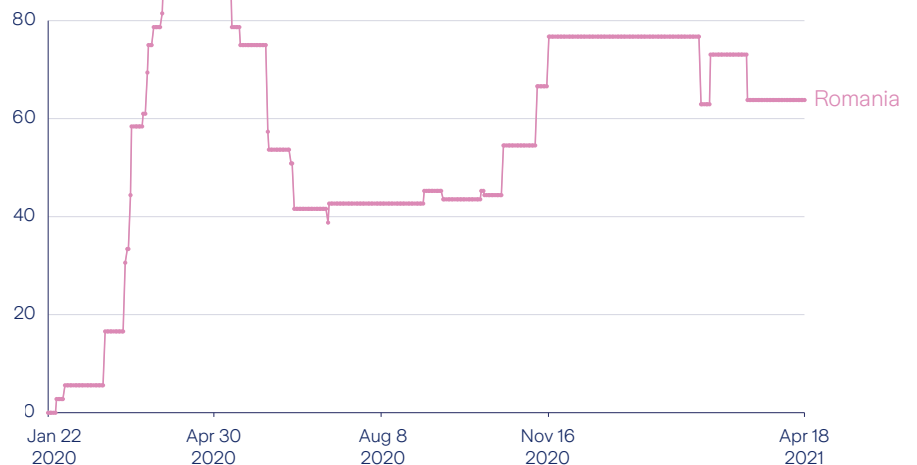
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Many employers will likely try to introduce healthy living programs because this will become a trend among companies.

The concept of employer duty of care appears to have relatively less traction at Romanian companies. Many employers will likely try to introduce healthy living programs because this will become a trend among companies. If a few companies start, others are more likely to follow. It is difficult to say whether there could be a role for government in promoting or supporting employee wellbeing initiatives. In general, the people of Romania are independent-minded when it comes to taking care of their health and wellbeing.

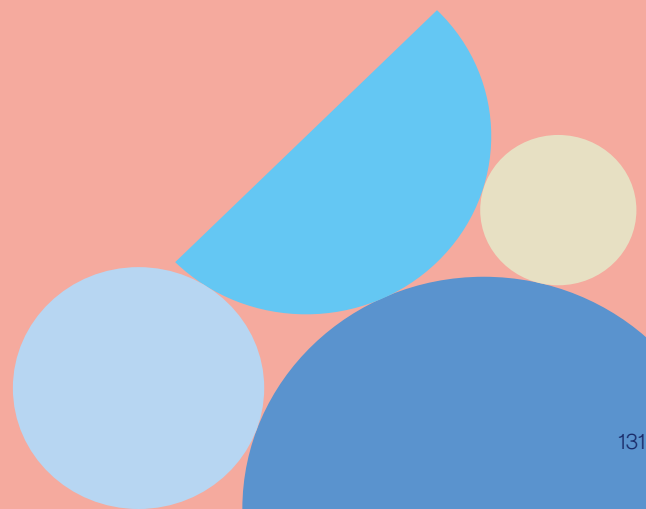




The outlook in Spain

These trends are noteworthy in the changing world of work:

- **Reskilling** in the Spanish insurance industry is mainly led by companies with the support and collaboration of third-party providers. The government provides some funding support to workers.
- Due to new and old challenges facing the **pension** system, retirement savings are likely to become mandatory, both through corporate retirement schemes and private pensions. The model for company pension plans will likely be a UK-style model of auto-enrollment.
- The post-pandemic shift to e-commerce is making online selling of **insurance** increasingly important, especially given challenges to Spain's traditional bank branch distribution model. Private health and life insurance are proving important, and essential new ways of online customer engagement and messaging are being tested.
- **Vaccines** are provided by the state, though employers may have a role in providing them in the future. Strong anti-discrimination regulations will prevent insurers from denying policies to those who have not been vaccinated.
- The concept of an employer **duty of care** has resonance at large Spanish companies. An "activist mindset" on the part of employers has been strengthened by the experience of helping their employees transition to a post-COVID-19 working environment.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich ES]: Zurich Spain provides talent development programs internally around the adoption of new ways of working: new technologies, collaborations, accessing resources, meetings, and information sharing. Partnerships are said to be needed in developing skill structures and core competencies, and in building capacity. Providers are still developing their messaging; Zurich Spain is therefore learning alongside the providers. Zurich Spain works directly with the providers to guide them in the right direction.

The pandemic has affected interpersonal relationships, and normal communications have been lost to some extent, so Zurich Spain has refocused its reskilling efforts to guarantee the same pre-pandemic

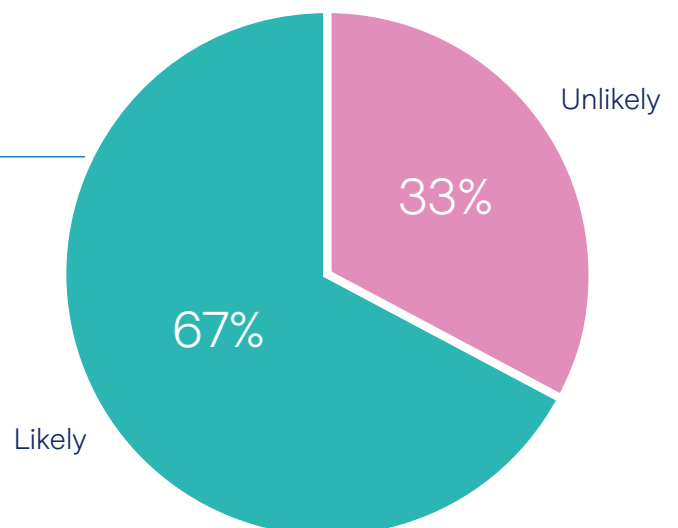
performance in the future. In this new paradigm, Zurich Spain is moving towards at least 50% working from the office and 50% working from home. This is in line with the global country trend. Official data in fact shows that in the first quarter of 2021 11.2% of employed workers (2,146,100) worked from their own home more than half the days, compared to 9.9% in the fourth quarter of 2020.¹

Government policies and programs: The government does not have skilling programs relevant to the insurance industry, but it does provide some funding for reskilling. There are at best very few programs providing the in-country capacities that will be needed by the insurance sector in the future.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019



¹https://www.ine.es/en/daco/daco42/daco4211/epa0121_en.pdf



Pension and retirement trends

12%

of employees (9% excluding public-sector jobs) have a corporate pension plan with their employers.

Significant changes to pension policy:

There have been no significant changes in the recent past in the public-private retirement savings composition. However, reforms are being considered under the current left-wing government, and the government must legally develop a plan of action within the next year. Changes are expected over the next one to two years.

Challenges to pension systems: The public component of the Spanish pension system is important, but there is consensus among regulators, government, lobby groups, and sector representatives that the current system is not sustainable in the longer term. Corporate retirement savings are not compulsory; 12% of employees (9% excluding public-sector jobs) have a corporate pension plan with their employers.

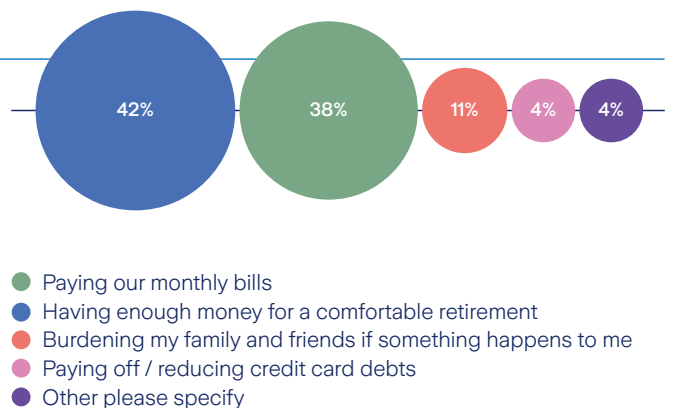
The general population has little awareness of the need to save for retirement, yet they tend to have little confidence in the ability of the state to meet their needs. Real estate investments often take precedence over retail pensions investments. These issues long predate the pandemic, and COVID-19 further highlighted the likelihood of future shortfalls in public expenditure and sustainability due to higher deficits as Spanish debt increases.

What solutions? The result will likely be compulsory savings for everyone through new regulations promoting corporate retirement pensions (pillar two) and to raise contribution limits to private pension savings (pillar three). Thus far the government has advocated a UK-style model of auto-enrollment in company pension plans.

It is also likely that real-estate backed annuities solutions may increase its importance. This is a relatively new market in Spain.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Life insurance distribution in Spain is dominated by bank assurance, which accounts for 70% of assets under management. The remaining 30% is made up of other channels including agents, brokers, and banks.

Since the pandemic began and lockdowns meant customers couldn't visit banks, insurers have been unable to leverage bank branches for selling insurance. This, coupled with the pivot of consumers to e-commerce, points to a need to change the way insurers sell their retail products. An acceleration of digital and remote initiatives is expected.

Post-COVID-19 trends: Significant growth in health and life insurance have been notable effects of the pandemic. While the majority of people are confident in the public health system during virus outbreaks, those with the economic resources tend to use private health insurance to ensure faster service and a greater level personal comfort (e.g., in family planning, childbirth). During the pandemic, private health insurance has outgrown other lines of business in the industry by over 5% as people recognize the importance of good health. For life insurance, people are showing greater reluctance to cancel their existing policies.

As a result of the pandemic, there have been developments in the IT and digital space, for

instance with on-demand online life products. Targeted digital communications will be used to sell short-term protection products, such as damage cover for electronics.

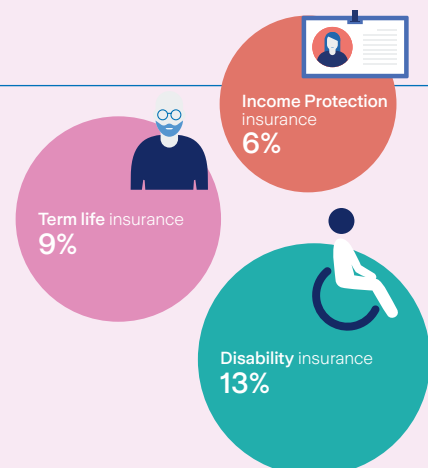
Growth is expected in the retail market in coming years, particularly in high- and middle-income market segments. With expectations of higher taxes to offset high public expenditure during COVID-19, savings products will be marketed as having certain tax advantages. There will also be growth in corporate savings products given the expected reforms of the second pillar of the pension system.

Challenges to bridging protection gaps: Customers are increasingly conservative in their asset and investment purchases, as seen through growing interest in guaranteed products (which are capital intensive and higher risk). From a strategic perspective, however, the industry is not actively marketing these products.

Consumer education around insurance, savings, and pensions needs to be improved. For reference, in Spain, 16.5% of savings are allocated to pensions and insurance with 40% deposited in personal (current) accounts, whereas in the UK, 55% of savings are in insurance and pensions compared to 24% in current accounts.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



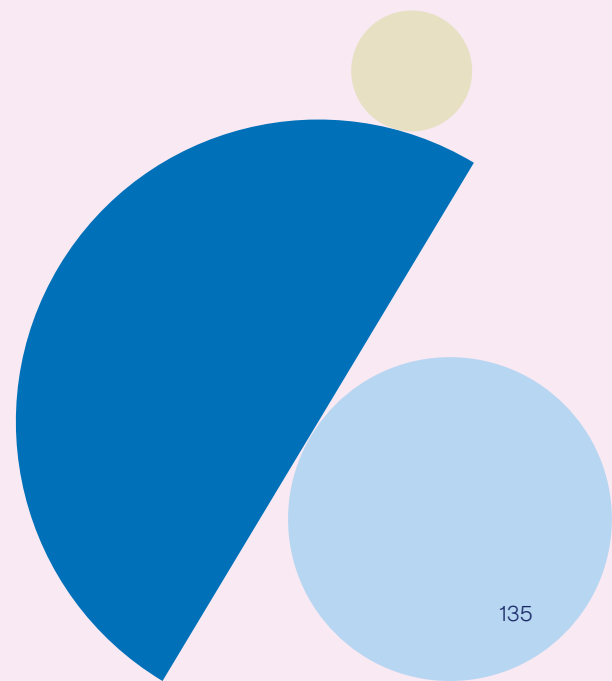
Insurance and protection trends

For health insurance, both affordability and product design are issues. The national social security system does cover the entire population for healthcare (it is compulsory and deducted from employees' wages), and private and company-provided health insurance are also available. However, for those who may want or need it, the affordability of private insurance is key given that health is one of the most expensive types of insurance. As health insurance becomes more popular, developing affordable solutions is a top priority: a likely model will entail a new co-payment system with lower costs.

Messaging: Zurich Spain adheres to a group messaging strategy of using examples to illustrate the benefits of insurance. It is recognized that messaging is part of a transformative change that takes time: this process was said to be “not a 100-metre race, more of a marathon.”

Protection for gig workers: The current left-wing government is promoting an agenda of shifting gig workers into the formal sector. For instance, there has been an agreement with corporate representatives that Uber drivers will no longer be considered self-employed. For retirement savings, the government has made a declaration of intention to establish a public pension fund to which any worker, including the self-employed, can contribute towards their retirement.

The Spanish public health system covers all residents, so accessing health care is less of an issue for gig workers.





COVID-19 related trends

15.98%

In the first quarter of 2021, the unemployment rate stood at 15.98%.

80%

Eight in ten Spanish adults (80%) who say they have not been vaccinated against COVID-19 agree they would get a vaccine if it were available.

Government response: Measures to contain the spread of the pandemic came months too late and were confusing. As a result of erratic decision-making, diverging administrative points of view between local and central government, and a lack of reliable data available to the general public, trust in the authorities decreased. However, culturally the Spanish are predisposed to adhere to rules when they are clear. By now the government has gained a new perspective in making well-informed long-term decisions.

The government's economic response to the pandemic was initially focused on helping the most vulnerable families, to whom a basic income was offered. It then offered support to SMEs as well as the self-employed within the most impacted sectors, notably tourism and hospitality, in the form of credits, subsidies, and postponed tax collection, among other measures. Overall, workers in the formal economy fared better as they had higher levels of protection. In the first quarter of 2021, the unemployment rate stood at 15.98%.²

Trust in vaccines: Vaccines themselves are generally trusted. Eight in ten Spanish adults (80%) who say they have not been vaccinated against COVID-19 agree they would get a vaccine if it were available.³ Anti-vaccine sentiments are more common in medium- to high-income segments of the population and among women; both groups are more likely to be interested in holistic and alternative medicine movements. Some conspiracy theorists cast doubt over COVID-19 vaccines' safety by pointing to the speed of vaccine trials. All that said, the question of a potential compulsory vaccine looms large and may change the public's overall outlook.

