

# **UNIQA 3.0**

## **World View 2030**

# SUMMARY

This 2030 World View describes the key global developments which are set to change our lives, our industry and our markets in the next decade and beyond. The observations it contains are not to be understood as an absolute judgement, but rather as a current assessment. They are constantly being scrutinised, updated and critically examined.

Our analysis of the effects of the four megatrends – “demographic and social change”, “climate change and sustainability”, “low interest rates and the shift of economic power” and “innovation and digitalisation” – highlights the need for proactive further development and an anticipatory approach in our organisation and our services. Accordingly, all product ecosystems need to flexibly integrate new technologies and innovations such as e-mobility, Mobility as a Service or the smart home in the structures and services they offer, generate social added value, and promote climate-neutrality and sustainability. Particular challenges are present in the healthcare sector, which not only needs to find solutions for the increased medical needs of an ageing population, but also to offer a response to rising treatment and care costs.

A relevant factor for all ecosystems is the marked transformation in customer behaviour – particularly in higher-income segments – with customers becoming more independent and savvy and having higher expectations when it comes to service quality. In the future, the product and service portfolio offered by UNIQA needs to keep up with these changes while at the same time ensuring broad-based provision for the general population.

The 2030 World View aims to illustrate one thing above all else: radical global change doesn't just pose major challenges – it can also create opportunities for those who are prepared to acknowledge them.

One example of this is the current COVID-19 crisis, which as well as accelerating digitalisation and the nature of digital collaboration has also shown that people have the chance to overcome even huge global challenges if they act in a quick, decisive and united manner. The experiences we have gained during the COVID-19 pandemic give us hope that even the other major crisis of our time – the climate crisis – can also be overcome.

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# The four **MEGATRENDS** leading up to 2030

Megatrends are long-term developments which will have a major effect on our future way of life. For us, our development and our customers, the following four megatrends are the primary focus and represent the basis for our UNIQA 3.0 corporate strategy.



Demographic and  
social **CHANGE**



Climate change  
and **SUSTAINABILITY**



Low interest rates and the  
shift of **ECONOMIC POWER**



Innovation and  
**DIGITALISATION**



# Demographic and social CHANGE

## Key Facts

Although the global population is set to rise to approx. 8.5 billion by 2030, the rates of growth will decrease to different extents depending on the region. Europe is the only continent for which a decline in population is forecast by 2050. The reasons for this are low birth rates and the fall in net migration.<sup>1</sup> In our core markets (excluding Russia), we are expecting to see a decline in the population of around 7 million (4%) by 2030, while at the same time seeing an ageing society. In Austria alone – the market in which private pension provision is already an important business field for us – around a quarter of the population will be over 65 years of age in 2030.<sup>2</sup>

As is the case throughout most of Europe, birth rates in Eastern Europe are also low, ranging between 1.35 and 1.47 in 2016. According to forecasts, these figures are set to improve to between 1.70 and 1.80 in 2080.<sup>3</sup> Instead of immigration, the tendency in most Eastern European countries is still towards emigration to Central and Western European countries. Emigration primarily affects younger, more highly qualified workers.

Although even Austria's regions recorded slow but steady population growth, continuous urbanisation of the population has been identified over recent years.

- In the **UNIQA core markets**, populations will decrease: from 160 million in 2019 to 153 million in 2030. There are several reasons for this. **Net migration and fertility rates are decreasing, yet the average age is increasing:** in 2030, approx. 25% of the Austrian population will be aged 65 or over.<sup>5</sup>
- The trend towards urbanisation is **increasing:** in 2018, 60% of people in Austria lived in urban areas; by 2050, the figure will be 70%.<sup>6</sup>

Forecasts assume that around 70% of Austrians will live in urban agglomerations by 2050 – 10% more than currently do. In CEE countries such as Slovakia, Romania and the Czech Republic, the forecast level of urbanisation for 2050 – approx. 79%<sup>7</sup> – is even higher than in Austria.<sup>8</sup> Due to the considerable uncertainty caused by the COVID-19 pandemic, however, it is not currently possible to predict whether these forecasts will actually prove to be true. It is to be assumed that urbanisation will weaken at least to some extent.

Fig. 1: Population development in UNIQA core markets in millions of inhabitants<sup>4</sup>

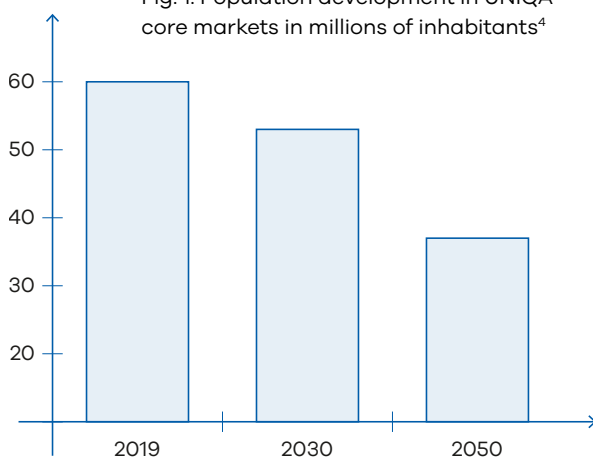
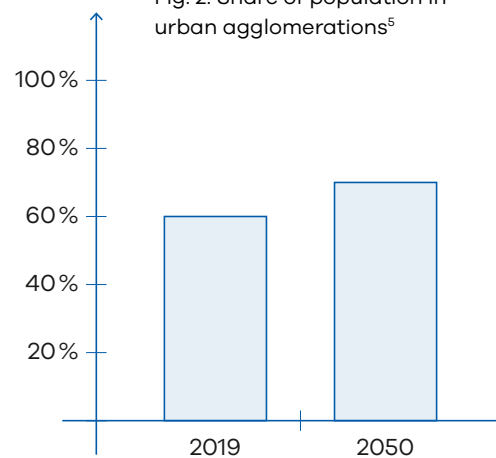


