

Health and Wellness Engagement Impacts

Why your team should be implementing a health & wellness engagement program, and how to maximize the program's impact



Key Takeaways

1. H&W engagement programs are a great way to personalize the process of buying and owning a life insurance policy and help policyholders lead longer, healthier lives.

2. Engaging with policyholders on H&W can improve your bottom line
 - A US insurer who runs a successful H&W engagement program on a fully underwritten term life product may see an aggregate mortality and lapse experience reduction of up to 3 – 4% across their entire book of business, with more than half of the overall benefit coming from true policyholder behavior change.
 - The benefits of engaging with customers on H&W can outweigh the costs of launching and running a program, creating a positive ROI for insurers.
 - We will stand behind the estimated mortality and lapse savings with preferential reinsurance rates that align with your specific engagement program.

3. To maximize the impact of your program, we recommend focusing your efforts in three key areas:
 - Maximize H&W program take-up & engagement rates
 - Help policyholders sustain meaningful behavior changes
 - Use H&W engagement to grow with new & existing customers

We're your partner in health and wellness (H&W) engagement and innovation

It's been two years since [McKinsey wrote about personalization as the future of life insurance](#). Yet for many, buying and owning a policy today doesn't feel radically different than it did 2 or even 20 years ago. While insurers, reinsurers, distributors, and policyholders can all agree that greater personalization is necessary, the challenge is how to make that happen while still providing comprehensive coverage at an affordable price. At least part of the answer lies in engaging with customers on H&W.

Due to the proliferation of health apps and wearables, consumers have more data about their health and lifestyle than ever before – and they're often willing to share their data if they see the value in doing so. Swiss Re's "[Global COVID-19 Consumer Survey 2022](#)" found that globally, two thirds of consumers are open to sharing personal data or health results in return for a benefit (e.g., personalized health advice, faster application process, discounts). In advanced markets, such as North America, survey respondents were primarily attracted to H&W apps that 1) help them improve their health and 2) help them understand their current health status. Our survey also revealed that while price is the most important factor in insurance buying decisions, the inclusion of additional services is also a key consideration, particularly in the US market.

Engaging with customers on H&W has strong potential to produce shared value for all parties involved:

- **Consumers** can purchase more relevant products at the right price point, experience improved health and longevity, and may qualify for meaningful financial incentives and rewards as a result.
- **Distribution** experiences sales growth and can tap into potentially infinite touch points with their customers as life changes.
- **Insurers and reinsurers** build customer relationships that go beyond a policy in a drawer and an annual bill – resulting in better mortality and persistency and maximizing the lifetime customer value.
- **Society as a whole** benefits when people are healthier and better protected financially.

Many insurers recognize the opportunities that H&W engagement may create, but some struggle to quantify the impact and make the case for launching a H&W engagement program. Our experts believe, when structured appropriately, H&W engagement programs can help policyholders improve their wellbeing, strengthen their loyalty, and bring long-term commercial benefits to insurers (e.g., improved mortality and persistency and sales growth).

This paper focuses on the commercial benefits of engaging with customers on H&W with the aim of helping innovative insurers:

- 1) Make the case that H&W engagement programs can improve mortality and persistency and have a positive ROI, and
- 2) Measure and maximize the impact of their H&W engagement program.

H&W engagement programs can improve your bottom line

Based on our global research and experience working with carriers on H&W engagement programs, we have developed a model to assess the business impact of implementing a H&W engagement program depending on a variety of key assumptions. Our modeling shows that it is possible for insurers to run commercially viable H&W engagement programs that improve mortality and persistency and have a positive ROI.

Figure 1: Aggregate Mortality & Lapse Experience Reduction Ranges

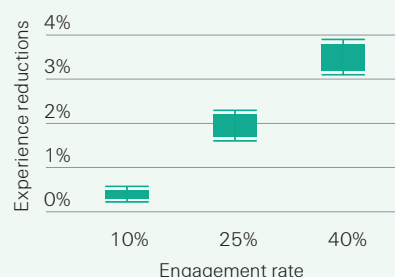
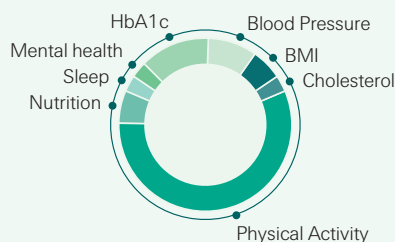


Figure 2: Mortality experience reduction split by clinical and lifestyle risk factors



Potential Mortality & Persistency Improvements

If a US insurer initiates a H&W engagement program on a fully underwritten term mortality product and engages 40% of policyholders on an ongoing basis, our model estimates an aggregate mortality and lapse experience reduction of up to 3.8% across the entire book of business. For programs with a 25% engagement rate, we estimate an aggregate mortality and lapse experience reduction of up to 2.2% across the entire book of business (Figure 1)¹.