Private provision of vaccines: Private COVID-19 testing is available in Spain. In fact, one of the most prominent health insurance services has promoted COVID-19 testing for customers and employees.

Vaccine procurement is handled by the government. At the beginning of the pandemic, the Spanish government was using some private infrastructure while retaining control of the health system. This arrangement is likely to continue.

The emergence of a private market for vaccines is unlikely. Similar vaccines, such as for the flu, are administered by the Spanish state. The government has set clear directives that vaccines are under public sector control (even though the public health system is relying on vital support from private system resources). Employer provision of vaccines will likely become part of the overall movement towards greater wellbeing, which began before the pandemic.

Insurer provision of vaccines: It is unlikely that preferential health-related insurance contracts will be offered to individuals based on whether they have had relevant vaccinations. If a vaccination passport is implemented (i.e., for travel), confidentiality will be less of an issue, but non-discrimination codes will remain relevant – as they are for other types of insurance.

If customers declare their vaccination status, an insurer could offer them a different price to those not yet vaccinated. Notably, many other diseases have higher mortality rates than COVID-19, so this would not be impossible for insurers, or necessarily prohibitive for customers.



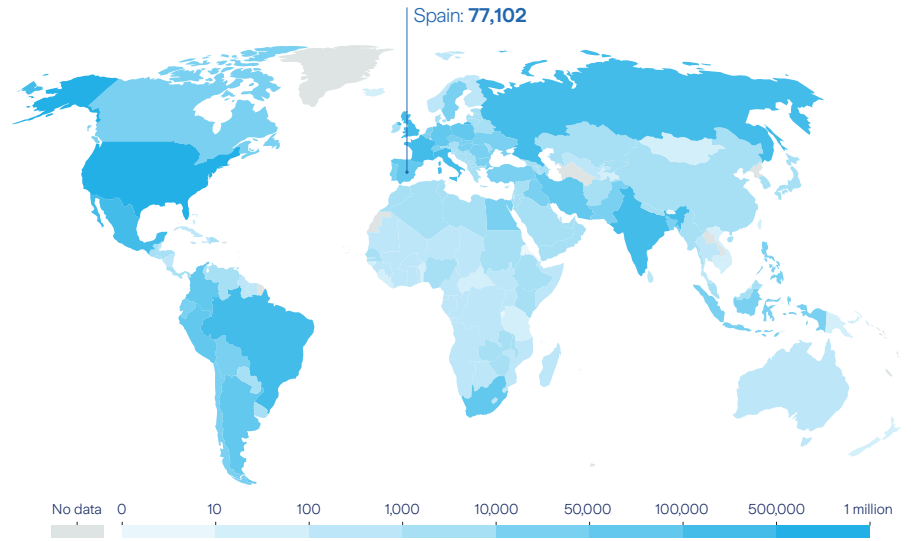
¹https://www.ine.es/en/daco/daco42/daco4211/epa0121_en.pdf

²<https://www.ipsos.com/en-ro/global-attitudes-covid-19-vaccine-january-2021>



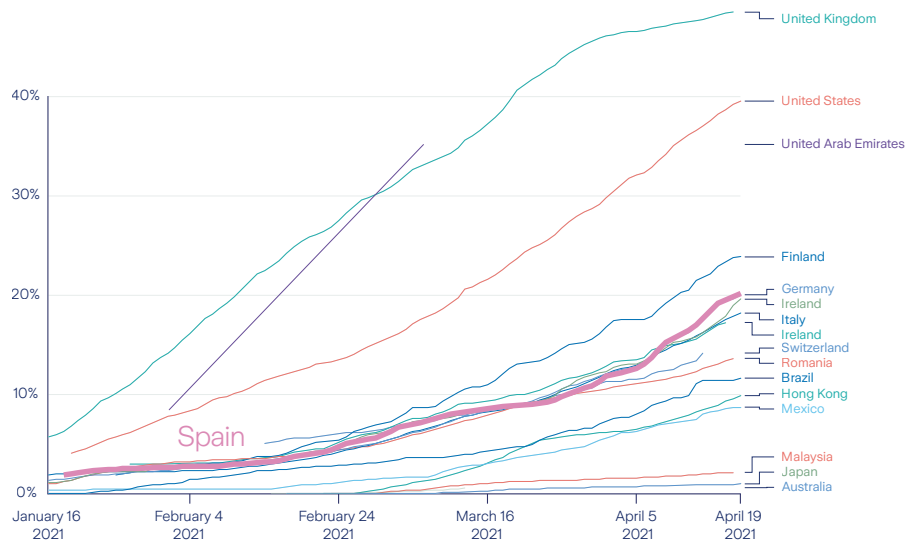
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

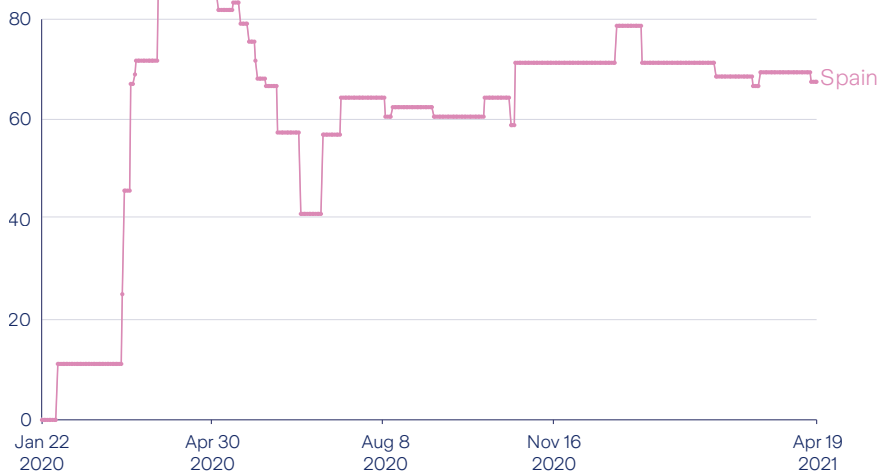
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

A **'caring agenda'** is related to overall corporate sustainability, and has even been referred to as an **'activist mindset.'**

The concept of duty of care has clear resonance, at least among large multinationals in Spain. A "caring agenda" is related to overall corporate sustainability, and has even been referred to as an "activist mindset." Over the past year, COVID-19 has in many ways facilitated companies' delivery on this commitment. Employers communicated their responsibilities to their workforce early on, and employees were offered psychological support as well as tests for infection.

Prior to the pandemic, Zurich had a flexible working policy whereby employees could choose to work 20 hours per week from home, provided they had work systems already in place. Only operational positions

engaged in this. Those in strategy roles were more reluctant to do so as they require face-to-face interactions. Zurich is looking for third-party service providers to assist in adapting to new ways of working but is having difficulty finding them in the current market. Many companies have experimented extensively with hybrid and remote working, so they are used to working in this way. Zurich is striving to simplify the hybrid approach, and in doing so, foster collaboration, creativity, and innovation. When Zurich launches a new project or initiative, the company hosts creative online sessions to discuss the objectives in an open forum. The aim is to set up the conditions for flexibility and experimental learning internally.

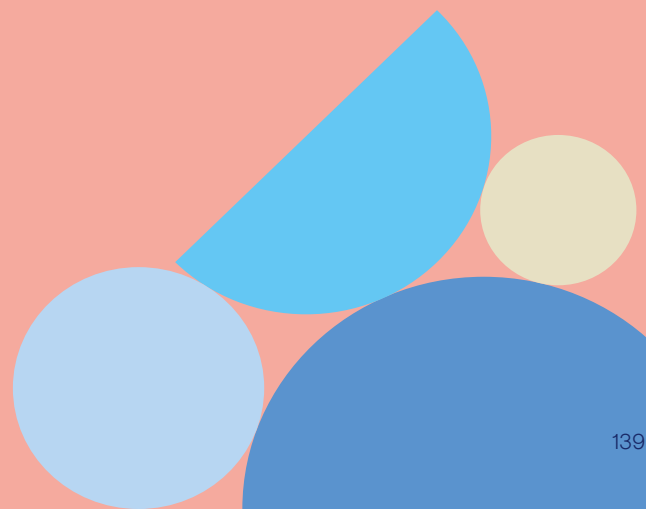




The outlook in Switzerland

These trends are noteworthy in the changing world of work:

- **Reskilling** in the Swiss insurance industry has a dual focus on digital skills and leadership, now including remote leadership skills to help managers adapt to a post-COVID-19 world of work. The government supports all of these initiatives through its own training programs as well as facilitating access to training and education.
- Although Switzerland has a robust three-pillar **pension** system, savings gaps remain. There will be a greater focus on occupational and personal savings in future.
- Direct selling of **insurance** is becoming increasingly important, and performed well during the pandemic. Health products will be a particular focus going forward, and will need to be made affordable. The government is considering introducing “pandemic insurance,” which would be a mandatory scheme covering business interruption.
- **Vaccine** uptake in Switzerland has historically been low, but during COVID-19 vaccination has come to be seen as a ticket to personal freedom from lockdowns. There is an opportunity for insurers to get involved in the rollout of vaccinations.
- The employer **duty of care** concept is readily embraced, even more so in a post-pandemic hybrid work environment. Employees are also increasingly looking at the overall quality of their work environment when choosing a job.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich CH]: 2019 saw the introduction of upskilling and reskilling programs focused on the future of work, creating awareness around digital skills, technological developments, and leadership capabilities. In response to COVID-19, Zurich developed programs including “Remote Working” and “Leading Virtual Teams.” In addition to adapting employees to the new working style, overall wellbeing (physical, social, mental and financial) was emphasized in training.

Insurance industry-wide programs: Skills training is also available within the insurance industry, for instance through the Vocational Training Association (VBV). Cicero is an industry-wide standard for certifying competent insurance advice via “tied agents.” The International Association of Engineering Insurers (IMIA) has hosted awareness campaigns and training (in data analytics, for example) through multiple resource pools. New providers of skills and training have come to market, helping meet shortfalls in available skills, with most providing digital learning platforms and leadership education.

The workforce is adaptable and independent, so training doesn’t necessarily need to accompany certain changes such as the shift to virtual meetings. Cultivating personal interaction and exchanges are of paramount

importance. For other changes, employees appreciate support and training where needed and expect it to be delivered virtually.

Government programs: The government also has relevant programs, mainly for vocational training. New programs include Mediamatician, Customer Dialog Specialist, and the most widespread, a commercial apprenticeship. These programs are aimed at skills relating to new technologies, not basic skills. Despite these efforts, skills shortages in these areas are likely to persist in the medium term.

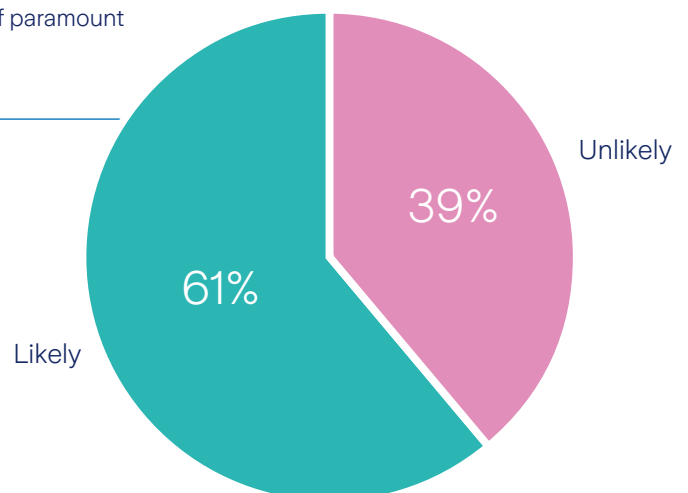
There is a broad leadership development program, Fit for Future Leadership, which was developed in response to a changing market environment in which jobs are becoming more complex. The program offers toolkits for understanding and adapting to new organizational processes and roles.

Beyond the leadership function, state support for skilling is very much about empowering individuals through access to education, whether specialized internally or through external certificates.

Government skill-related programs are periodically reviewed to be fit for purpose. They are regarded as being adaptable but not dynamic.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

Significant changes to pension policy:

There have been moves to change the mix of public and private pension saving. People are encouraged to begin saving earlier in life so that their welfare can be maintained at a consistent level after retirement. However, the regulatory side is not seen to be moving as swiftly as in other countries. The government is considering proposals to discontinue taxing married couples jointly and move to an approach that taxes each spouse individually.

Challenges to pension systems: Pressure is shifting from the 1st (state) and 2nd (workplace) pillars to the 3rd (private) pillar. State pensions are under pressure due to demographic shifts (ageing), low interest rates, and regulatory changes. The conversion rate – the amount of annuity people can expect to receive in future – is decreasing, putting pressure on workers to increase their private savings. Pensions are being scaled back as this pressure mounts. All of this shifts economic responsibility onto the individual.

What solutions? Personal savings products will be more important over the medium and long term as the retirement savings gap increases.

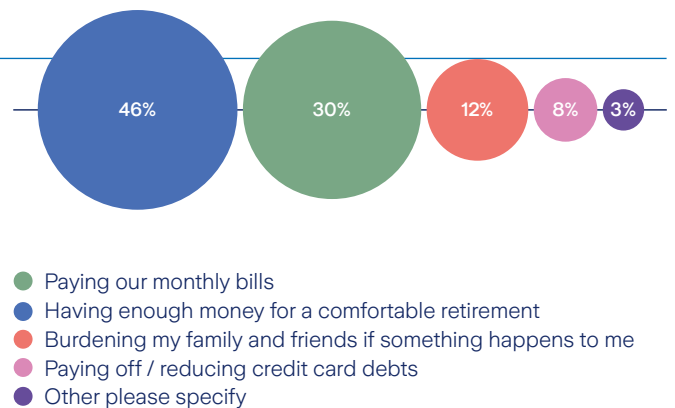
Inducements to encourage increased private pension saving are said to be most needed at the stages in people's lives where they have many expenditures. Employer matching programs (whereby employee savings over and above mandated levels are matched by the employer) have proven effective. More generally, pension packages offer a differentiating factor for employers looking to hire talent who are interested in more than their prospective salary – a "win-win" solution for both companies and individuals.

