Economic Insights
COVID-19: accelerating digital health insurance take-up in China

Key takeaways

- We forecast 43% annual growth in online health insurance premiums in China to 2025.
- COVID-19 will encourage consumers to seek contactless routes to insurance products and prioritise health coverage.
- More than 60% of consumers prefer to buy simple and cheap insurance online, with health products among the top three.
- Gen Y consumers, aged under 40 and affluent, are most likely to trust insurance distributed online.
- Within the health segment, medical and short-term CI covers are the products consumers most prefer to buy online.

In a nutshell

China's online health insurance market is growing strongly, expected to expand at an average 43% per annum until 2025. Swiss Re surveyed consumer attitudes towards insurance, finding that more than 60% of interviewees prefer to buy simple and cheap insurance covers online, and health insurance is among the top three product types that consumers prefer to purchase online.

China's digital insurance sector is booming, and health covers are one of the top three products that consumers want to buy online. All-sector online insurance premiums reached CNY 269.6 billion in 2019, an average annual growth rate of 45% from CNY 29.1 billion in 2013 (when this data was first published). Last year, online health insurance premiums were up 92% from 2018, the fastest growing of all business lines, to CNY 23.6 billion. The segments' share of all-sector online premiums continued to rise to 8.8% from 6.4% the previous year.¹ The growth can be attributed to advances in insurtech, the infrastructure behind digital insurance, and to consumers' rising risk awareness and greater internet access. We forecast 43% average annual growth in online health insurance premiums over the next five years to a 20% share of all-sector online premiums by 2025, up from 10% in 2020. In health specifically, we expect that digital medical and short-term critical illness (CI) products will see the strongest growth.

We expect that the COVID-19 experience will further boost take-up of digital insurance. The pandemic has heightened consumers' health awareness, increasing demand for health cover. Lockdown measures have hindered agent sales this year, the predominant distribution channel, and consumers are increasingly seeking contactless online routes for services from health consultations to purchases of tailored insurance, particularly health policies.²

Insights from our recent consumer survey support this outlook. From December 2019 to February 2020, Swiss Re conducted a survey of Chinese consumers' attitudes to purchasing insurance, interviewing 3 000 people from Tier 1, 2 and 3 cities nationwide.³ The data (see Figure 1) show that more than half (60.8%) of interviewees prefer purchasing simple and cheap insurance products such as short-term health policies online, with convenience and simplicity the most cited advantages (69.3%). Almost half of users (49%) prefer to buy insurance online due to better information

About Economic Insights
Analysis of key economic developments and their implications for the global re/insurance industry.

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² According to various market data: Micro Insurance (Tencent) added 25 million new active users during the epidemic; gross premium income written in January-February 2020 by ZhongAn Insurance (China's first online-only insurer) was 55.2% higher yoy to CNY 2.565 billion.
³ Survey carried out by Swiss Re Life Capital from December 2019 to February 2020.
⁴ Interviewees were from seven cities: Tier 1: Beijing (800 samples), New tier 1: Hangzhou & Chengdu (800), Tier 2: Zhuhai & Dalian (800), Tier 3: Yichang. Tier 4: Pingdingshan (600). Surveyed population was 1500 male, 1500 female; four age groups: 500 <=25, 1000 <=26-35, 1000 <= 36-45, 500 =>45.
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Source: Compiled by Swiss Re Institute

Figure 1: Purchasing preferences of China’s insurance consumers and key reasons for purchasing online

Our survey finds that a higher percentage of “Generation Y” consumers aged under 40 with annual income of CNY 101 000 to CNY 300 000 are active internet users. In the case of CI covers, these consumers are more likely to trust insurance distributed online (64% vs. 52% for the whole sample population), especially by reputable third-party platforms (31%) and insurers’ websites (21%). Digitalised insurance solutions offer such consumers efficiency, low cost and can be integrated into their online ecosystems, enabling them to research and purchase products, as well as file claims.

For insurers, online third-party platforms create new customer touchpoints. Banner ads on platforms such as Alipay and weChat are emerging as key purchase channels in China, particularly for simple and cheap policies such as one-year CI cover (31.5% of interviewees had purchased via this channel), which consumers can make unplanned purchases of while browsing. Alipay is the most well-known (64.3% of interviewees) and trusted (89.8%) platform for insurance purchasers, followed by WeChat (47.5%, 67.6% respectively). Digitalised health insurance can also help insurers better understand their customers, using digital data sources to support individuals’ lifetime needs through personalised advice, seamless experience and value-add services.5

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