When breaking this down by the relative impacts due to positive persistency, positive initial selection and ongoing positive behavior change, we see that more than half of the overall benefit comes from true behavior change – policyholders making better lifestyle choices and therefore leading longer, healthier lives. This is an important consideration for carriers who might already have great persistency and question the incremental value of engaging with policyholders on H&W.

When looking at the relative impact from various clinical and lifestyle risk factors, physical activity is the main driver of improved mortality (Figure 2). This makes sense for a few reasons:

- There's a strong link between physical activity and reduced mortality.
- It's relatively easy for people to modify physical activity levels.
- H&W programs tend to monitor and incentivize physical activity.

While the impact of some risk factors may look small, when considering the aggregate impact across an entire book of business, even slight improvements to mortality and persistency for a given risk factor may translate to meaningful cost-savings for insurers. Additionally, the mortality and persistency improvements will be more profound for certain segments of the population (e.g., highly engaged policyholders with below average health or policyholders above age 50).

Potential Return on Investment

Based on our analysis of the costs and benefits of launching and running a H&W engagement program, a successful program with a 25% engagement rate can be ROI positive. And, with 40% engagement, profitability may increase by up to 9% compared to not having a H&W engagement program. This analysis includes the expenses associated with policyholder rewards and premium discounts, the platform implementation

¹ This analysis is based on our global experience of a fully underwritten 20-year term mortality product without preferred stratification. We assume that the product receives strong acceptance in the market, the program has been in operation for 2+ years, 70% of policyholders elect to participate in the program, fitness assessments are run annually, and policyholders' lifestyle risk factors are tracked regularly (at least weekly or monthly).

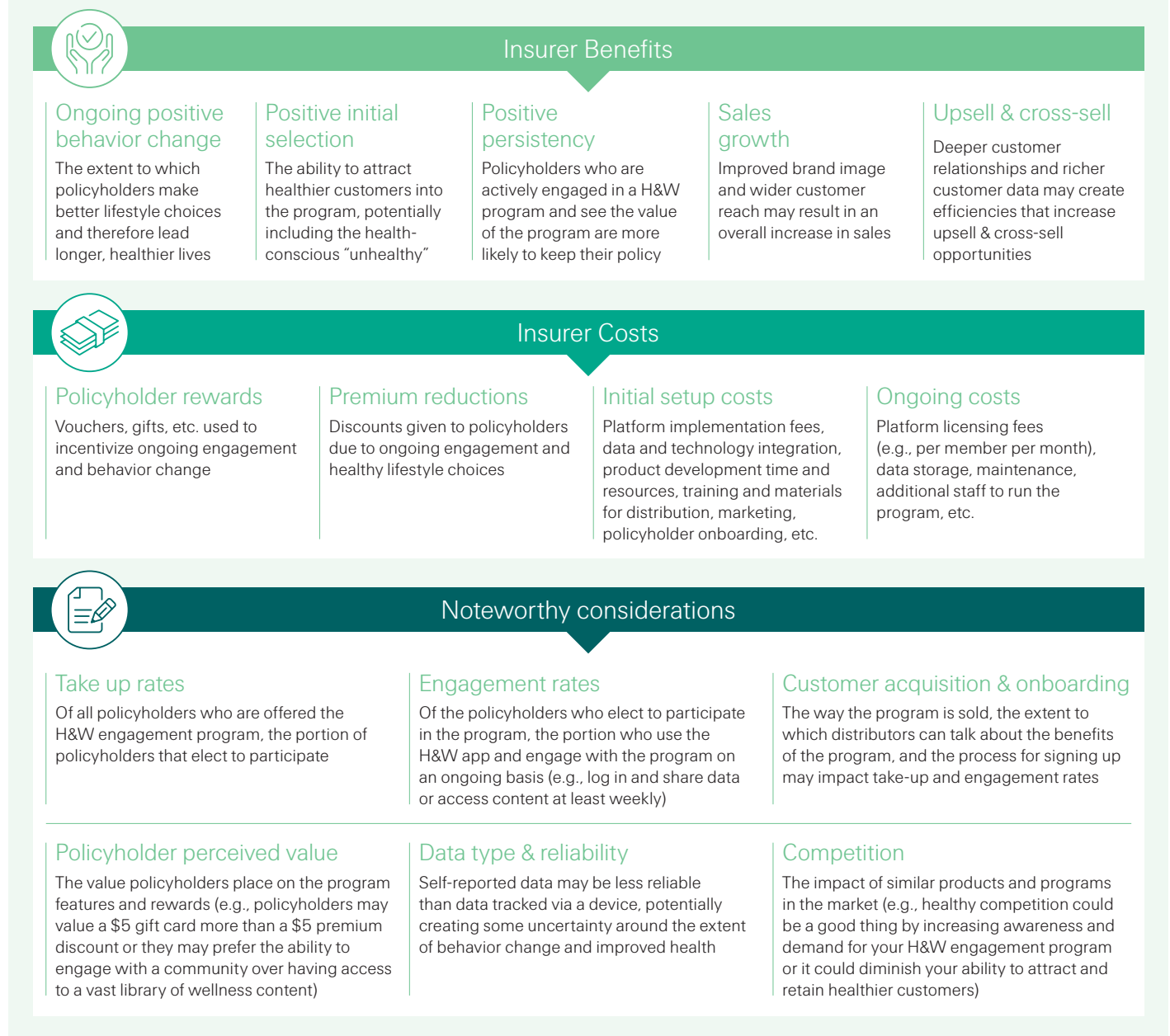
and user licensing fees, and the additional resources needed to launch and run the program. It also factors in the expected improvements to mortality and persistency but does not consider added benefits from increased policy sales, upselling and cross-selling, which may further increase profitability and ROI.