On the policy side, one technical measure that could improve pension sustainability relates to the fact that political bodies currently determine the conversion rate for annuities: it is felt that this should be an insurance (calculation-driven) decision.

Otherwise, the insurance industry believes there is room for improvement in categorizing married couples where one partner either works part-time or not at all in order to care for children. For the third pillar, the maximum saving amount for a couple should be twice the maximum for an employed person no matter how they split work and childcare, as long as they are able to put aside the relevant amount.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Almost half of Zurich's corporate life and pensions business is conducted through agents, much of the remainder is done through brokers, and a residual part is direct. Brokers working with larger customers and agents usually contribute to business conducted with smaller customers as well. Most market intermediaries are brokers, though Zurich has recently started working with small bank distribution channels.

Direct selling: Although the majority of retail products are currently sold through agents, direct selling to households and individuals will be very important in the coming years. This is true even for insurance products that require a level of consultancy. Direct selling performed very well during 2020 under remote working circumstances.

Regulatory challenges: Government regulation, which has risen over the past five to 10 years, is regarded as a market entry barrier. Although the occupational pension system aims for everyone to save, political regulation leads to a redistribution of assets under management from younger to older demographics, which is not the ultimate aim of the second pillar.

Challenges in bridging protection gaps:

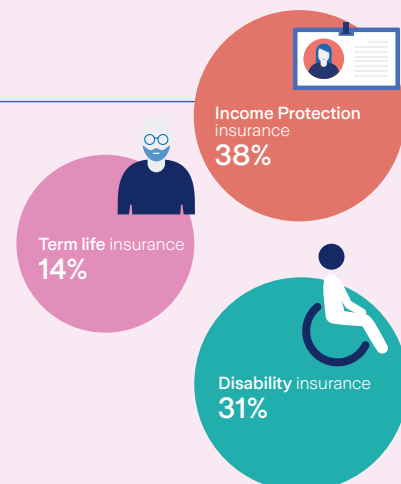
Although Switzerland has a mature insurance market, greater uptake of both retail and occupational benefits will likely be needed to cover protection gaps in the medium term, given the cutbacks to Pillar 1 solutions and overall gaps in private savings. One challenge in this area over the past decade or so has been the low interest rate environment for the Swiss franc, which has led to a shift away from guaranteed rates for capital life products to policies that require the customer to bear the investment risk.

When it comes to the affordability of insurance in Switzerland, health insurance is a main topic of discussion. Health insurance is mandatory but is provided by private sector participants. The solution in this area is seen to be state support.

Messaging: Using prompts through smart devices could be an effective part of the communications and marketing mix, including offline as well as online and digital instruments. This will increase, particularly among private groups. Testimonials from well-known and respected figures, including businesspeople, politicians and celebrities, could also help the population understand insurance products and feel more comfortable using them.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Coverage for gig workers: Compared to other countries, the Swiss government has been slow to adapt to the gig economy. Fixed working hours contracts are less common in Switzerland (49.2%) than in the EU (60.1%).¹ However, there is a recognition that the country will have to embrace this sector.

One Swiss trade union has proposed a new status for these workers which sits between traditional employment and self-employment.²

¹<https://www.bfs.admin.ch/bfs/en/home/statistics/work-income.assetdetail.16644141.html>

²https://syndicom.ch/fileadmin/user_upload/Bilder/Dienstleistungen/Publikationen/broschuere_crowdwork_ganz_D.pdf



COVID-19 related trends

12.2%

of the population said that they had difficulty making ends meet.

4.9%

Unemployment increased in the country in 2020, reaching 4.9% in the last quarter of 2020.

Government responses: The government supported businesses that shut down due to the pandemic. It acted quickly and was recognized internationally as among the first countries to develop a mechanism for fast credit and loan access. Although the overall standard of living in Switzerland continues to be one of the highest in Europe, in 2019 12.2% of the population said that they had difficulty making ends meet. This figure does not include the impact of the COVID-19 pandemic.³

The Swiss public has been responsive to government calls for behavioral adaptation to the risks associated with the pandemic. Rather than a legally mandated lockdown, the government made recommendations about how to stop the spread of the virus. National laws can be slower to take effect in small inner cantons and mountainous areas. The rules in such cantons were flexible in the beginning of the pandemic before having to adapt.

Unemployment increased in the country in 2020, reaching 4.9% in the last quarter of 2020.⁴ The impact of unemployment on demand for insurance has been pushed into the future due to the passage of stimulus packages. Currently unemployment insurance is available for approximately 400 days at about 80% of an individual's salary, along with job search support. However, the unemployed only retain fundamental benefits, such as health insurance, which are not tied to their employer.

Trust in vaccination: In Switzerland vaccination is not mandatory for COVID-19, and vaccine uptake in general is historically low, even against diseases such as measles that have been around for decades.⁵ COVID-19 vaccine hesitancy is relatively

high although in decline, with 24% of the population in January 2021 absolutely not wanting to be vaccinated.⁶ Reluctance to get the COVID-19 vaccine often stems from perceptions of limited clinical testing. However, this resistance tends to decrease as education about the vaccine increases (particularly without government enforcement of vaccination). Preferential treatment for those vaccinated can be expected, so regaining personal freedom is believed to be a key driver in changing attitudes towards and uptake of vaccines.

Vaccines and insurance: As well as mandatory components, health insurance in Switzerland also has elective components, for which higher rates can be charged. If COVID-19 continues to have a measurable impact on the health system, it will be priced into insurance policies. If the impact of COVID-19 dissipates, the pricing impact will be lower or irrelevant.

Employer provision of vaccines: Authorities remain reluctant to allow companies to offer vaccines or boosters to their employees. Nonetheless, it may be possible to use in-house testing infrastructure, which is currently deployed in partnership with public authorities, for providing the COVID-19 vaccine to employees. For now, however, the government is unwilling to endorse such private initiatives.



³<https://www.bfs.admin.ch/bfs/en/home/services/media-services/press-releases.assetdetail.15344811.html>

⁴<https://www.bfs.admin.ch/bfs/en/home/statistics/work-income/surveys/els-ilo.assetdetail.15724639.html>

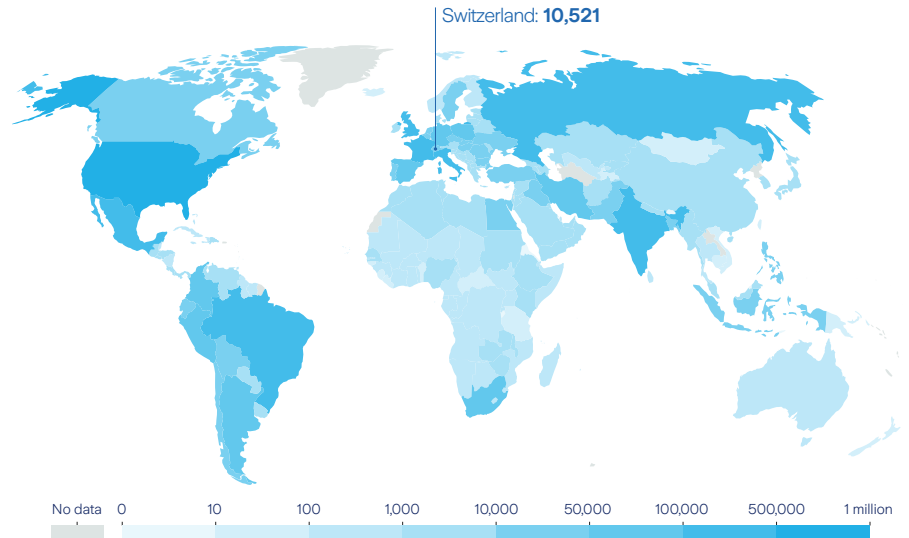
⁵[https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)31558-0/fulltext?utm_campaign=lancet&utm_content=139653657&utm_medium=social&utm_source=twitter&hss_channel=tw-27013292](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)31558-0/fulltext?utm_campaign=lancet&utm_content=139653657&utm_medium=social&utm_source=twitter&hss_channel=tw-27013292)

⁶<https://www.swissinfo.ch/eng/poll--swiss-counting-on-vaccines-to-lift-them-out-of-the-pandemic-46290484>



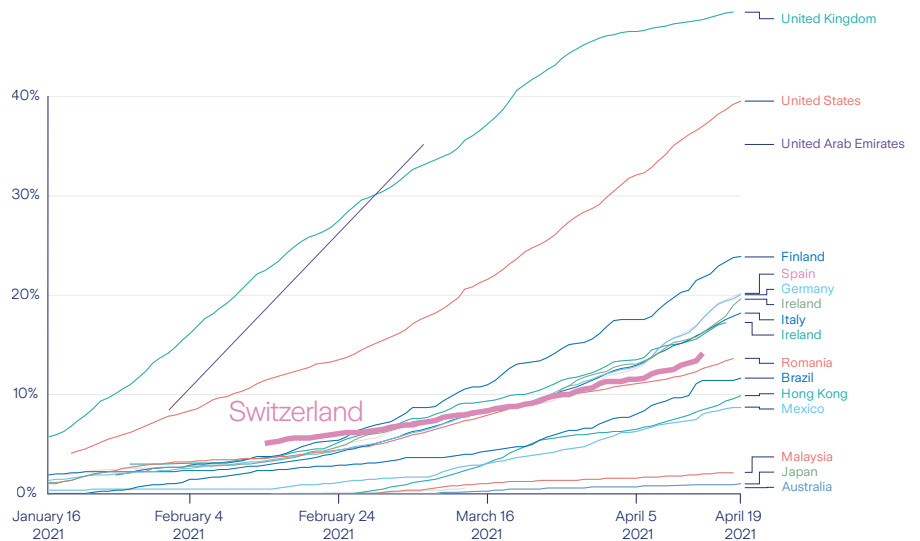
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

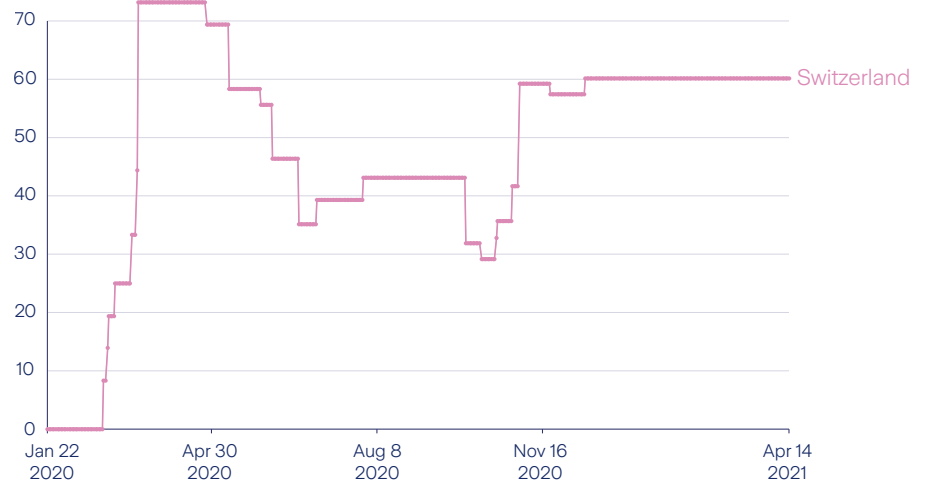
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



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Duty of care trends

Prospective employees often look beyond their potential salary levels to the quality of their overall work environment.

The idea that employers owe their employees a duty of care is readily accepted among many larger Swiss companies. Prospective employees often look beyond their potential salary levels to the quality of their overall work environment. As such, some employers are showcasing their workforce relations as a signal to the labor market that they are an employer of choice, for both internal and public messaging.

Some Swiss companies could support employees through tools and incentives for healthy living and disease prevention. Working from home would eliminate commuting and creates a flexible work

environment. However, increased screen time can lead to eye strain and headaches. Without regular breaks and in-person meetings, some workers are spending long hours sitting at their desks, a situation that may not be getting enough consideration from employers. Swiss employers could step in by helping employees purchase standing desks or treadmills that fit under a desk, possibly in partnership with manufacturers for discounted prices.

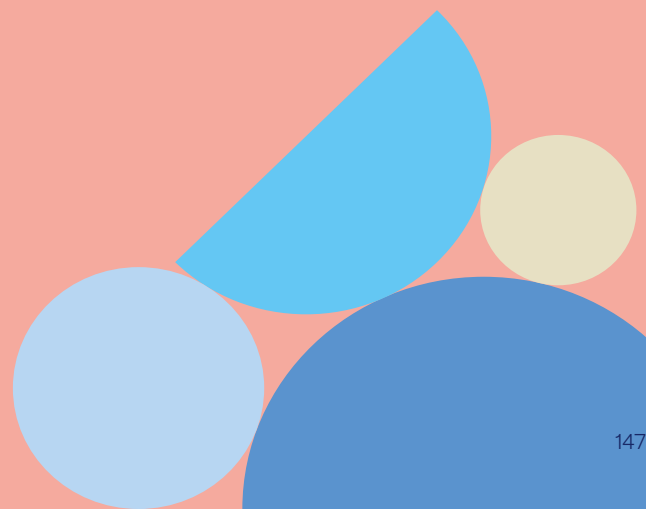




The outlook in United Arab Emirates

These trends are noteworthy in the changing world of work:

- **Reskilling** efforts in the insurance industry in the UAE are in their early stages, with emerging support from the Chartered Institute of Insurance. The government is keen to promote local actuarial skilling.
- **Pension** provision is public for citizens and indirectly company-based for expatriates, who receive an end-of-service payment upon leaving their employment, under a defined benefit model. A defined contribution ESG (environmental, social and governance) scheme was successfully piloted in Dubai's International Financial Center (DIFC) and should serve as a model for national expansion.
- **Insurance** penetration in the UAE is very low, but post-COVID-19 growth can be expected in certain segments of the expatriate workforce. Distribution will gradually move online. Messaging should be highly tailored to a heterogeneous population.
- The government's COVID-19 response has been firmly focused on reopening the economy and returning people to work. **Vaccination** provision through the state has so far been efficient, and is expected to shift to private provision after the initial rollout has completed. Insurers are unlikely to differ their pricing based on whether policyholders have been vaccinated, as overall COVID-19 risks in the country are fairly low.
- The concept of employer **duty of care** is prevalent at large multinationals but not at local companies.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich UAE]: Zurich Dubai uses Zurich Group's global training programs on increasing exposure to new technologies and capabilities that are available across the insurer's other markets. Within Zurich Dubai, more flexible customer relations are being developed as an in-house capability.