Fig. 2: Share of population in urban agglomerations<sup>5</sup>



<sup>1</sup> See Roman Römisch, Estimating Agglomeration in the EU and the Western Balkan Regions, Vienna 2015, <https://wiiw.ac.at/estimating-agglomeration-in-the-eu-and-the-western-balkan-regions-dlp-3900.pdf>, <sup>2</sup> See Statistics Austria, Population forecast for Austria 2018–2100 according to main scenario, Vienna 2019, [http://www.statistik.at/web\\_en/statistics/PeopleSociety/population/demographic\\_forecasts/population\\_forecasts/029024.html](http://www.statistik.at/web_en/statistics/PeopleSociety/population/demographic_forecasts/population_forecasts/029024.html), <sup>3</sup> See United Nations, Department of Economic and Social Affairs, World Population Prospects 2019, Data Booklet, New York 2019, p. 20, [https://population.un.org/wpp/Publications/Files/WPP2019\\_Data-Booklet.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_Data-Booklet.pdf), <sup>4</sup> Statistics Austria, Population forecast for Austria 2018–2100 according to main scenario, Vienna 2019, [http://www.statistik.at/web\\_en/statistics/PeopleSociety/population/demographic\\_forecasts/population\\_forecasts/029024.html](http://www.statistik.at/web_en/statistics/PeopleSociety/population/demographic_forecasts/population_forecasts/029024.html), <sup>5</sup> See United Nations, Department of Economic and Social Affairs, World Population Prospects, The 2017 Revision, Key Findings and Advance Tables, New York 2017, p. 1, [https://population.un.org/wpp/Publications/Files/WPP2017\\_KeyFindings.pdf](https://population.un.org/wpp/Publications/Files/WPP2017_KeyFindings.pdf), <sup>6</sup> See Roman Römisch, Estimating Agglomeration in the EU and the Western Balkan Regions, Vienna 2015, <https://wiiw.ac.at/estimating-agglomeration-in-the-eu-and-the-western-balkan-regions-dlp-3900.pdf>, <sup>7</sup> See United Nations, Department of Economic and Social Affairs, World Urbanization Prospects: File 2: Percentage of Population at Mid-Year Residing in Urban Areas by Region, Subregion, Country and Area, 1950–2050, New York 2018, [https://population.un.org/wup/Download/Files/WUP2018-F02-Proportion\\_Urban.xls](https://population.un.org/wup/Download/Files/WUP2018-F02-Proportion_Urban.xls) <sup>8</sup> See Roman Römisch, Estimating Agglomeration in the EU and the Western Balkan Regions, Vienna 2015, <https://wiiw.ac.at/estimating-agglomeration-in-the-eu-and-the-western-balkan-regions-dlp-3900.pdf>, <sup>9</sup> Barbara Nothegger, Urbanisierung: Zeitalter der Megastädte, Kurier, 1.6.2018, <https://kurier.at/wirtschaft/immobilien/urbanisierung-zeitalter-der-megastaedte/400040953> (only available in German)



# Climate change and SUSTAINABILITY

## Key Facts

Awareness of the consequences of climate change is increasing every year. Even if the Paris Agreement on climate change is adhered to, it is still assumed that the global temperature will rise by 1.5 °C by the year 2100.

This will result in higher temperatures in Austria and our Eastern European markets, leading to periods of drought, forest fires, less snow, but heavier rainfall, and consequently flooding and mudslides. These developments will not just affect the agricultural and forestry industries and ski resorts – which will suffer massively from an economic perspective – they will also result in serious natural catastrophes: in Austria alone, there have been eight severe floods over the last 14 years, resulting in damage totalling over 300 million euros in each case.<sup>10</sup>

Eastern Europe is exposed to similar environmental risks as Central and Western Europe; however, it still has work to do in terms of its contribution to reducing global warming as well as regarding the prevention of and its preparedness for environmental risks. For example, the development of renewable energies using public funds is still extremely limited in these areas. Compared with other continents, the environmental risks faced by Europe as a whole are less critical (less risk of water shortage and water contamination, good infrastructure in urban areas). One complicating factor, however, is the fact that the countries of Central and Eastern Europe (CEE) traditionally have a lower share of insured losses when it comes to natural catastrophes.

The rising temperatures are also affecting how we live, particularly in urban areas: more heatwaves are putting children and older people in particular at risk. In 2018, there were 766 heat-related deaths in Austria –

- Between 2035 and 2065, the forecast damage caused by flooding is set to increase from an average of 400 million euros to 1.2 billion euros.<sup>11</sup>
- The EU has set itself the target of reducing its emissions by 40% by 2030.<sup>12</sup>
- By 2050, the EU is aiming for Europe to be the first climate-neutral continent.<sup>13</sup>

almost double the number of people who died in road traffic accidents.<sup>14</sup>

Increasing requirements for cooling are increasing the use of resources – particularly with respect to electricity and water. Although Austria's water supply is secure, global water demand is set to rise by an estimated 20 to 30% by 2050.<sup>15</sup>

Back in 2018, the European Commission – a signatory to the Paris Agreement on climate change – initiated the Sustainable Finance Action Plan, in which various legislative projects are implemented with the aim of creating incentives for private “green” investment amounting to 180 billion euros a year. As part of the European Green Deal and with the aid of investments totalling 1 billion euros, the EU has now set itself the target of making the continent carbon-neutral by 2050.<sup>16</sup> Accordingly, 30% of the total expenditure from the EU budget and the Next Generation EU coronavirus recovery fund is to be dedicated to climate-related projects (such as switching from coal to more climate-friendly energy production).<sup>17</sup>

<sup>10</sup> See Global 2000, Klimawandel in Österreich, Vienna 2019, [www.global2000.at/klimawandel-oesterreich](http://www.global2000.at/klimawandel-oesterreich) (only available in German), <sup>11</sup> See Global 2000, Klimawandel in Österreich, Vienna 2019, [www.global2000.at/klimawandel-oesterreich](http://www.global2000.at/klimawandel-oesterreich) (only available in German) <sup>12</sup> See European Commission, 2030 Climate & Energy Framework, n.p. n.d., [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en) <sup>13</sup> See European Commission, 2050 long-term strategy, n.p. n.d. (2018), [https://ec.europa.eu/clima/policies/strategies/2050\\_en](https://ec.europa.eu/clima/policies/strategies/2050_en) <sup>14</sup> See Global 2000, Klimawandel in Österreich, Wasser, Vienna 2019, [www.global2000.at/klimawandel-oesterreich#wasser](http://www.global2000.at/klimawandel-oesterreich#wasser) (only available in German) <sup>15</sup> See UNESCO, Leaving No One Behind, n.p. 2019, p. 13, <https://unesdoc.unesco.org/ark:/48223/pf0000367306/PDF/367306eng.pdf.multi>, <sup>16</sup> See European Commission, A European Green Deal, n.p. n.d. (2019), [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en) <sup>17</sup> See European Council, Special European Council, 17–21 July 2020, n.p. 2020, [www.consilium.europa.eu/en/meetings/european-council/2020/07/17-21/](http://www.consilium.europa.eu/en/meetings/european-council/2020/07/17-21/)



# Low interest rates and the **SHIFT** of economic power

**Key Facts**

- Currently, negative interest rates are applied to Austrian five-year government bonds (-0,8 %; 2011+1,9 %).<sup>20</sup>
- The concentration of wealth is increasing.