Making your own business case

As you develop your own business case for implementing a H&W engagement program, our team of experts is here to help. We can work with you to set appropriate assumptions for a variety of costs, benefits, and other noteworthy considerations that will determine the impact of your program

(see Figure 3). We can also use our model to help you forecast potential improvements to mortality and persistency and estimate your ROI. Because we're confident in our models and believe in the value of H&W engagement programs, we stand behind our projections by applying an appropriate discount to your reinsurance rates based on your unique program.

Figure 3: Factors that affect the commercial viability of H&W engagement programs





How to maximize the impact of your H&W engagement program

For insurers looking to maximize the commercial viability of their H&W engagement program, we recommend focusing your efforts in three key areas:

1. Maximize H&W program take-up & engagement rates

As we pointed out previously, improvements to mortality and persistency are driven by the ability to attract and retain healthier lives, and the ability to help people overall live healthier and longer lives. This means that if you're looking to maximize the impact of your program, take-up rates and engagement rates matter. For example, as illustrated in Figure 1, improving engagement from 10% to 40% increases the aggregate mortality and lapse experience reduction more than seven-fold (from .5% to 3.8%).

Successful H&W engagement programs will have a clear target audience, an effective strategy for reaching the target audience, and a unique and compelling design to keep people coming back day after day, year after year. If you get this right, seemingly high take-up and engagement rates are achievable.

Here are some questions our clients have found helpful to think through:

- Who are your target customers – New or existing policyholders? People with certain chronic conditions or people who are already healthy and active?
- How will you reach your target customers?
- If you're targeting in-force policyholders, do you have their current contact information (including email address), and what would make them more likely to open a message from you?
- Will everyone automatically have access to the program, or will people have to opt-in?
- Can your distributors clearly articulate the benefits of the program to new potential customers and tell them what to expect when signing up?
- Does your program design include relevant goals and challenges and provide the opportunity for policyholders to connect with family or a wider community of users?

- Are your incentives and rewards compelling?

If you're not sure how to answer these, we can connect you with our team of experts to share our research and provide feedback to help you optimize your program design and successfully bring it to market.

Need help reaching and engaging policyholders and driving meaningful behavior change?

Our dedicated behavioral science team specializes in improving take-up rates of H&W programs and sustaining health behavior change. Read more on the latest research [findings here](#).