COVID-19 indirectly brought about a focus on skills at Zurich Dubai in two ways. First, rather than recruiting new staff to replace those lost by natural attrition, existing roles were stretched to fill gaps. Reskilling and upskilling was on an ad hoc basis to help bridge these gaps, rather than through a systematic program. Second, because Zurich Dubai is fully intermediated, it typically relies on face-to-face contact between intermediaries and buyers, but this could not take place during the pandemic. COVID-19 ushered in a refocus on the ability to go direct to consumer, so Zurich Dubai had to develop and enhance its workforce's existing skills in order to build capabilities in this space. This was not intentional, but it forced the company to recognize a gap in its range, and an opportunity to upskill and develop capabilities that it did not previously have.

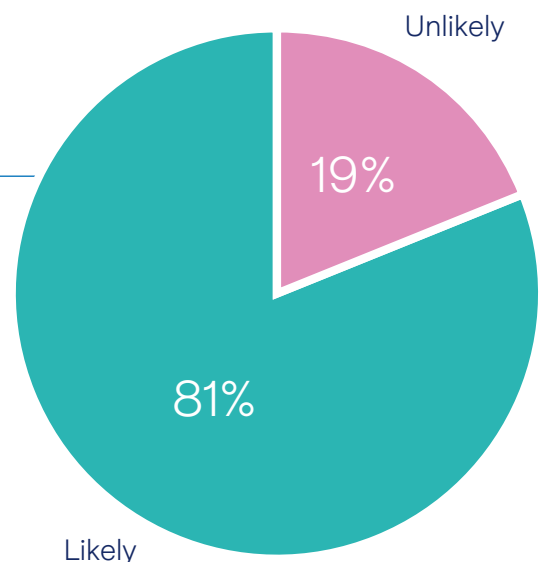
Insurance industry-wide programs: Both the insurance regulator and the industry are working to improve standards. As the UAE is a young country at only 50 years old, the market for insurance is still developing. The Chartered Institute for Insurance (CII) has a relatively new office in the UAE, with a focus on developing the property and casualty segments of the market.

Insurance companies do contract third party providers for reskilling and upskilling, whether in the region or globally. Where companies in the UAE historically looked towards Europe and the U.S. for leadership in such areas as skilling, the industry's focus is increasingly shifting to China and Asia more generally for expertise and know-how.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.

Source:
Zurich-Oxford Consumer Survey 2019



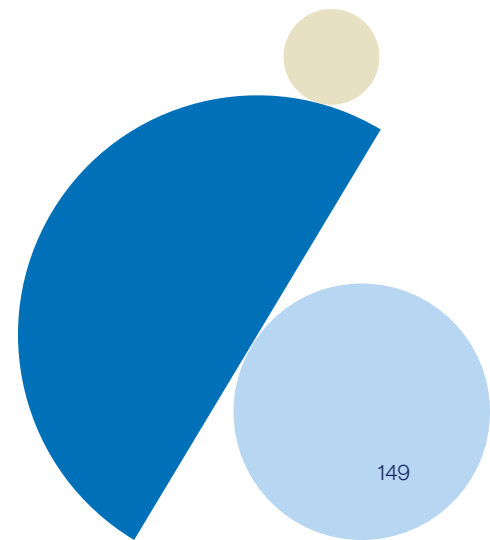


Reskilling, training and continuing education trends

Government policies and programs:

Skilling for the local population is not a central concern of government in the UAE, which nonetheless has created freedom within the business environment for expatriate workers to look after their own needs. The insurance regulator, the Emirates Insurance Association (EIA), is pushing the industry to recruit Emiratis in order to develop and upskill their own domestic workforce, particularly actuaries.

Rather than at a national level, a handful of quasi-government entities offer skilling. Within the Dubai International Financial Center (DIFC), the FinTech Hive is actively looking at promoting companies in this space as well as upskilling and mentoring.





Pension and retirement trends

Challenges to pension systems: Public pension provision in the UAE is for citizens only. Foreign workers are covered entirely through workplace and other private arrangements. In the vast majority of cases, there is no requirement for employers to provide a pension, other than through an end-of-service gratuity. This is the amount of money linked to one's most recent salary and years of service, paid as a lump sum with the purpose of assisting individuals in repatriating or moving to another role. It is a relatively small amount and is an unfunded liability.

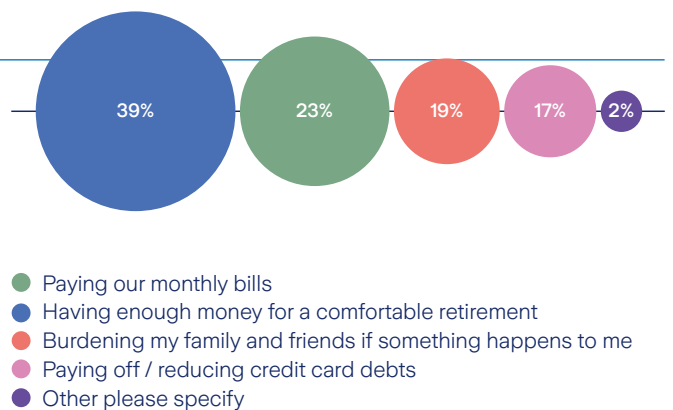
Significant changes to pension policy: The only place where the government has looked to change this practice is in the DIFC, which is one of the largest economic special economic zones (free zones) in Asia and the Middle East. The UAE has a federal

government, with seven emirates having their own regulations relevant to financial services. Dubai as the commercial hub tends to take the lead in the employment space, and is seen as relatively advanced in its thinking on the problem of unfunded end-of-service liability, which is believed to be a reason why the DIFC was chosen as the pilot. In turn, the DIFC has taken the lead on this because they have their own regulatory framework and their own regulator, which makes it highly flexible. This has become a pilot-scale change to what should be seen as further expansion coming into this region.

What solutions? Based on a working group study completed over 10 years ago, recommendations were made to change the end-of-service gratuity from the traditional defined benefit (DB) to a DC model.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Insurance distribution occurs through corporate brokers in the group space, and a mix of independent financial advisers, banks, tied agencies, and direct channels on the retail side. Shariah (Islamic law) is important to take into account in offering life insurance.

The last significant change in distribution-related policy was in 2012, when the government mandated group health insurance. Going forward, changes to the end-of-service gratuity piloted by the DFIC, which began before the pandemic and were implemented during it, are expected to be a precursor to wider changes in the UAE's and the region's insurance industry.

Direct selling: COVID-19 has significantly impacted distribution capabilities on the intermediated side, as it relies on face-to-face contact which could not take place. The pandemic has thus ushered in a renewed focus on the ability to go direct to consumers. As in EU markets, a number of online aggregators exist and tend to be focused on home and motor insurance. There will likely be growth in the life insurance segment. The market is taking a long time to catch up and find a platform for customers to interact with on a daily basis. Traditionally, Dubai has had a paper-based process for even basic administrative tasks, but the state is driving a digitization of government services.

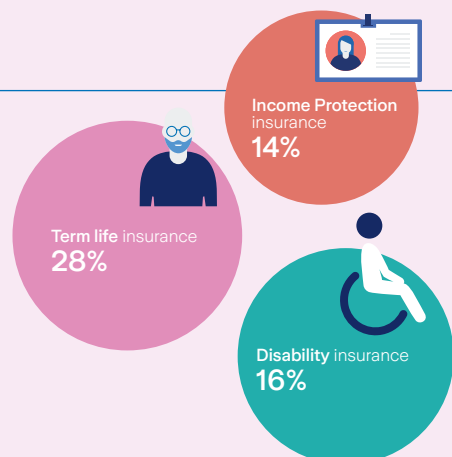
Post-COVID-19 trends: The pandemic has resulted in increased demand for life and related insurance, and awareness has risen relative to overall economic growth. As elsewhere in the world, COVID-19 has made people more aware of the financial and health risks they face. The UAE is currently projecting normal rates of economic growth, which would support demand growth on the retail and group sides.

On the corporate side, burgeoning growth is expected over the next five years. There has historically been a systematically low awareness on the part of companies of what protection they can and should provide, but as more special economic zones develop in the UAE, companies operating within them will likely be compelled to offer group protection plans.

Challenges in bridging protection gaps: The UAE has low levels of life insurance penetration, at just 0.5%, even compared to emerging markets. Nationals are highly unlikely to become insurance purchasers as they have state provision for all their protection needs. Meanwhile, a large segment of the resident population who work in the construction and oil field supply industries earn about USD 150 a month and live in employer-provided camps. They are seen as highly improbable insurance consumers, but they do make up a considerable part of the population.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

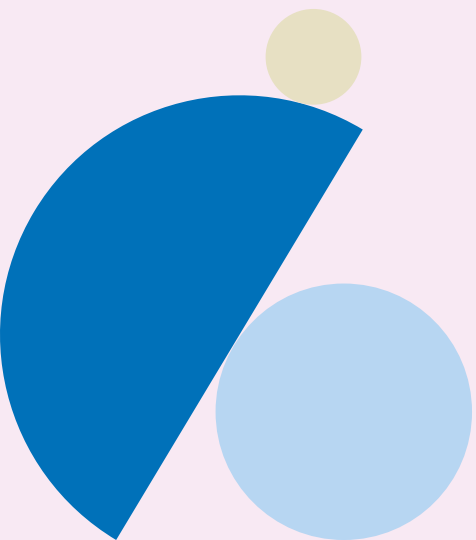
Meanwhile, although most Western expatriates tend to stay for several years (not a short stint of two to three years, contrary to the popular image), they are younger and tend to be more risk-taking, so insurance is not a top priority for them. By contrast, non-resident Asians tend to have families earlier and think about protection dynamics more carefully than most local workers.

More generally, a lack of rules and regulations around product distribution, particularly with respect to the pre-2006 landscape, has resulted in a degree of mistrust. Although the need for insurance is high due to lack of government and employer protection, awareness is low and seen as difficult to build.

Affordability is a key concern for customers in the group insurance market. Elective corporate policies, or optional group risk or group savings contracts, are typically where companies look when they wish to cut expenses. The benefits they offer going forward will be “trimmed,” which will feed through to premiums. Group life and disability are examples of specific products where price has come to trump the quality of coverage for consumers, a trend which the pandemic has heightened. Conversely, affordability is generally less problematic in the retail space. Many expatriates have high salaries, particularly compared to Western markets, and expatriate pay in the UAE has not been significantly affected by COVID-19.

Messaging: Emirati society is highly heterogenous, so very different types of messaging tend to work for different groups. Research internal to the industry has found, for instance, that one segment of the population required very direct communication on life insurance that effectively stated that misfortunes can befall someone’s family when they die unless they take out protection. Another required a gentler approach, for instance messaging focused on the life they aspire for their children. Apart from pure communications, and in the absence of personal taxation in the UAE, incentives such as redeemable rewards programs can also be effective.

Protection for gig workers: The ability to develop a gig economy has only recently arisen. The government created a new visa category in early 2021 to allow people to set themselves up as gig workers. Previously, this was the preserve of nationals only. One could not be in the UAE on an open-ended visa not linked to an employer that would allow freelance work of any kind.





COVID-19 related trends



Government response: Each emirate within the UAE had a different response to the pandemic. Overall, however, they are balancing risks while trying to keep the economy open. Hospitalizations were relatively well managed, and the country benefited from having a relatively low percentage of the population in high-risk categories. The government is focused on strict testing protocols rather than lockdowns. Meanwhile, people have complied with guidance, including wearing masks. Notwithstanding that official figures are generally not well trusted, vaccination rollouts appear to have occurred rapidly with 51% of the total population having received at least one dose at the end of April.

Following the UAE's sole lockdown, which was instituted early in the pandemic, the government's economic response was focused on getting people back to work in order to keep the economy running. The workforce was particularly hard hit across the oil, tourism, and finance sectors, all of which tend to employ large numbers of overseas workers. It is worth noting that this does not mean there are large numbers of unemployed: typically, if expatriates lose their job, they must leave the country within 30 days.

Government entities have been taking the lead on bringing back the workforce. This may in part be related to the fact that neither state unemployment benefits nor furloughs exist in the UAE. Traditionally it is a company's responsibility to disburse the end-of-service liability, although it is not legally defined how this should be done. The DFIC's pilot scheme for mandating an end-of-service arrangement was fortuitously timed in this sense, as COVID-19 created significant loss of employment. In 2020,¹ 5% of the total labor force was unemployed, up from 2.6% in 2019. The DFIC's scheme, coupled with

widespread COVID-19 job losses, revealed the weaknesses of an unfunded approach, so conditions may be right for a nationwide mandate.

Vaccines and insurance: It is unlikely that preferential health-related insurance contracts will be offered to individuals on the basis of whether they have had COVID-19 vaccinations. Without long-term scientific data on longevity and impact, and with a need to account for several different types of vaccines and their efficacy rates, pricing these risks is not possible.

In practical terms, everyone is expected to be vaccinated in the UAE within the next year, so a material pricing difference is unlikely. Deaths per capita of the infection rate are very low in the UAE, so vaccination would not materially change risk calculations.

Employer provision of vaccines and testing: It is highly likely that employers will provide COVID-19 vaccines once initial rollouts have been completed. Although the government is managing this process, they have done it in order to reopen the economy. In time, private medical insurance could cover the vaccine, much as it already does for the flu.

Some emirates are using nudges to encourage people to be vaccinated before returning to work. They have mandated a return to the workplace, which entails being tested at their own cost every two weeks for those who have not had a vaccine. Anyone who tests positive must also quarantine or be hospitalized at their own cost. Eventually vaccines are expected to be required for visas or renewal of certain immigration statuses.