The global economic balance of power is increasingly shifting towards Asia – and specifically towards China. Due to a number of serious crises (the 2008 financial crisis, the European debt crisis, COVID-19), the euro-zone is characterised by an expansionary monetary policy. The result of the ECB’s bond purchases is sustained low interest rates, which – according to economists – are not set to change in the short to medium term, and the consequences of which we experience on a daily basis: savers no longer receive any interest and property prices are on the rise – since 2008, they have increased almost three times faster than household incomes.<sup>18</sup>

The further development of the interest rate environment will have a huge influence on the insurance industry. Particularly companies which are committed to long-term contractual obligations (endowment policies, health insurance based on a life insurance model) in the field of personal insurance are faced with the question of how to ensure financial sustainability to deliver on their promises. The key aspect here is not the earning power of these insurance portfolios, but

rather the need to hedge against and avoid losses. Added to this are regulatory changes concerning solvency (solvency II) and international financial reporting (IFRS 9, IFRS 17), which lead to increased transparency but also to volatility in reporting and which could increase the cost of capital for insurers.

Designing new products is an equally challenging task. In the current interest rate environment, it is not possible to promise a guaranteed, positive yield for customer capital. This means a significant reduction of securities and yield expectations which inevitably entail a level of risk. This represents a radical change for the countries of mainland Europe in particular.

## Distribution of wealth in Austria

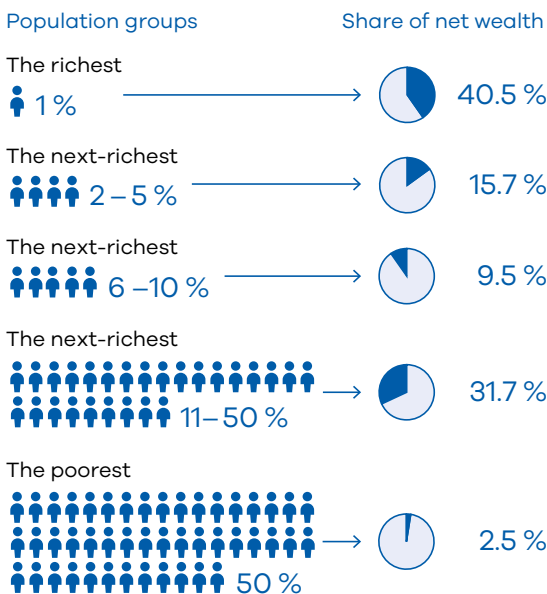


Fig. 4: Distribution of wealth in Austria<sup>19</sup>

## 10-year yields fall below zero in August 2019

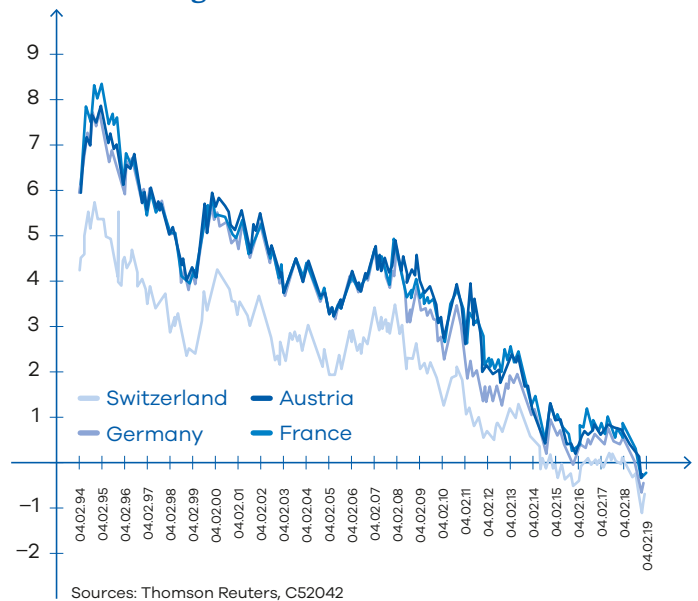
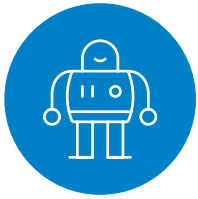


Fig. 3: 10-year yields fall below 0 in August 2019.<sup>21</sup>

<sup>18</sup> See Die Preise fürs Wohnen laufen den Einkommen davon, Salzburger Nachrichten, 18.9.2019, www.sn.at/wirtschaft/oesterreich/die-preise-fuers-wohnen-laufen-den-einkommen-davon-76394959 (only available in German) <sup>19</sup> See Gerald John, Neue Schätzung: Das reichste Prozent hat 40,5 Prozent des Vermögens, Der Standard, 28.9.2017, www.derstandard.at/story/2000064958312/neue-schaetzung-das-reichste-prozent-hat-40-5-prozent-des (only available in German), <sup>20</sup> See Österreich begab Staatsanleihen mit Rekord-Negativzins, Salzburger Nachrichten, 3.9.2019, https://www.sn.at/wirtschaft/oesterreich/oesterreich-begab-staatsanleihen-mit-rekord-negativzins-75702781 (only available in German) <sup>21</sup> See James Molony, The death of yields in six charts, n.p. 2019, www.schroders.com/en/insights/economics/the-death-of-yields-in-six-charts/



# Innovation and DIGITALISATION

**Key Facts**

Digitalisation is not a purely technical development – it is an industrial and social revolution driven by society as a whole. Digitalisation is changing all areas of business and provides companies who are prepared to innovate with effective leverage to enhance efficiency. The two most important areas of digitalisation concern the use of technical innovations (such as robotics) to automate standard activities and the use of artificial intelligence to optimise work processes and risk assessments.

Digitalisation has a huge impact on work and employment. Up to 40% of the activities currently completed by people could be carried out by machines.<sup>22</sup> One consequence of this is the growing importance of robotics.<sup>23</sup> By 2030, there will be more physical robots working worldwide than people. In the medium term, a large number of jobs and professions will therefore be lost (estimated at 12% in Austria<sup>24</sup>). By contrast, new activities and professions will take their place – and many of these will require higher levels of training and qualification. In addition, demand for professions and jobs in the service and consultancy sector is set to grow significantly over the coming years.