2. Help policyholders sustain meaningful behavior changes

In addition to acquiring, onboarding, and engaging customers, to maximize the impact of your program, you'll have to think about how to help policyholders lead longer, healthier lives. Encouraging people to substitute one action for another is hard. Supporting them to adopt healthy long-term habits and lifestyles is even harder. But luckily, it's not impossible!

Our research has shown that successful H&W engagement programs focus on helping policyholders improve across a mix of clinical and lifestyle risk factors. In general, clinical risk factors (e.g., BMI, blood pressure, HbA1c, and cholesterol) are more traditional and reliable indicators of overall health, but lifestyle risk factors (e.g., physical activity, nutrition, mental health, and sleep) are easier to monitor, incentivize, and improve. Focusing your efforts on helping policyholders make small, but ongoing lifestyle changes can positively

impact biometric values, clinical outcomes, and your overall mortality experience.

Figure 2 showed that physical activity was one of the main factors driving mortality experience reduction in our analysis of H&W engagement programs, but this does not mean that your program should ignore the other clinical and lifestyle factors. Particularly if your target customers include people with impairments, it might make sense to focus your efforts on another risk factor. For example, a program intended to help diabetics or pre-diabetics could focus on HbA1c and incentivize behavior changes to positively impact that risk factor. Although diabetics may be a smaller segment of an average insurance book, people who are in a poorer state of health often have a larger potential for meaningful behavior change. Diabetics who engage and improve their HbA1c to pre-diabetic levels may substantially reduce their mortality risk,

resulting in a strong impact on the overall success of the H&W program.

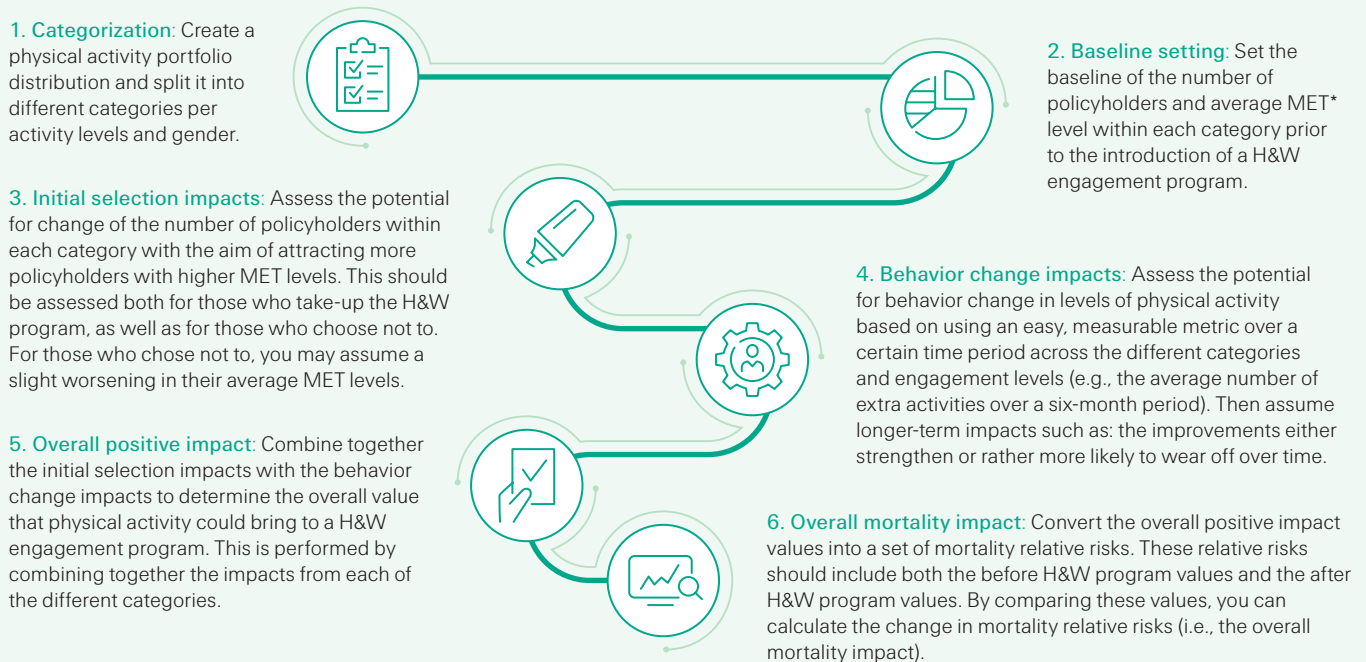
Our ROI model includes calculations to help you assess and optimize the value of various clinical and lifestyle risk factors in your own program. For your reference, the key steps are also summarized in Figure 4, using physical activity as an example.