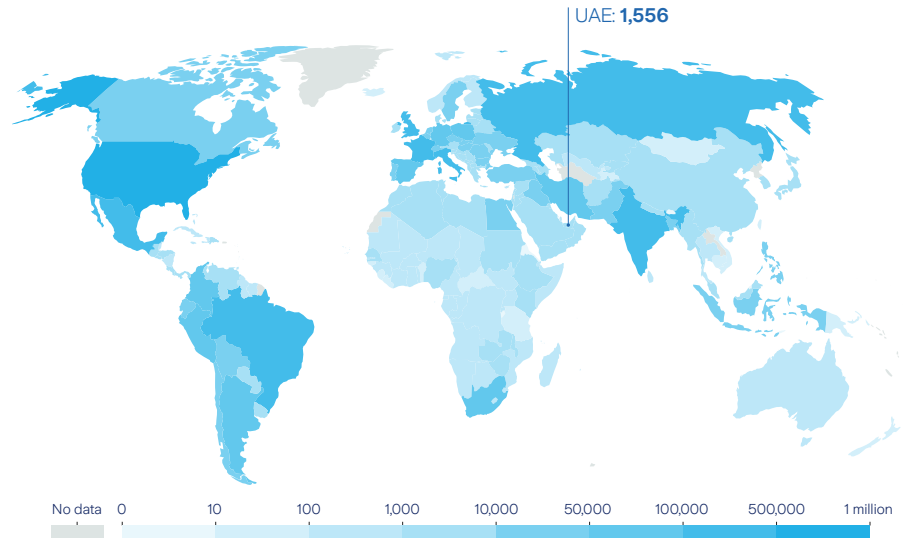


¹<https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=AE>



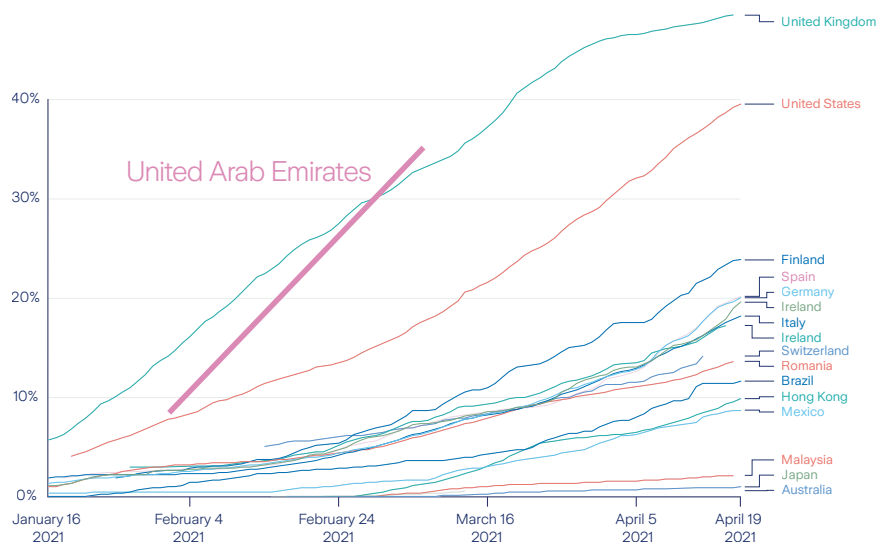
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

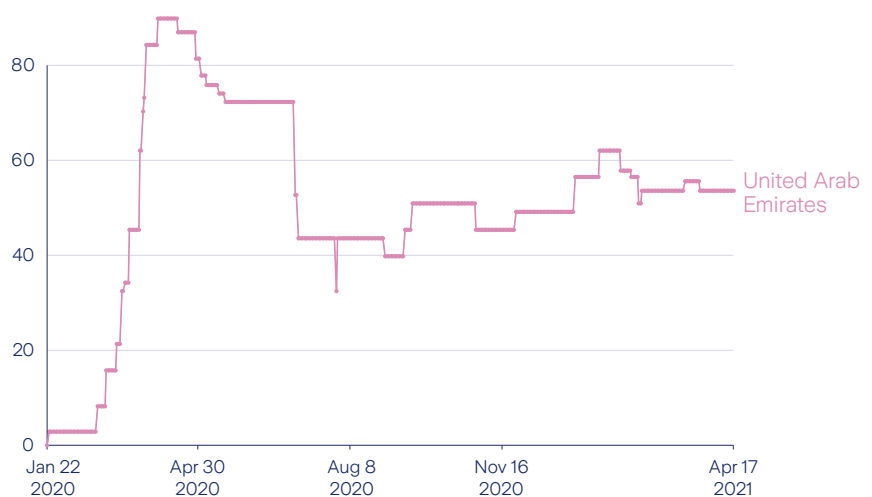
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

A more holistic view of duty of care has developed within Western companies with a self-styled responsibility ethos.

The idea that employers owe their workers a duty of care is clearly represented in large multinationals operating in the UAE. It is recognized from an ESG (environmental, social and governance) perspective, and as having a positive impact on profitability. Companies that look after their staff will benefit in the longer term through better retention, engagement, and happiness scores.

When remote working began, the duty of care extended beyond the office to their home working environment. Managerial time is spent thinking about these and related dynamics, which would not have been on the radar three years ago. A more holistic view of duty of care has developed within Western companies with a self-styled responsibility ethos. Local companies have not made this leap yet, however. SMEs and even some

larger national companies are still thought to take a top-down, command-and-control approach to management, and expect employees to show gratitude for their positions in an environment with high job loss.

Healthy-living and disease prevention programs are not expected to be mandatory over the coming years. However, this is a consideration for the UAE government, given that local lifestyles are sedentary and tend to incorporate other unhealthy habits like diets heavy in fast food. Diabetes and obesity are prevalent, so there have been many campaigns to promote healthy living around these issues. Every November, a "30X30" initiative advocates 30 minutes of exercise over 30 days. However, the prevailing political sentiment is that mandatory programs would be a step too far.





The outlook in United Kingdom

These trends are noteworthy in the changing world of work:

- **Reskilling** at insurance companies has the ultimate goal of finding a “bionic blend” of human and technological skills to provide the optimal experience and outcomes for customers. Government schemes support entry-level roles and apprenticeship programs, and insurers will increasingly build their own reskilling programs to develop both people and skills internally.
- Auto-enrollment in occupational **pension** schemes helps boost savings rates and serves as a model for the rest of the world, though there remains a need to increase the levels of contributions made. At the same time, savings gaps remain for significant parts of the population who must be made aware of their options for retirement.
- Employers can play a significant role in communicating with workers about their **benefits** and will require new ways of engaging with and informing individuals.
- The jury is out as to whether having a COVID-19 **vaccine** should determine people’s access to insurance coverage. On the other hand, the public health system readily provides vaccinations, so there is little reason for employers or insurers to get involved in supplying them.
- The concept of employer **duty of care** was gaining traction before the pandemic, and now has even wider acceptance as workers’ level of trust in their employers has increased during the COVID-19 crisis. Health insurance and healthcare will likely be a main focus as part of a society-wide post-pandemic trend.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich UK]: At Zurich UK, reskilling is currently focused on data, digital and customer capability skills. It is widely accepted that the skills insurers will need to become much more akin to those of data scientists. The ultimate goal will be to find a “bionic blend” between machines with their automated processes and humans. This will require redesign of many roles, with job enrichment for some and negative fallout for others.

Many entry-level roles at Zurich UK are customer-facing and therefore high-impact, so training efforts are focused on building employees’ customer relations skills and ability to integrate with different technological systems over time. It is expensive to recruit experienced talent directly from the market and to attract professionals from other industries, so in-house development of people and skills is a priority for Zurich UK.

Insurance industry-wide programs:

Industry-wide programs tend to focus on basic skills for the future for talented individuals and senior roles (for example, the Association of British Insurers [ABI] Emerging

Leaders courses). It is expected that individual insurers will generally build their own in-house training programs, partly because doing so can be a competitive advantage.

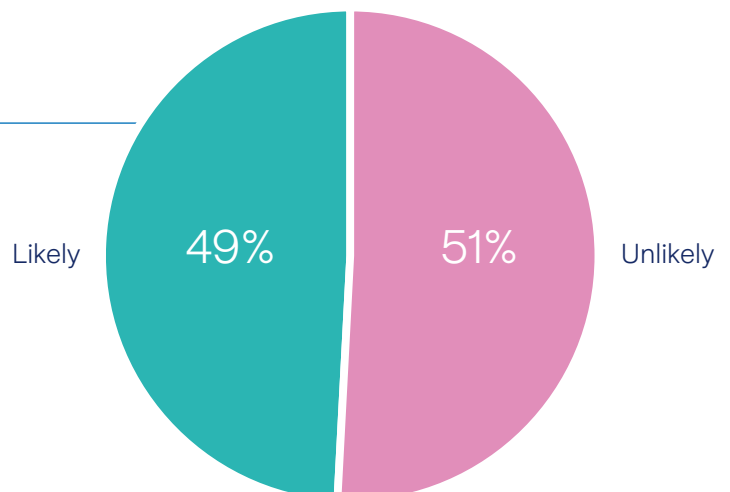
The landscape of training providers is currently in a state of flux. However, one clear trend is believed to be towards demand for digital and hybrid leadership skills, with interest in market leadership development clearly rising.

Government policies and programs:

In 2016, the UK government introduced an apprenticeship levy, which is a tax on employers that offers a flexible way of funding apprenticeship training. Zurich UK invested resources in understanding and leveraging this scheme, and it has generated significant benefits. It now offers apprenticeships through third parties, for example, the Data Academy (for coding) and a bespoke leadership development course at Cranfield University. The next few years are expected to see continued participation in data academies and provision of early career apprenticeships to help junior employees build base skills in data analytics and IT.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



Pension and retirement trends

Significant changes to pension policy:

There have been no significant changes to UK pension policy in recent years. Among possible future changes, there is an ongoing consultation to increase the minimum state pension age from 65 to 68. This change is currently set to take effect between 2044 and 2046, but the government is considering bringing these dates forward to 2037 and 2039.

Private pension savings is not strictly compulsory, since workers have an indefinite choice to opt out of workplace schemes. The government had considered making participation compulsory prior to the pandemic, but higher unemployment levels, among other issues, led policymakers to set these initiatives aside for the time being. Post-COVID-19 tax increases are expected to result in greater (mandated) retirement savings levels.

Challenges to pension systems: The main challenge to pension systems lies in low overall savings levels, with some segments of the population at high risk of impoverishment in old age. Although auto-enrollment in employer schemes has helped, savings levels across the population are far from

adequate. As the burden of retirement risk has shifted from employers to employees, corporate pension savings have been dramatically reduced.

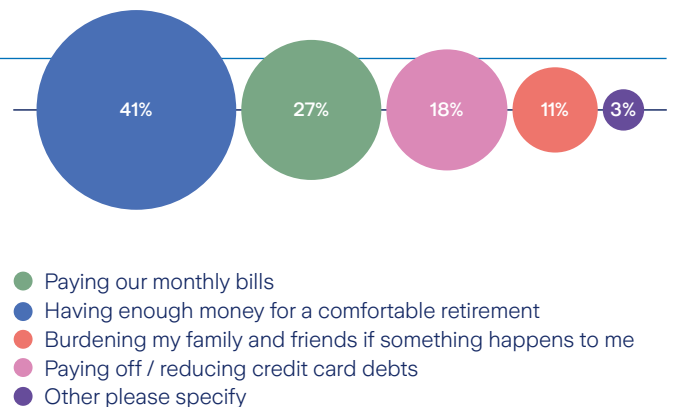
Proposals to make pension plan participation compulsory would negatively affect certain segments of the workforce who have been harder hit financially and would find mandatory pension savings to be burdensome. Already lower-income workers may be expected to opt out of their pension plans in greater numbers, with excess contributions from higher earners at least partly offsetting resulting scheme shortfalls.

What solutions? Auto-enrollment has shown that employer-led multi-solutions can be successful, whether at the group or individual level. Effective solutions on the group side could include occupational trust-based schemes or personal pension schemes.

At the same time, individual awareness and understanding must be strengthened. For instance, although financial education and preparedness are generally not taught at schools, introducing both subjects into the curriculum could help prepare future workers to engage with these schemes.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Most life insurance distribution in the UK market occurs through intermediaries (banks, independent financial advisers, other brokers): about 80% on the retail side and 99% on the corporate side. Group risk solutions are distributed through employee benefit consultants. Direct to consumer business is mainly conducted via price comparison sites. Notably, travel insurance is handled largely online; its desirability among consumers is higher while the individual cost is low.

The nature of distribution is changing, with a shift from individual advisers to more specialized channels. There will likely continue to be a movement from face-to-face to Internet-driven selling. Importantly, however, because of the complexity of life products, an explanation of their benefits is an integral part of the selling process, so it is unlikely that the same shift to online sales will occur in this segment of the market in the short term. Distribution partners will likely continue to play a key role here.

In the medium term, proposition development for corporate benefits will be influenced by work patterns that have changed during the COVID-19 crisis. Even before the pandemic, there was a growing expectation on the part of employees that their wellbeing would be provided for, and the shift to hybrid and remote working has resulted in even higher expectations of employers. A holistic

“life-work support package” will become an integral part of companies’ wellbeing offering. In the longer term, demand for group benefits can be sustained through employee assistance programs as well as counseling.

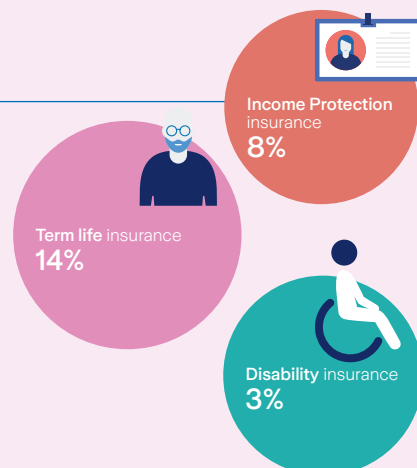
Direct selling: Direct selling to individuals and households is likely to grow over time, albeit not as quickly as in other areas such as general insurance (GI). It will require a catalyst such as a product redesign that engages with customers’ broader needs ex ante (before the fact), for instance wellbeing initiatives.

Employers are looking to introduce a direct-to-employee proposition, bypassing intermediaries to provide benefits. While there is enthusiasm in this space, workers need the right engagement model for accessing direct products via their employer.