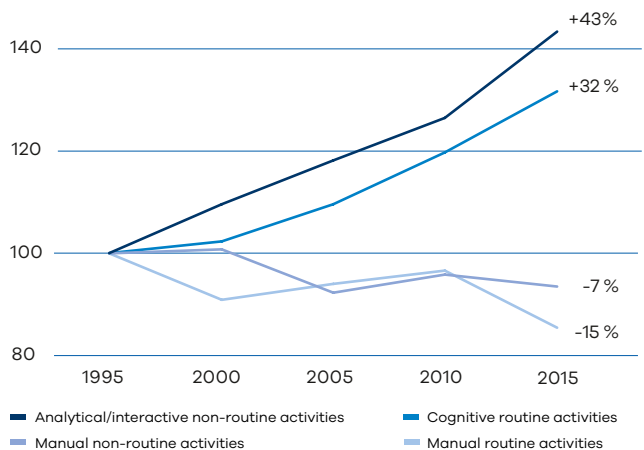
The increasing use of artificial intelligence (AI) will also revolutionise the world of business and work. The Austrian think tank Agenda Austria anticipates that data-driven artificial intelligence will influence work processes of the future perhaps more than any other technology in history.<sup>25</sup> Automation and digitalisation are also gaining traction in the finance sector, as can be seen in the huge increase in FinTech start-ups. Thanks to their size and flexibility, these small companies automate and digitise financial processes faster than established insurers and are therefore gaining a foothold in profitable niche segments. Their new and simple portfolios are transparent and user-friendly. In many areas, they are guiding the way for the insurance industry and are increasingly entering into partnerships with traditional insurers. These partnerships are set to grow by approx. 30% between 2017 and 2023.<sup>26</sup>

- The two main areas are the automation of standard manual activities and the use of artificial intelligence.
- 40 % of current activities can be automated.<sup>27</sup>
- There will be more partnerships between traditional insurers offering a full range of products and services and FinTech start-ups: 32% in 2016, 45% in 2017, 82% between 2020 and 2023.<sup>28</sup>

Nevertheless, digitalisation alone is not enough to ensure success in an increasingly dynamic, complex and volatile world. In addition, companies need to summon up the greatest possible understanding and empathy for customer needs as well as promoting the potential of their employee community. This is the only way it will be possible to respond to economic and social developments quickly enough and to create sustainable added value for the company and for customers. Successful companies such as Spotify, ING and Tesla have carried out successful pioneering work in this regard.

## For which activities is demand rising?

– Number of employed persons in Austria (Index, 1995=100)



Source: Peneder et al. (2016) and own calculations

Fig. 5: Which jobs have a future?<sup>29</sup>

<sup>22</sup> See McKinsey Global Institute, A Future that Works: Automation, Employment and Productivity, n.p. 2017, p. 5, www.mckinsey.com/~/media/mckinsey/featured insights/Digital Disruption/Harnessing automation for a future that works/MGI-A-future-that-works-Executive-summary.ashx, <sup>23</sup> See World Economic Forum, The Future of Jobs Report 2018, Cologne 2018, p. 8, http://www3.weforum.org/docs/WEF\_Future\_of\_Jobs\_2018.pdf, <sup>24</sup> See FinTech Kooperationsradar, n.p. 2018, www.pwc.de/de/finanzdienstleistungen/digital/fintech-kooperationsradar.html (only available in German) <sup>25</sup> See McKinsey Global Institute, A Future that Works: Automation, Employment and Productivity, n.p. 2017, p. 5, www.mckinsey.com/~/media/mckinsey/featured insights/Digital Disruption/Harnessing automation for a future that works/MGI-A-future-that-works-Executive-summary.ashx <sup>26</sup> See FinTech Kooperationsradar, n.p. 2018, www.pwc.de/de/finanzdienstleistungen/digital/fintech-kooperationsradar.html (only available in German), <sup>27</sup> See McKinsey Global Institute, A Future that Works: Automation, Employment and Productivity, n.p. 2017, p. 5, www.mckinsey.com/~/media/mckinsey/featured insights/Digital Disruption/Harnessing automation for a future that works/MGI-A-future-that-works-Executive-summary.ashx <sup>28</sup> See FinTech Kooperationsradar, n.p. 2018, www.pwc.de/de/finanzdienstleistungen/digital/fintech-kooperationsradar.html (only available in German), <sup>29</sup> See Agenda Austria, Digitalpotenzial, n.p. 2018, https://digitalisierung.agenda-austria.at/abschnitt/2-arbeit (only available in German) World View 2030 / UNIQA 3.0



# EFFECTS on customer behaviour

The megatrends described here not only have a major influence on the structure of society and macroeconomics, they also affect the way people behave and their relationship with consumption.

## PEOPLE and social change:

Rapid demographic and social change is changing people and their wants and needs. Key developments are an ageing population, which leads to increased needs for health services, urbanisation and the increasing significance of working women with respect to consumption.

The consumer of the future is more likely to be older, female and live in a city. Added to this is the fact that gross domestic product will be negatively affected by demographic change, as can be seen in the graph below.

### The cost of demographic change by 2040

Attenuating effects on GDP per capita due to demographic ageing in euros (at 2010 prices)\*

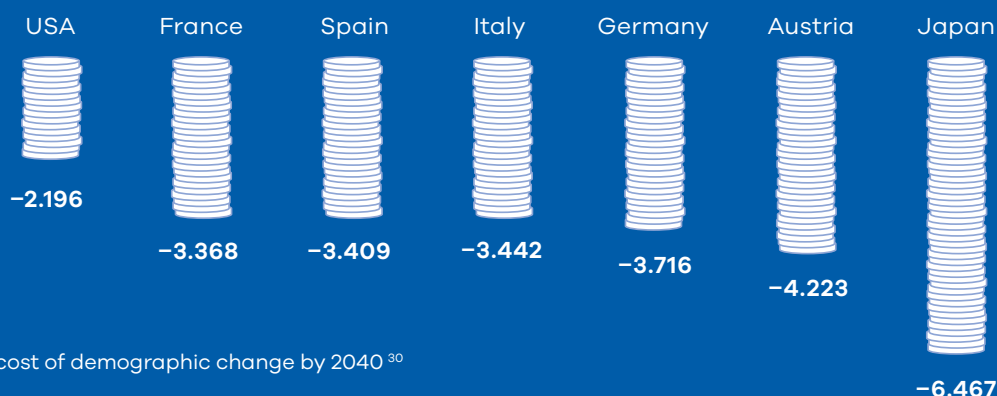


Fig. 6: The cost of demographic change by 2040 <sup>30</sup>

<sup>30</sup>Bertelsmann Stiftung, Das kostet der Demografische Wandel 2040, n.p. 2019, [www.bertelsmann-stiftung.de/de/mediathek/medien/mid/das-kostet-der-demografischewandel-2040](http://www.bertelsmann-stiftung.de/de/mediathek/medien/mid/das-kostet-der-demografischewandel-2040) (only available in German)