Did you know?

Reducing the number of pre-diabetics in your portfolio by 3% could result in a 0.2% reduction to your overall mortality experience.¹

¹ This is based on our global research and experience. Your company's experience may differ.

Figure 4: Process to assess the value of clinical and lifestyle risk factors, using physical activity as an example:



*Note: When assessing physical activity, we use the Metabolic Equivalent of Task (MET), which represents the energy used when performing an activity. This allows us to compare across different activities, such as running, cycling, walking, and swimming.



3. Use H&W engagement to grow with new & existing customers

Consumers are increasingly seeking and selectively choosing products better aligned with their needs, which means innovative and personalized products will continue to gain traction in our market.

For insurers looking to maximize the impact of their program, it's important to consider the big picture - what's possible with a H&W engagement program? We're seeing that in addition to positively impacting mortality and persistency, H&W engagement programs can contribute to top line sales growth and increase customer lifetime value.

Consider the benefits of regularly collecting policyholder clinical and lifestyle data. With ongoing data collection, it's possible to periodically reassess a policyholder's risk

and provide dynamic pricing adjustments or increase the coverage amount to reflect improved health and longevity. For healthy customers, this could be a fun perk or extra incentive from their insurance company. For others, this could be an important tool that helps bring the cost of life insurance within reach. Ultimately, insurers can use the rich and continuous stream of data to offer the right product, at the right price, at the right time, which is exactly how companies will thrive as the life insurance industry continuously evolves.

For many insurers, taking full advantage of H&W engagement in this way may require a broader cultural shift – one that embraces the concept of shared value and moves the organization from transactional to lifelong

relationships with customers. While it can be hard to quantify the ROI of such a shift, the potential benefits (e.g., improved brand image, wider customer reach, upsell and cross-sell efficiencies) indicate that it could be well worth the time and effort.

You don't have to go on this journey alone. Our team is here to partner with you and provide support along the way. We have experience and tools to seamlessly incorporate lifestyle factors into your risk assessment process and can help you develop actuarial assumptions to support dynamic pricing. As your strategic partner, we will also help you optimize your product and program design to best fit the needs of your customers and maximize impact.

Let's make the world more resilient, together

The life insurance market is evolving faster than ever and personalized policies that create shared value are in high demand. Engaging with customers on health and wellness is an excellent starting point for many insurers, and there is no better time than now.

Ongoing clinical and lifestyle data collection opens the door to product innovation and creates the opportunity for insurers to strengthen relationships with policyholders. More importantly, engaging with consumers on health & wellness can lead to meaningful behavior changes that result in improved health and longevity. In short: it's good for customers, it's good for re/insurers, and it's good for society.

We understand that with any innovation, it's important for the basic economics to work. Our research and global experience

reinsuring products with H&W engagement programs demonstrate that the commercial benefits of H&W engagement programs can outweigh the costs – and we're willing to "put our money where our mouth is." We have developed a model to estimate the potential impact of a H&W program and we stand behind it by providing improved reinsurance rates according to the estimated mortality and lapse savings of your specific program.

Whether you're just starting to think about H&W engagement programs, in the midst of developing your business

case and designing your own program, or ready to go to market – our teams of experts are here to help.

Reach out to one of the authors or your Swiss Re representative to learn more about how we can support you and embark on this journey together.



Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland
Telephone +41 43 285 2121
Fax +41 43 282 2999
www.swissre.com

Authors

Ashley Brodess

Strategy & Innovation Manager
ashley_brodess@swissre.com

Heather Majewski

Head Life & Health Solutions Americas
heather_majewski@swissre.com

Adam Musnitzky

Global Products Actuary
adam_musnitzky@swissre.com

Doug Rix

Head Global Underwriting R&D
Core & Innovation
doug_rix@swissre.com

Dan Widmann

US Actuarial Innovations Manager
daniel_widmann@swissre.com

Design

Swiss Re Corporate Real Estate & Services/
Media Production, Zurich

Photography

Getty Images

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