Post-COVID-19 trends: Since the pandemic began, degrees of flexibility have been added to product design, with policyholders now able to change coverage levels more easily and defer premiums (take premium holidays, for example) during short-term periods of financial instability. In the longer term there will be a need for even further flexibility. However, questions remain as to how easily coverage can be dialed up and down to meet people’s changing circumstances given underwriting and system challenges.

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

In principle, demand for products that provide formal protection against “long COVID” work-related impacts, such as income protection and disability insurance, should increase over the coming years.

A number of conditions, such as obesity, diabetes and asthma, can potentially impact at-risk customers’ ability to work over a sustained period. Although people’s awareness and appreciation of insurance protection has been heightened and industry responses may evolve, existing barriers to insurance uptake remain in place, and households’ financial priorities will likely not change directly as a result of the pandemic.

There are ongoing consultations to expand employer-funded Statutory Sick Pay (SSP), which is already compulsory. However, concerns exist regarding overburdening employers. Since the beginning of the pandemic, claims for SSP were allowed from the first day of a worker’s absence instead of the fourth, as had previously been the case.

Challenges in bridging protection gaps:

Given gaps in both private savings and public provision, there is significant scope to develop the market for insurance in the UK. While all UK workers are entitled to a degree of welfare provision, most believe this to be inadequate, and that more should be done by way of private provision. For instance, there is a “legitimate insurance need” for private medical insurance. However, this is a specialist area requiring expertise, and facing challenges such as rapidly rising medical inflation rates.

Products that directly meet social care needs are specialized and have a less-developed market, partly due to a lack of consumer understanding of what the state provides. If the government cannot afford to meet the full cost of society’s need, a settlement on inclusions and omissions may lead to a market arising to bridge the gap (which at present is unquantifiable).

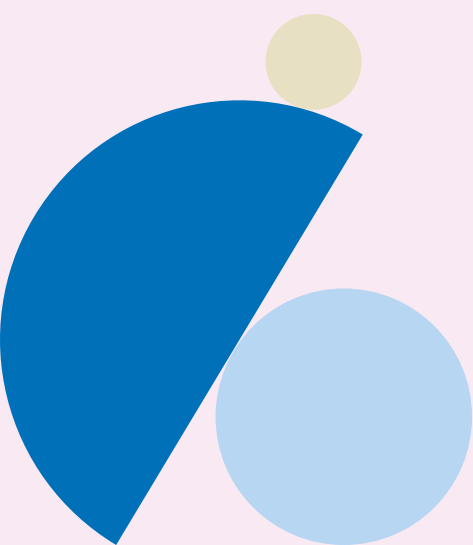
There is a tension between service costs and core coverage costs in corporate provision of insurance, with a need to balance the two across different segments of a company’s workforce. This will dampen growth in the market for group insurance.

Messaging: Retail insurance product sales are not driven by organic demand; instead, demand creation through individual awareness and action on the part of the consumer is and will likely remain important. Post-COVID-19, individuals likely have greater awareness of any lack of financial resilience related to their income as well as health shocks – the common mentality that “it will not happen to me” has been shaken. As a result, consumers may be more receptive to messaging about the need for protection, though this has yet to be tested.

Even before the onset of the pandemic, communications around insurance was moving away from “hectoring and lecturing” and towards simple messaging that is focused on the health and financial benefits of insurance ownership. Some insurers are experimenting with messages around health enhancement and disease prevention, though it remains to be seen how far this goes in changing behavior.

Employer-led communication has more resonance than communication at the individual level. The focus is on providing access to a wide range of services, including personal coaching, weight loss, and holistic and proactive life assessments.

One initiative from the past decade that should aid effective communication about products was the Retail Distribution Review of the provision of financial advice. This was carried out by the Financial Services Authority (now the Financial Conduct Authority and the Prudential Regulation Authority), with changes that took effect Dec. 31, 2012. Among the relevant changes was raising professional standards for



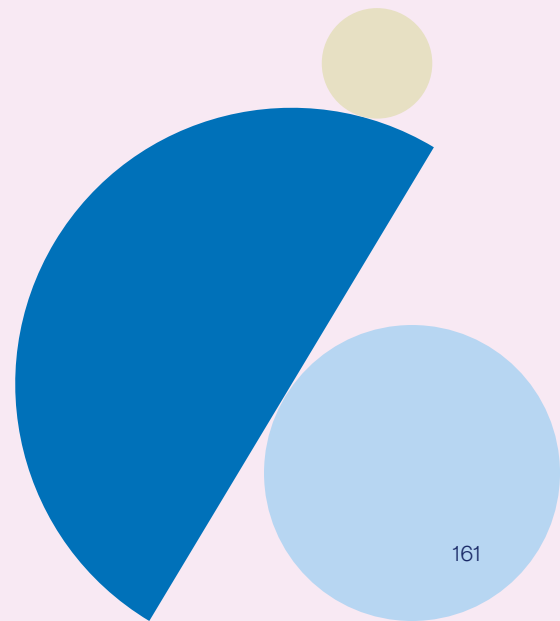


Insurance and protection trends

financial advisers, who bear responsibility for explaining often complex products such as life insurance to their clients.

Protection for gig workers: Traditional insurance products are not currently suited to today's gig economy. With many workers shifting to portfolio careers, having multiple employers often cuts across traditional categorizations of occupation. This can pose a challenge to risk assessments, which are defined by impermanence and flexibility. Although gig economy workers are not yet

representative of insurers' current customer base, moving forward this pattern of work will be reflected more broadly across the employment spectrum. There remains a push to treat informal sectors (e.g. gig workers) as employees so that they can enjoy protections: notably the UK Supreme Court decision in February 2021 to treat Uber drivers as "workers" and not "self-employed." For the time being, however, gig economy workers are not generally treated the same as workers in more traditional jobs.





COVID-19 related trends

80%

UK government introduced a job retention (furlough) scheme that paid 80% of the wages of furloughed workers.

Government response: The UK government's economic response to the pandemic has generally been well regarded given the speed at which broad-brush measures were devised and implemented. Early in the pandemic the UK government introduced a job retention (furlough) scheme that paid 80% of the wages of furloughed workers (up to a maximum of £2,500 per month), helping to ensure that affected individuals did not lose access to their workplace pensions and benefits. The job retention scheme has been extended twice and has preserved jobs on a mass scale in the short term, but there is some trepidation about mass unemployment when the scheme ends.

At the same time, many of the self-employed, non-traditional workers, and even some start-up employees have fallen between the cracks as they failed to meet the qualifying criteria for support. Those in more stable work relationships, such as salaried or permanent workers, are much less likely to have lost their job during the pandemic, compared to those in less stable contracts. The probability of having been furloughed also varies significantly across occupations.¹

Vaccines and insurance: Whether vaccination status should determine people's access to insurance coverage is widely debated. Making vaccination status a precondition for coverage could depend on the overall uptake of vaccines across the population. There exists evidence that vaccine hesitancy is declining.² Similarly, there appears to be little reason for insurers to get involved in supplying vaccines, given the success to date of the government's rollout. To date, over 35 million people have received at the first dose of the vaccine and 18 million people are fully immunized.³

Preferential health-related insurance contracts may in the future be offered to individuals on the basis of whether they have had relevant vaccinations. It may also depend

on the efficacy of COVID-19 vaccines and levels of non-compliance with vaccination programs. It could also depend on a person's insurance policy: for instance, for a life policy for a 65-year-old, being vaccinated on a regular basis yields a larger impact on future mortality whereas the impact will be less for mortgage-linked term life insurance for a 30-year-old.

Clarification is needed on whether COVID-19 is an outlier in the mortality curve or a persistent, prevalent virus with a long-term impact on mortality. The UK model of employer-provided cover does not entail medical underwriting; those actively working are covered under employer commitments.

Employer provision of vaccines:

Vaccinations are widely and easily accessible through the public health system, so there is little scope for a market for this type of benefit. In the future routine COVID-19 booster shots could be provided through company-based insurance and wellbeing packages. This might be based upon people's age and could be administered either by the National Health Service (NHS) or privately. Providing COVID-19 shots could be beneficial to employers, as it would be cost effective in the long term through preventing the spread of infections through offices and the resulting lost working days.



¹ See <https://onlinelibrary.wiley.com/doi/full/10.1111/1475-5890.12242>

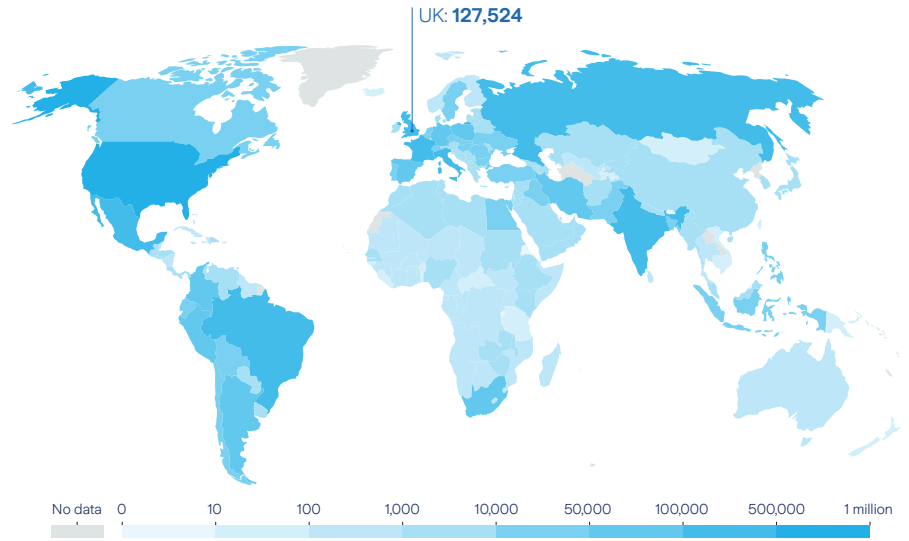
² See <https://www.cambridge.org/core/journals/psychological-medicine/article/covid19-vaccine-hesitancy-in-the-uk-the-oxford-coronavirus-explanations-attitudes-and-narratives-survey-oceans-ii/C30FDB5C3D87123F28E351FDAAD5351A> and <https://benwansell.files.wordpress.com/2021/02/coping-with-covid-feb-24-2021-2.pdf>

³ <https://coronavirus.data.gov.uk/details/vaccinations>



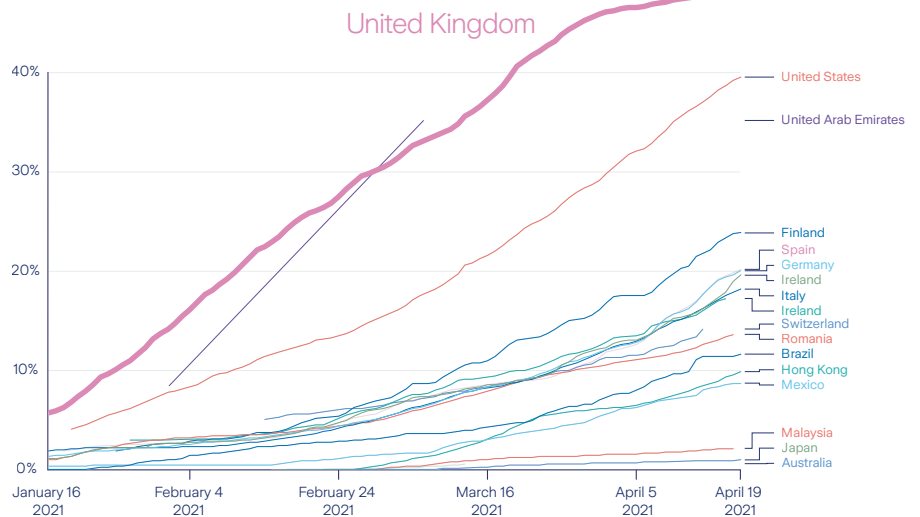
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

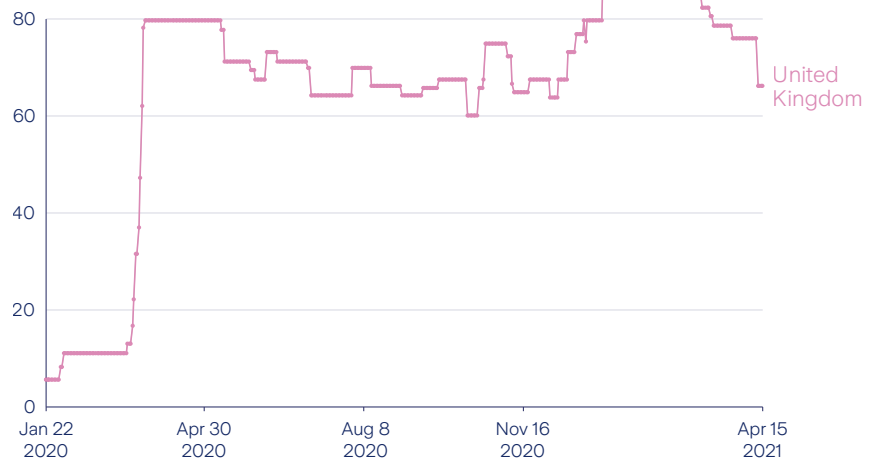
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

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Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Following a society-wide trend, there will likely be a greater focus on health and healthcare going forward.

The idea that employers owe their employees a duty of care is widely accepted among many UK employers. This was the case before the pandemic, and it is now more prevalent than ever. Workers' trust in their employers is enabling this view to take hold. Since people's relationship with their workplace directly impacts their mental health, the provision of psychologically safe workplaces and experiences for employees is viewed by many employers as crucial, as seen, for example, through diversity and inclusion initiatives.

Following a society-wide trend, there will likely be a greater focus on health and healthcare going forward, for two reasons.

First, the pandemic has underscored the critical risks of certain underlying conditions such as obesity and diabetes. Second, COVID-19 severely strained the NHS, in some places virtually to the breaking point. More than ever, employers and insurers recognize that these issues have a material impact on the world of work. For both stakeholder groups, wellbeing programs will be a key part of their offerings to workers. A combination of NHS and employer provision and retail insurance initiatives – access to a health adviser, for example – could “help customers help themselves.”