\* A hypothetical scenario in which the population remains constant at its 2018 level serves as the basis for comparison. Source: Study on the Macroeconomic Consequences of Ageing and Directed Technological Change (Bertelsmann Stiftung 2019)

# PEOPLE and climate change:

Young people belonging to Generation Z (those born between 1997 and 2012) in particular are increasingly turning to companies that are committed to environmental protection and sustainability. According to a study from the internationally renowned consultancy firm OC&C Strategy Consultants, 42% of those surveyed prefer companies that operate sustainably.<sup>31</sup>

For Generation Z, climate change is the central topic in social discourse. This is also evidenced in the annual human rights survey "Future of humanity" conducted by Amnesty International, in which more than 10,000 young people aged between 18 and 25 and located in 22 countries are asked which issues they feel are most important to them.

## Which, if any, of the following do you see as the most important issues facing the world and facing your country?

World  Your country

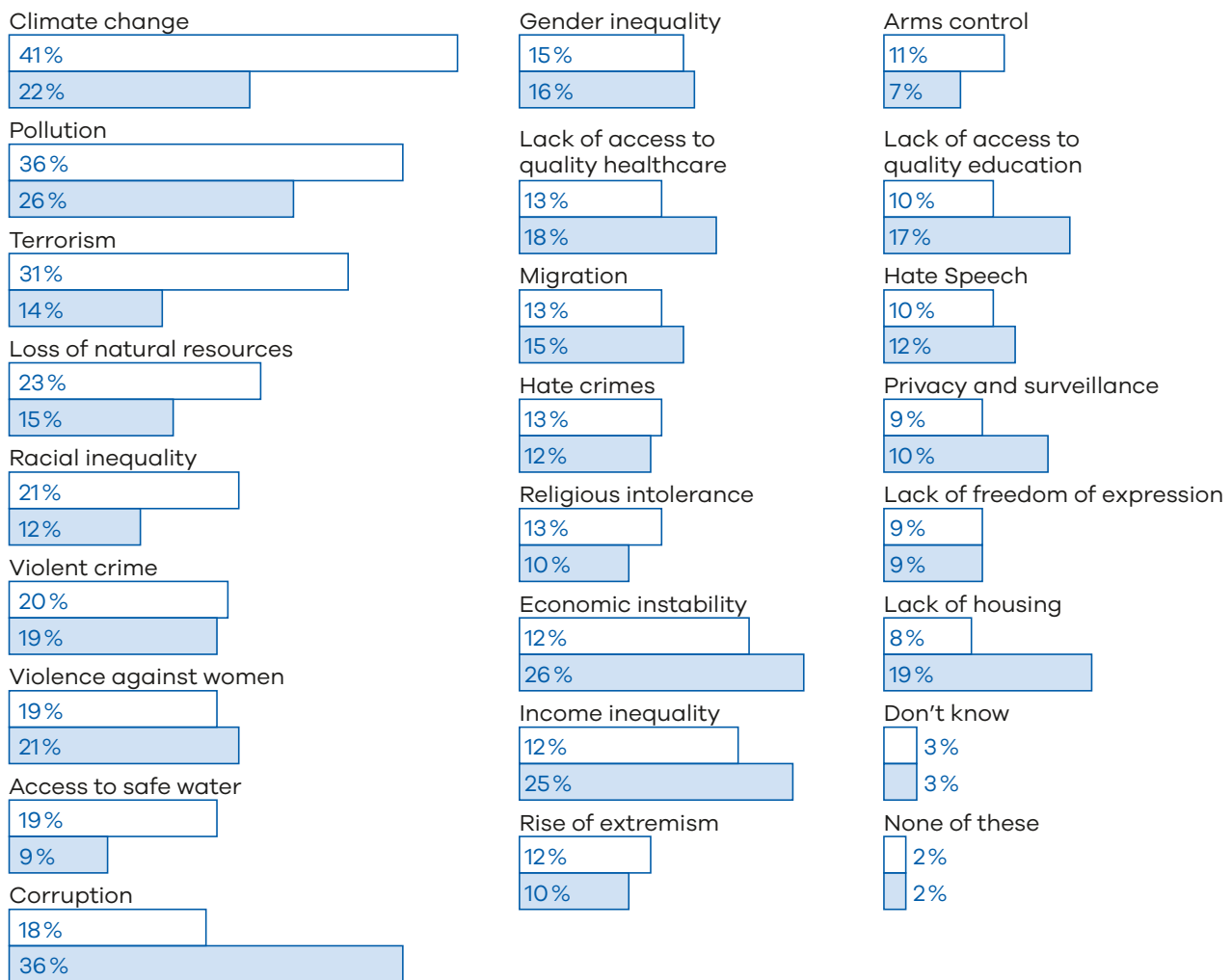


Fig. 7: The importance of climate change among Generation Z<sup>32</sup>

<sup>31</sup> See Christopher Treiber, Individuell, anspruchsvoll, sozial verantwortlich, n.p. n.d., [www.toys-kids.de/industrie-handel.html?topic\\_id=644](http://www.toys-kids.de/industrie-handel.html?topic_id=644) (only available in German)  
<sup>32</sup> Amnesty International, Amnesty-Umfrage zu Menschenrechten. Klimawandel ist wichtigstes Thema unserer Zeit für „Generation Z“, o. O., 2019, [www.amnesty.at/presse/amnesty-umfrage-zu-menschenrechten-klimawandel-wichtigstes-thema-unserer-zeit-fuer-generation-z/](http://www.amnesty.at/presse/amnesty-umfrage-zu-menschenrechten-klimawandel-wichtigstes-thema-unserer-zeit-fuer-generation-z/)

# PEOPLE and macroeconomic change:

Where classic forms of saving used to be a good way of accumulating assets and wealth, low interest rate policies mean that opportunities for young people to build up assets today are extremely limited and the unequal distribution of wealth is growing. In response to this, new concepts for a sharing economy are becoming more important than ever before. The sharing economy describes the systematic lending and mutu-

al provision of objects, spaces and areas, particularly by private individuals and interest groups. According to a study conducted by PwC, 47 %<sup>33</sup> of the Austrian population were already using sharing economy services in 2017 – a clear sign that actual ownership is taking a back seat to intelligent and resource-saving use in the minds of many people.

## Usage of sharing economy services in Austria and internationally

% of respondents who have used/plan to use a sharing economy service

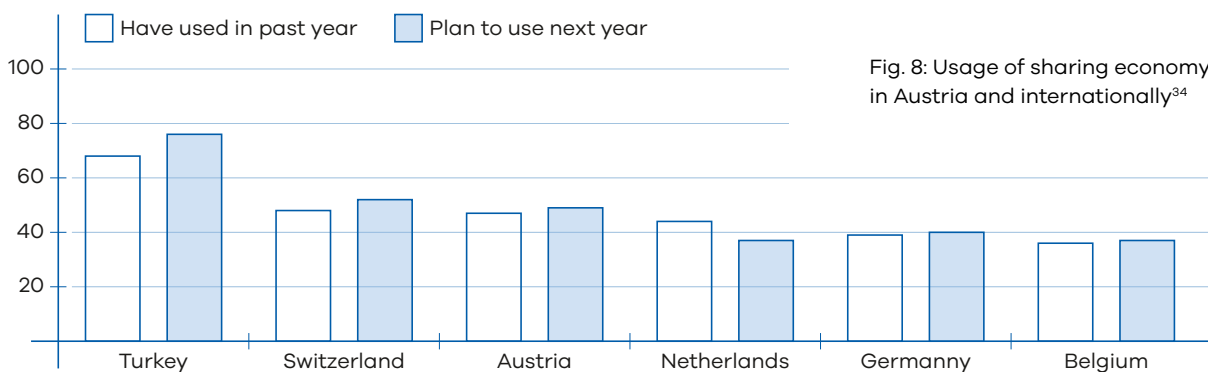


Fig. 8: Usage of sharing economy services in Austria and internationally<sup>34</sup>

# PEOPLE and digitalisation:

Digitised processes and the already extensive use of mobile devices are making customer data easier to manage and are increasing demands for the rapid processing and handling of customer enquiries, meaning that online and offline services are becoming ever more intertwined. One result of this is the high level of acceptance enjoyed by cashless payments – an area where the CEE region is leading the way.

Tolerance of technical shortcomings is set to decrease dramatically for the coming generation of customers. Today, customers expect easy-to-understand products and applications for which they can obtain clear information about the status of the service and which they can help shape through their own decisions. Social media platforms and online communities are becoming important opinion leaders – particularly in urban areas – when it comes to purchasing decisions. This trend is being accelerated by the fact that information is becoming more democratised and decentralised.

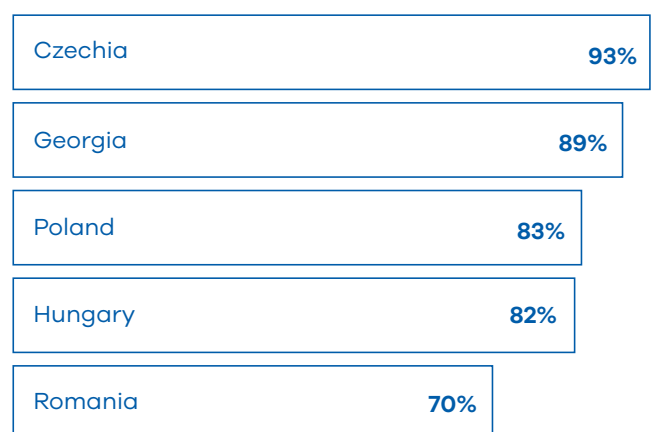


Fig. 9: The top 5 countries with the highest share of contactless payment transactions<sup>35</sup>

<sup>33</sup> See Barbara Lang, PwC Studie: Knapp die Hälfte aller Österreicher nutzt bereits Share Economy-Angebote, APA/OTS, 26.2.2018, [www.ots.at/presseaussendung/OTS\\_20180226\\_OTS0065/pwc-studie-knapp-die-haelfte-aller-oesterreicher-nutzt-bereits-share-economy-angebote-bild](http://www.ots.at/presseaussendung/OTS_20180226_OTS0065/pwc-studie-knapp-die-haelfte-aller-oesterreicher-nutzt-bereits-share-economy-angebote-bild) (only available in German) <sup>34</sup> PwC Österreich, Share Economy, n.p.n.d., [www.pwc.at/de/dienstleistungen/unternehmensberatung/sharing-economy.html](http://www.pwc.at/de/dienstleistungen/unternehmensberatung/sharing-economy.html) (article only available in German; report in English) <sup>35</sup> Statista, Share of contactless payment transactions at POS (points of sale) in selected countries in Europe in 2018, n.p. 2018, [www.statista.com/statistics/946228/contactless-payments-market-share-at-pos-in-europe-by-country/](http://www.statista.com/statistics/946228/contactless-payments-market-share-at-pos-in-europe-by-country/)

# TRENDS in core business fields

Taking our cue from these megatrends, we will use the following chapters to examine their effects on our four core business fields (ecosystems):



**HEALTH**



**PROVISION**



**MOBILITY**



**HOME**



# HEALTH

Current developments are also having a major impact in relation to health. In particular, demographic change, changing patient/customer behaviour, new care models, the increase in public expenditure and new technologies (e-health) will result in permanent changes to the healthcare sector.

## Increasing life expectancy

Life expectancy will continue to increase thanks to medical advances. However, the gap in life expectancy between different social classes is getting wider, as the rate is increasing more slowly among socially disadvantaged groups. Another factor – and one which is associated with life expectancy – is an ageing population. By 2050, one in every four people in Europe could be over 65.<sup>47</sup> The proportion of obese people in the total population is also set to rise further due to overeating, poor diet and lack of exercise. As a result, typical lifestyle diseases and chronic illnesses are becoming more common. Among people from disadvantaged backgrounds, these illnesses are becoming more prevalent among children and young people. The number of years that people live with chronic illnesses in particular has increased worldwide by more than a quarter since 2000.

## Years lost to disability (millions)

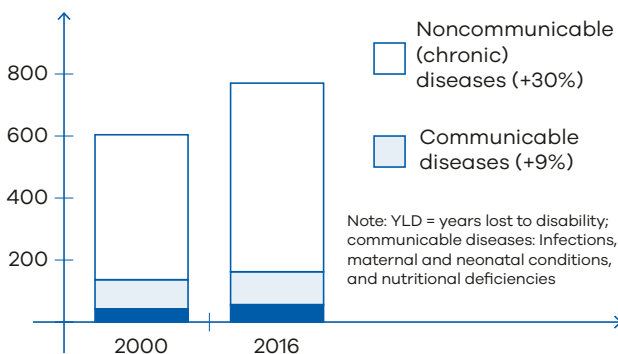


Fig. 11: Increase in years lost to disability globally between 2000 and 2016<sup>48</sup>

A very small proportion of the population will live a healthy life despite suffering from illness, while the majority will try to live a healthy life with some success. This population group will also be highly active in the first phase of old age (65 to 75). In addition, the general acceleration of life – due to permanent digital communication and availability – will continue to advance and have effects on mental health. There are indica-

tions that a third of the population will face mental health problems at least once in their life.