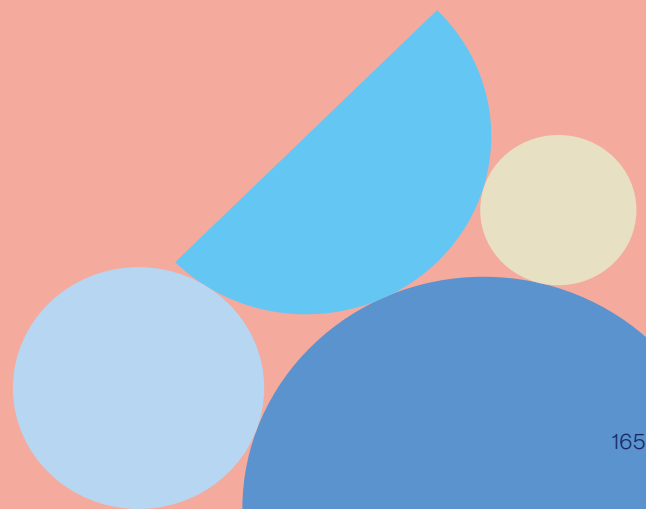




The outlook in United States

These trends are noteworthy in the changing world of work:

- **Reskilling** in the insurance industry in the U.S. is largely the initiative of companies, though successful industry-wide programs are emerging with government support.
- Government (federal) support for **pensions** is strong, although significant challenges are present at the state level.
- Demand for **insurance** is robust, with different dynamics in intermediated and direct-to-consumer markets. Direct selling makes price competition critical, although there is a growing recognition that quality must be balanced with lower costs.
- Although the government is managing **vaccination** programs effectively, there will be a role for private provision.
- **Duty of care** initiatives in the industry may not go by that name but are recognizable, and largely take the form of mental and social wellbeing programs and communications.





Reskilling, training and continuing education trends

Reskilling at insurance companies

[Zurich North America]: Skilling and reskilling initiatives within Zurich North America are focused on certain departments, notably digital and technical groups such as IT and underwriting. Reskilling and upskilling also take place on an ongoing basis at Zurich North America through access to on-demand digital learning resources and through a “Talent Marketplace,” which operates like an internal gig economy by matching employees interested in an assignment that will provide them with learning opportunities with rotations in other areas of the business that have critical needs to fulfill.

Developing managerial and leadership skills is also emphasized within Zurich North America, along with so-called “soft” skills such as change management, empathy, listening and flexibility in addition to problem-solving and digital acumen. The pandemic is also said to have provided

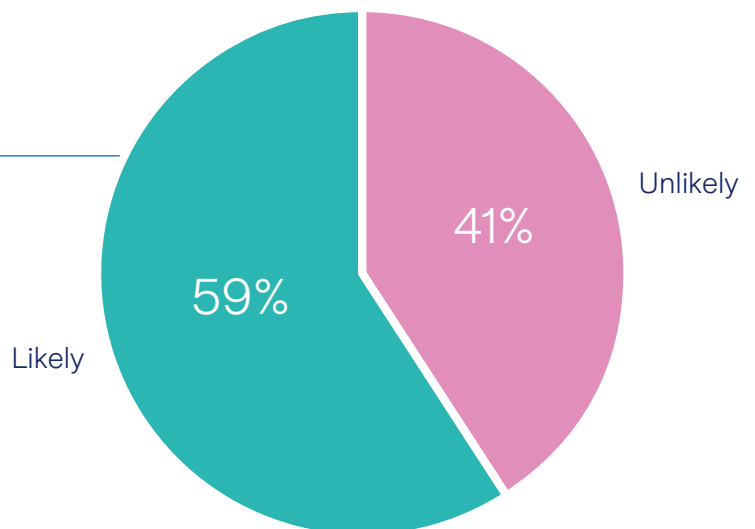
managers at the organization with an inadvertent reskilling opportunity in that it compelled them to think differently about how they engage with their teams.

Insurance industry-wide programs:

The insurance industry in the U.S. has skills shortages in areas that include data science, which is important for supporting underwriting. Over the past two years, a consensus has emerged across the industry that providing upskilling opportunities is critical to expanding the available pool of talent. To that end, Zurich North America has contributed to the development of an industry-wide Insurance Apprenticeship Program (IAUSA), developed in conjunction with the American Property Casualty Insurance Association. This allows employees to earn a two-year associate’s degree in insurance and risk management while working three days per week at Zurich North America.

Intentions to take on training to improve professional skills

Percentage of respondents who reported positive or negative intentions to take on training to improve their professional skills if it would take one evening a week of their leisure time for 6 months.



Source:
Zurich-Oxford Consumer Survey 2019



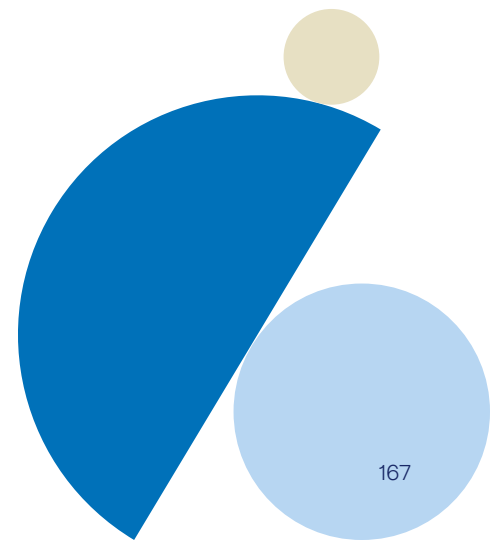
Reskilling, training and continuing education trends

The social justice movements of 2020 brought attention to diversity, equity and inclusion (DEI) initiatives across the corporate sector. Training to raise awareness of unconscious bias is offered to managers at Zurich North America, and a program on “allyship” coaches employees on how to be supportive of their LGBTQ+ colleagues. The corporate sector in the U.S. has pledged to do more to attract, develop and retain diverse talent, with non-profit organizations and other intermediaries guiding businesses in cultivating diverse talent pipelines. Within the national market for talent, a four-year college (university) degree is seen as a prerequisite to holding virtually any professional job. But with the high cost of college education and unequal access to high-quality educational

opportunities earlier in life, this expectation has effectively shut out many workers with diverse backgrounds and perspectives. Efforts are underway to shift toward skill- and capability-based hiring, rather than adhering to formal education requirements.

Government policies and programs:

The initiative for reskilling programs lies largely with private industry, not the government. However, the federal Department of Labor certifies relevant apprenticeship programs. The Department of Commerce and the Department of Education also provide consultations.





Pension and retirement trends

Significant changes to pension policy:

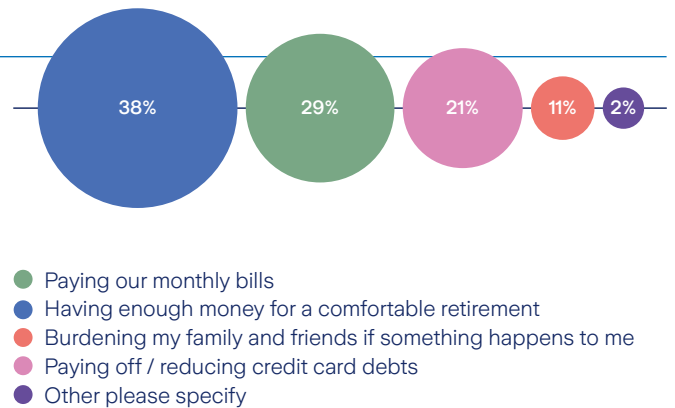
The U.S. has a robust social security system, with no regulatory changes of note at the federal level in recent years. Deductions from employee pay are compulsory in many cases to contribute to a universal public benefits system. There are few corporate pension programs in existence anymore. Instead, companies are increasingly reliant on 401(k) plans, which are employer-sponsored individual defined contribution pension accounts. Participation in 401(k) plans is not mandatory and has been stable over time.

Challenges to pension systems: The most obvious challenge to pension systems is at the state level. State underfunding of public-sector employee pensions has resulted in budgetary problems.

What solutions? Due to these pressures, some public-sector employers have moved away from state pensions for their employees, towards 401(k) schemes.

Financial concerns

Percentage of respondents who are concerned about their financial security in retirement, being a burden to their family or friends, paying monthly bills, repaying credit card debts and other issues.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

Distribution trends: Demand for many types of insurance is rising, and this is expected to continue within a “hardened” market (i.e. one in which rates are rising and capacity is decreasing because of trends that can include increasing frequency and severity of losses). Contributing factors include regulatory changes and a shift in focus from the quantity of insurance supplied to product quality, which is now a focal point for many intermediaries. New entrants in specialty areas are experiencing mixed results, given their focus on low-cost insurance.

There is a general expectation that taxes will rise to offset COVID-19 stimulus expenditure, in which case the appeal of permanent life insurance is expected to rise substantially due to associated tax incentives. Many states already mandate car insurance and workers’ compensation, but it is difficult to envision a scenario whereby a state would mandate most other stand-alone products.

Direct selling: There has been significant growth in direct-to-consumer retail life insurance. As more insurtech companies come out with offerings that make it easy to purchase individual life insurance directly, this trend is likely to accelerate. That said, while there are numerous online aids to help consumer and agent-assisted sales, most life insurance and annuity sales take place with distributor involvement and/or encouragement.

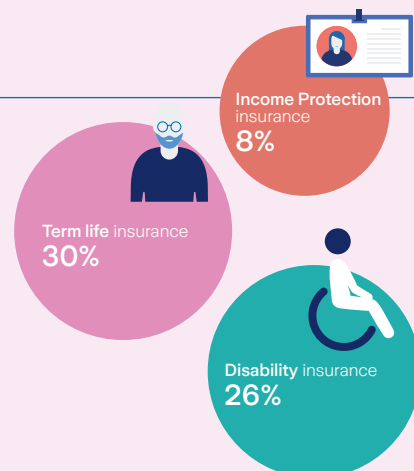
Price competition is important in the U.S. market for the direct-to-consumer products (as compared to agent-sold products). In choosing to distribute directly or via agents, companies must weigh the benefits of engaging agents against the associated costs.

Post-COVID-19 trends: The national unemployment rate reached a record high at the peak of the pandemic (14.7%). In April 2020, 23.1 million people were unemployed with women and racial and ethnic minorities being the most affected. One year into the pandemic, the unemployment rate stood at 6.1%, considerably below its recent highs but still above the pre-pandemic level of 3.5% (in February 2020). Workers who lose their jobs typically lose access to their benefits, notably health insurance. Those most affected by the crisis include non-degree holders and women who left their job for the purpose of family care responsibilities. This presents an important opportunity within the industry moving forward.

The pandemic and anticipated future tax increases, along with the disappearance of employer-sponsored retirement plans, have all contributed to greater demand for life insurance and annuity products. Three types of life insurance will be particularly important in the coming years. Term life is already consistently selling at the highest rates, and is perhaps the most “obvious” from a

Ownership of specific insurance policies

Percentage of respondents who own specific insurance policies.



Source:
Zurich-Oxford Consumer Survey 2019



Insurance and protection trends

consumer point of view given its inherent simplicity. Conversely, while permanent life insurance will also be important, it is more difficult to sell directly to consumers because of its greater complexity. Sales of income protection (particularly annuity sales) may increase in the online direct-to-consumer space.

Challenges to bridging protection gaps:

The U.S. government is a federal system, so each state has its own laws and constitution. As a result, insurers must file products with each state regulator. A conglomeration of states has formed partly for the purpose of filing products – the Interstate Insurance Product Regulation Compact (“Interstate Compact”). Regulatory changes at the state level related to individual life insurance have occurred over the past few years and have accelerated over the past six months. States’ regulatory requirements differ, creating challenges in insurers’ product offerings and overall development process. Deviation from the compact is related to product-specific technical elements and is due to varying cultural factors operating on the system from state to state.

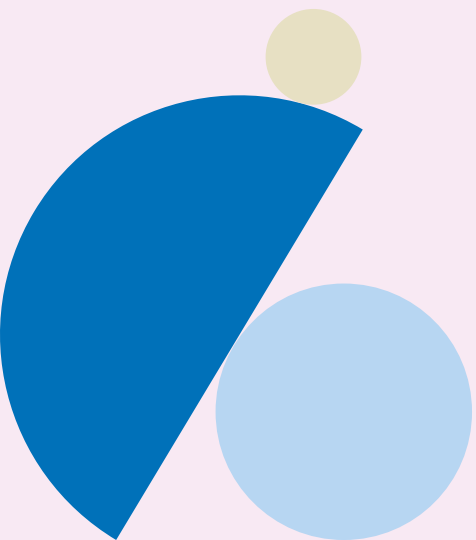
One significant challenge in the U.S. insurance market is the tort system. The U.S. is regarded as a litigious country with high costs of litigation and progress toward tort reform is uneven and varies by state. Observed trends include situations of “runaway jury verdicts” (in which juries do not act according to the guidance of courts) and “social inflation” (a rise in the cost of claims due to societal trends such as higher overall levels of claims, broader definitions of liability, higher litigation costs, and greater sympathy on the part of juries toward claimants). This in turn adds to the costs of the system, which impacts policyholders as well as companies.

Affordability is important to many U.S. insurance buyers, particularly for direct-to-consumer products, as evidenced by a level of competition in online buying. Third-party price comparison websites exist for this purpose, and similar quote-generating tools are available in the direct-to-consumer property and casualty segments of the market.

Messaging: Messaging around insurance is increasingly based on positive stories. Fearmongering, shaming, and scolding are generally thought to be disliked. The messages need to be positive and pragmatic, and must emphasize the benefit to the individual; for instance, why it is important to make healthy lifestyle decisions. While recognition that “we all are in this together” has grown throughout the pandemic, this is not an easy message to get across in an individualistic society focused on personal freedoms. There has been some progress on this point; for example, in mask-wearing for the greater good.

Protection for gig workers: Many proposals have been debated on protection for gig economy workers. In some cases gig workers purchase health insurance through “Obamacare,” the state-run marketplace created under the Affordable Care Act (ACA) of 2010. Millennial gig workers in particular are more likely to purchase their health insurance through the ACA because this is more cost-effective than buying a policy outright.

Prior to the pandemic, California passed legislation that would have mandated that gig workers, under certain conditions, be considered full-time employees eligible for company-provided benefits such as health insurance and paid time off. This decision was later overturned in a referendum. Discussions continue about gig worker protections in states including California, Massachusetts and New York.





COVID-19 related trends

71%

of U.S. adults who had not been vaccinated against COVID-19 agreed they would get a vaccine if it were available.

Government response: The government's responses to the pandemic in 2020, both from a public health and an economic perspective, were widely criticized. Some states performed better in encouraging people to modify their behavior to curb the spread of the virus. At the federal level, constant policy changes contributed to fatigue with public health measures. Likewise, the federal economic response has been criticized as inadequate. There have been several stimulus schemes for those below certain income levels and expansion of state unemployment benefits. States have a system in place where they pay a benefit regardless of an individual's income. During the pandemic, the federal government made allowances for additional funds for the unemployed, expanding the state-allotted dollar amount.

The U.S. has had overall success in the supply and availability of vaccines, and this has boosted public morale. Vaccines are manufactured in the U.S. (whereas some other countries where vaccination programs have begun to export the production inputs for vaccines and import the final product). Each state manages its distribution system to facilitate efficient vaccine rollout. Meanwhile, private provision of testing is widely available, with many healthcare providers and major drug stores (pharmacies) offering testing.

Trust in vaccines: There is some skepticism towards covid vaccines. In January 2021, 71% of U.S. adults who had not been vaccinated against COVID-19 agreed they would get a vaccine if it were available.¹ However, acceptance varies widely by geography and across demographics, notably with minority communities having lower levels of trust for historical reasons. Overall, trust is on a spectrum. 36% of those who say they would not take a COVID-19 vaccine mention concerns about the side effects and 26% are worried about the speed

of the clinical trials.² There has been a push for information sharing in order to encourage vaccination among certain groups, particularly Black Americans. As the safety and efficacy of the vaccine is validated through further testing and widespread rates of vaccination, public perception will likely shift. As is the case with the flu shot, the public will be encouraged to be vaccinated by companies, as well as by doctors and public figures (as has been the case with shingles, for example). Incentive structures may be put in place, but it is unclear what these will look like for the COVID-19 vaccine. As of January 2021, 1 American in 2 was in favor of mandatory vaccination.

Vaccines and insurance: It is possible that insurance providers will ask whether prospective policyholders have had a COVID-19 vaccine when assessing applications for certain types of insurance. Some airlines already ask these types of questions; travel insurance could follow suit.

Employer provision of vaccines: It is unlikely that COVID-19 vaccinations will be provided through company-based insurance and well-being packages in the immediate future. They are likely to follow a similar path to the influenza shot, with boosters every six months or so. They are likely to be covered by the government or by private health providers. Employers could make vaccinations part of their workplace culture and benefits.

Private provision is facilitating the early-stage distribution of vaccines. However, a market for private vaccines is unlikely given the success of the public rollout so far.



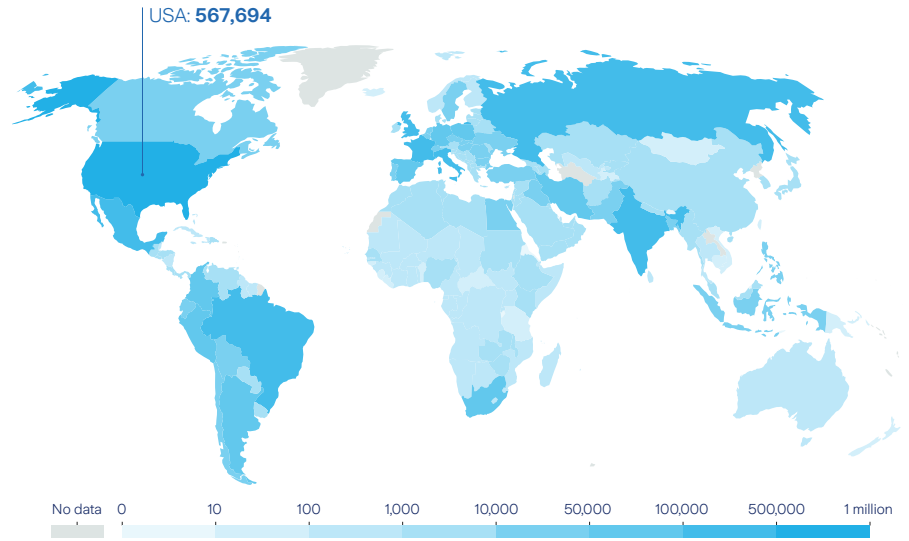
¹<https://www.ipsos.com/en-ro/global-attitudes-covid-19-vaccine-january-2021>

²<https://www.ipsos.com/en-ro/global-attitudes-covid-19-vaccine-january-2021>



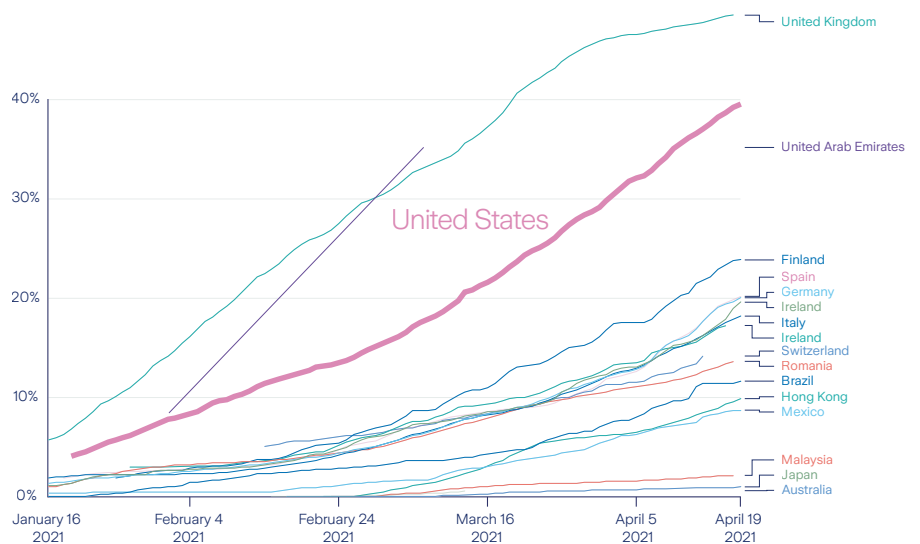
COVID context

Cumulative confirmed COVID deaths



Source: John Hopkins University CSSE COVID-19 Data. Access through Our World in Data on April 20, 2021

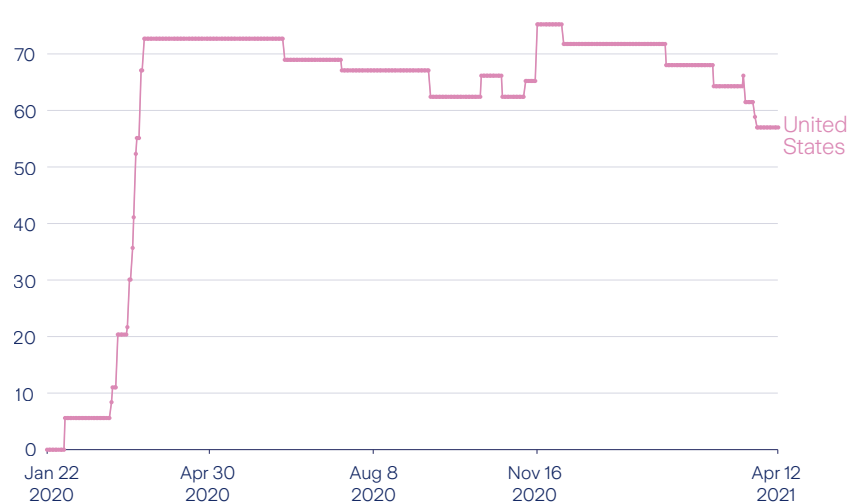
Share of the total population that received at least one dose of the COVID vaccine



Source: Official data collected by Our World in Data, accessed on April 20, 2021

COVID-19: Stringency Index

The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Oxford COVID-19 Government Response Tracker. Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies". Nature Human Behaviour. <https://doi.org/10.1038/s41562-021-01079-8>. Accessed on April 20, 2021.



Duty of care trends

Initiatives in the insurance sector include guiding employees in enhancing and maintaining their work-life balance, including mental health and social wellbeing.

While the concept of “duty of care” may not explicitly go by that name in U.S. companies, it is still relevant, particularly through a focus on wellbeing. Companies may use this in differentiating their propositions to prospective new hires. Initiatives in the insurance sector include guiding employees in enhancing and maintaining their work-life balance, including mental health and social wellbeing. These areas were relevant prior to COVID-19 but are even more so now, so new uptake of wellbeing programs is likely to be faster and on a larger scale.

Messaging around wellbeing within an organization is integral to the success of these programs. The most effective messaging is for colleagues to share their

stories by way of example (e.g., through “life hacks”). This includes managing home-schooling, staying connected to customers, brokers and colleagues, and taking desk breaks. Whether it is proof of performance on strategy or customer relations best practice, the sharing of stories is beneficial. This type of messaging is amplified when it comes from top leadership and is more meaningful than an impersonal corporate voice simply dictating suggestions to staff.



Featured differentiator: LiveWell





LiveWell is an exciting opportunity to amplify sustainable impact for us as an organization and our broad customer base, because it allows our customers to take control of the decisions that will be important for their life and health based on their specific needs.

Helene Westerlind
CEO LiveWell



LiveWell

By  ZURICH

Wellbeing and health in the digital age

With the launch of a new digital health proposition LiveWell, Zurich has taken another key step towards providing comprehensive, personalized and data-driven services for our customers. LiveWell was designed to help customers to choose so they can personalize their approach to improving their physical, mental, social and financial health. The app helps customers track and assess their activities as well as provides insights on how to lead a healthier life and to prevent ill-health. Regardless of where a customer may be on their health journey, LiveWell encourages them to take ownership of their health by aiming to provide best practice prevention actions in an easy and engaging manner. Through recent acquisitions (HealthLogix, HealthInSite and FitSense) LiveWell offers goal setting and tracking, linking to wearable devices, meditations and personalized content based on customer interests and behaviors. Most importantly, it plans to provide ways to prevent lifestyle related conditions with the aim to drive healthier lives. In time, the LiveWell offering will expand to assist with the early detection and management of certain conditions providing a more complete health solution. At present, Zurich has introduced LiveWell in first markets with a plan to grow the health offering further.



LiveWell –
on-demand health and wellbeing advice for leading a healthy lifestyle with strong incentives to drive sustainable behavioral change.

Read more online:
livewell.zurich.com

About this report



Research background

Since 2015, Zurich and the SSEE at the University of Oxford have partnered on a research initiative called agile workforce protection: contemporary, integrated systems of benefits that may help people to develop their potential throughout their working lives.

Our work has been informed, in part, by working with Zurich's teams and has been underwritten through quantitative and qualitative survey research involving two consumer surveys (in total 28,000 respondents), an employer survey (1200 employers), interviewing Zurich Corporate Life and Pensions (CLP) customers through its B2B Advisory Board, and interviewing Zurich country-based executives. This research effort helped us develop a clearer picture on a range of topics including:

- workers' willingness to be flexible in their careers
- attitudes towards technological change in labor markets
- employee demand for and employer supply of benefits and insurance
- concerns about retirement.

COVID-19 has reinforced the findings of Zurich-Oxford research conducted in earlier phases of this research relationship - namely the need and case for a new social contract. [Our latest reports published in October 2020](#) sketch recent developments on this theme and makes a series of recommendations for further research and actions by key stakeholder groups including governments, employers, the insurance industry, individuals, and households.

The research conducted in this phase of the Zurich-Oxford research project is designed to deepen our understanding of how COVID-19 is shaping the agenda for a new social contract at the national level so as to inform global debate over these issues. In large part, we relied upon interviews with Zurich senior leaders in the 17 countries that have been part of our survey research including Australia, Brazil, Finland, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Portugal, Romania, Spain, Switzerland, UAE, UK, US. These interviews, by design, offer insights as to how the insurance industry and the Zurich local affiliates are adapting to labor market changes and government health and welfare policies brought about by the COVID-19 pandemic.

In part, the research also considers the implications of the pandemic for the market for a wide variety of insurance products and the corporate provision (CLP) of insurance products and related products of employee health and wellbeing.

About us



Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

For more information please visit: www.zurich.com/future-of-work



The Smith School of Enterprise and the Environment (SSEE) was established with a benefaction by the Smith family in 2008 to tackle major environmental challenges by bringing public and private enterprise together with the University of Oxford's world-leading teaching and research.

Research at the Smith School shapes business practices, government policy and strategies to achieve net-zero emissions and sustainable development. We offer innovative evidence-based solutions to the environmental challenges facing humanity over the coming decades. We apply expertise in economics, finance, business and law to tackle environmental and social challenges in six areas: water, climate, energy, biodiversity, food and the circular economy.

SSEE has several significant external research partnerships and Business Fellows, bringing experts from industry, consulting firms, and related enterprises who seek to address major environmental challenges to the University of Oxford. We offer a variety of open enrolment and custom Executive Education programmes that cater to participants from all over the world. We also provide independent research and advice on environmental strategy, corporate governance, public policy and long-term innovation. For more information on SSEE please visit: www.smithschool.ox.ac.uk

Acknowledgements and Disclaimer



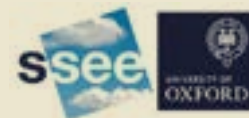
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This report is the product of a research collaboration between Zurich Insurance Group (Zurich) and the Smith School of Enterprise and the Environment, University of Oxford (Oxford). It was written by Dr Sarah McGill, Professor Gordon Clark, and Kathryn Condon, Oxford with input from Zurich subject matter experts.

The project was directed by Rosanna Cubelli, Head of Campaigns a.i. Group Communications and Public Affairs. Insights and feedback on the report were provided by the individuals noted herein below.

The surveys referenced in the report were designed by the Oxford and Zurich teams, which also carried out the data collection.

The interviews referenced in the report were conducted by the Oxford and Zurich teams. Interviewees were country/regional heads of life protection, proposition, public affairs, employee benefits, human resources and/or related future of work expertise in 17 Zurich markets. Input was also received by the head of employee benefits and/or human resources at 15 of Zurich's B2B customers who will remain anonymous.



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