These trends have far-reaching effects on the public health and pension system: fewer and fewer working people are financing more and more pensioners and their increasing needs for medical care. One aim of the healthcare sector must therefore be to ensure that people are able to work. To achieve this objective, more and more medical and psychological treatments will be necessary, which will also result in a significant increase in the insurance services expected. Accordingly, innovative ways of restructuring and designing care models are absolutely essential.

## Medical advances

Medicine is standing on the threshold of a major upsurge of innovation. Major breakthroughs have been made in recent years in a whole host of fields, including genetics, neuropsychology, nanotechnology, the permanent recording, transmission and evaluation of biometric data, the use of big data, artificial intelligence and robot technology.

These breakthroughs are resulting in new therapies and diagnostic methods (such as individual genetic analyses). As a result, treatments and health recommendations, such as how to exercise correctly and maintain a balanced diet, can be perfectly tailored to the patient. In addition, automated analyses of health-related data will enable degenerative processes to be detected at an early stage and allow the risks to be identified much sooner. The countless new possibilities are leading to a growing number of providers of medical services. At the same time, an ageing population, declining numbers of medical students and the growing trend towards emigration mean that there are fewer and fewer doctors. Due to the shortage of general practitioners – a situation which is becoming an increasing problem in rural areas in particular – the way care is coordinated in an ever more complex health system is suffering. In future, there will be an increasing need for consultation and guidance in this regard. As a result, the use of digital platforms, telemedicine and concierge healthcare will rise. A key pillar for this development is the digitisation of patient files and the networking of healthcare providers.

Thanks to medical advances, many diseases are no longer fatal but do require long-term and intensive

<sup>47</sup> United Nations, Department of Economic and Social Affairs, World Population Prospects 2019, Highlights, New York 2019, p. 16, [https://population.un.org/wpp/Publications/Files/WPP2019\\_Highlights.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf), <sup>48</sup> WHO, Health Estimates 2016: Disease burden by Cause, Age, Sex, by Country and by Region, 2000–2016, Geneva 2018, [https://www.who.int/healthinfo/global\\_burden\\_disease/estimates/en/index1.html](https://www.who.int/healthinfo/global_burden_disease/estimates/en/index1.html)

treatment. Increasing treatment periods and intensities, an ageing population and the use of modern technologies will also entail higher costs. These present financial challenges for statutory health insurance, hospital authorities in the federal provinces and major health insurers. According to estimates, expenditure on personal health and home care will rise by approx. 50% by 2030. Annual growth rates in real terms of 3 to 5% will far exceed the growth of the economy as a whole.<sup>49</sup> However, there is not expected to be a clear departure from the paradigm of “access for all” in the period under consideration. In order to prevent the health services offered being scaled back, it is therefore essential to develop new, innovative solutions. Effective cooperation between the state and private agencies is certainly an option.

For broad, more affluent groups of society and sections of the media, private health insurance has long been regarded as an indispensable requirement to ensure access to “better” medicine. The primary aim here is to have the freedom to choose the medical facility (doctor and hospital) and to avoid waiting times; however, people are also looking to receive special medical care, enjoy a higher standard of comfort and – in exceptional cases – to benefit from treatment abroad.

### Patients are becoming customers

In the healthcare sector, the behaviour of patients is also changing. Many are becoming more savvy, expect a higher level of quality and are better informed. It holds that the higher the patient’s level of education and income, the more likely they are to regard health as a consumer product. The mere absence of illness is no longer seen to be sufficient. Instead, people wish to enjoy greater well-being and receive support to “optimise” themselves. The medical system is transforming from a system which simply provides acute treatment to one that aims to prevent illness and disease, and from a system providing basic services to one offering additional services (spa treatments, fitness and nutritional advice, stress prevention, etc.). Many people are prepared to share their health data – data which in many cases they have measured themselves – with trustworthy institutions and companies (particularly for services such as disease management programmes and second opinion services).

As the availability of (supposed) medical knowledge increases, it is not only the patients’ autonomy that is enhanced, but also their uncertainty. This in turn results in a greater need for transparency and quality with respect to treatment. Playing a key role here are

peer-to-peer platforms, YouTube, apps, etc., while traditional “health influencers” such as school doctors are becoming less of a factor. A transformation where patients become customers is taking place. This new understanding of how we see ourselves changes the expectations we have regarding service quality, waiting times and the integration of modern means of communication. Publicly accessible data on customer satisfaction will therefore represent an important decision-making criterion for customers in future.

### Technology and e-health

E-health is a major and growing market which is estimated to be worth around 3.4 billion US dollars in Europe.<sup>50</sup> It comprises a wide range of technologies and products for monitoring, ensuring the safety of and caring for patients.

With telemedicine, modern means of communication can be used to overcome the physical distance between patients and medical professionals – doctors, pharmacists, therapists – as well as between consulting medical service providers. This enables networked experts to make treatment decisions that are more tailored to the individual. Telemedicine is therefore an effective tool for the areas known as “precision” or “personalised” medicine

Telecare technologies can help older people to enjoy a high level of independence for as long as possible. The technologies can also be used outside of smart home infrastructures and can be integrated into existing homes without the need for significant financial investment. Telecare technologies primarily consist of equipment from three categories: sensors and monitoring equipment for measuring and transferring health data to medical professionals and/or databases, plus ambient sensors which issue alarms automatically in life-threatening situations; communication and teleconferencing equipment to establish contact with medical professionals from home; smart phone apps which function as management and reminder systems (advising when to take medication, for example) for chronic illnesses.

However, it is not yet possible to predict when e-health technologies will gain real acceptance in the market and become the treatment standard in Europe. Furthermore, data privacy concerns and legal frameworks regarding reimbursement systems, contractual agreements and advertising guidelines represent major obstacles on this path.

<sup>49</sup> Stefan Schimann, Langfristige Perspektiven der öffentlichen Finanzen in Österreich Projektionen des Staatshaushalts bis 2050, n.p. 2013, p. 21–24, <https://ideas.repec.org/b/wfo/wstudy/46670.html> (only available in German) <sup>50</sup> See Europe E-Health Market Research Report, n.p. 2019, [www.marketdataforecast.com/market-reports/eu-e-Health-market](http://www.marketdataforecast.com/market-reports/eu-e-Health-market)



# PROVISION

In a 2016 study conducted by the Geneva Association, the global pension gap (the difference between active income and state pension benefit) was estimated at 41 trillion US dollars, equating to 55% of global GDP. The study was based on an outlook spanning the next 40 years. Reducing the pension gap to 10 trillion US dollars would require the population to be fit for work up to the age of 69, while also making sure there are enough jobs for younger people – a huge challenge for our health system.<sup>51</sup> Closing the gap in its entirety is regarded as an unrealistic prospect. In Europe in particular, there is consensus in the European Commission that there needs to be a push to improve pension financing by providing significant incentives (such as expanding funded private and occupational pension schemes) and subsidies.<sup>52</sup>

## Development scenarios for state provision and the need to face facts

Two scenarios for the public pension system are possible based on the current framework. In the first scenario, the anticipated additional burden could be financed in the short term by taking on new government debt. In view of the strain that the coronavirus pandemic is placing on budgets and the already high levels of national debt present within the EU-27 (accounting for 95.1% of GDP; 78.8% of GDP in Austria), there is only a little leeway remaining for this financing strategy.<sup>53</sup> The second scenario – and the one that is much more likely over the long term – involves making drastic cuts to state pensions.

## Winners and losers in the long-term low-interest environment

Demographic changes, combined with the low-interest environment, are increasingly putting a strain on even private provision arrangements such as pension funds, as it is virtually impossible to achieve satisfactory returns on the bond markets. What's more, thanks to medical advances resulting in an ageing population, these funds need to be able to provide for more and more people enjoying longer and longer retirements. Over the long term, this burden on the pension system harbours the potential for significant conflict between younger and older generations.<sup>54</sup> One possible serious consequence of this is that the sense of social solidarity may decrease. As a result, our social system is in danger of losing its ideological and economic foundations. European citizens should therefore look into the options of a personal pension and a savings strategy at an early enough stage in their lives.

In reality, however, only a small proportion of people have the necessary expertise and knowledge to decide

what investment strategy to meet their needs. Financial education therefore needs to be promoted more actively throughout society in future.

## State, collective and personal provision

Both society as a whole and each individual are faced with the decision of which financial investments to prioritise over the course of their lifetime. It will become increasingly difficult to finance a lifetime lasting an average of 90 years and comprising 40 to 45 working years. What is more, continuous employment is not set to remain the default model that it has traditionally been.

While our ability to create value – whether through automation or digitalisation – will remain undimmed, fewer and fewer “human hands” will be required for production processes and services. The extent to which the redistribution of government funds and the private arrangements made by individuals will adequately complement each other is up to decisions made in both politics and society. Here, the insurer, along with its investor and customer capital, contributes to the wider discourse and can also help to overcome further social challenges by offering a broader range of services. In addition to moderating collective risk regarding endowment and term life insurance, stakeholders in the insurance sector are increasingly expected to offer additional benefits alongside a return on investment.

## Additional benefits thanks to expertise in sustainable investment

Augmenting the investment portfolio with results-based investments on the one hand and the bold financing of innovative types of services on the other are challenging tasks. If implemented successfully, however, these approaches promise to strengthen the customer relationship as well as achieve sustainable growth. Furthermore, measures which combat climate change and promote social responsibility are now being actively demanded from many stakeholders in the insurance industry. With this in mind, the EU's regulations require the transparent disclosure of non-financial strategies and their impacts on investment decisions. In addition, new, non-financial indicator systems are applied in order to make the ecological or social impact and the endowed benefit tangible and measurable in the investment. As a result, the ability to adopt an approach based on sustainability for asset management and when developing financial products is set to become the core competency expected of insurance providers.

<sup>51</sup> The Geneva Association, The Pension Gap Epidemic, Zurich 2016, p. 4, [www.genevaassociation.org/sites/default/files/research-topics-document-type/pdf\\_public//thepension-gap-epidemic.pdf](http://www.genevaassociation.org/sites/default/files/research-topics-document-type/pdf_public//thepension-gap-epidemic.pdf) <sup>52</sup> See Gerhard Bäcker, Ernst Kistler, Empfehlungen zur Ausgestaltung der Rentensysteme, Bundeszentrale für politische Bildung, 30.1.2020, [www.bpb.de/politik/innenpolitik/rentenpolitik/292987/empfehlungen-zur-ausgestaltung-der-rentensysteme](http://www.bpb.de/politik/innenpolitik/rentenpolitik/292987/empfehlungen-zur-ausgestaltung-der-rentensysteme) (only available in German) <sup>53</sup> Österreichische Nationalbank, Vienna 2020, <https://www.oenb.at/isaweb/report.do?sessionId=EFD41F1B3AFB36BCD0A971D3E4F77FFD?report=10.17> <sup>54</sup> Raja Korinek, “Es wird zu Konflikten zwischen Jüngeren und Älteren kommen”, interview with Burkard Varnholt, Chief Investment Officer of Credit Suisse, Private Banking, WirtschaftsMagazin Die Presse, May 2017, p. 20–23, [https://diepresse-vermarktung.com/mediadb/pdf/private-banking\\_mai2017.pdf](https://diepresse-vermarktung.com/mediadb/pdf/private-banking_mai2017.pdf) (only available in German)



## MOBILITY

Radical changes are also being seen in the mobility segment as a consequence of climate change: new forms of sustainable mobility need to be established while also ensuring that people's needs for mobility are met. Particular areas of focus include the EU's Vision Zero strategy, the development of autonomous electric vehicles, vehicle networking and Mobility as a Service.

### Vision Zero

The EU Commission has adopted the Vision Zero approach. The aim of this strategy is to completely eliminate fatal road accidents by 2050 by making more use of active safety systems. A large proportion of cars, and even lorries, already have systems such as ESP, distance control and lane assistance systems. Newer vehicle and driver monitoring systems are increasingly being integrated as standard and work continually to promote road safety. In addition, the strategy includes measures to reduce emissions as well as to promote the development of autonomous driving and connected vehicles.

### Autonomous and electric

When it comes to autonomous cars, the wheels are already in motion. The first fully autonomous cars are set to be launched on the market in 2025. Market analyses estimate that approx. 12% of vehicles will either be partially or fully autonomous by 2025, equating to an estimated value of 42 billion US dollars.<sup>44</sup>

Electromobility is also gaining in importance despite the problems it has experienced with range and charging infrastructure. The answer to the question of which drive technology will gain acceptance in the future, however, will depend not only on ecological and macroeconomic factors, but also on as yet unforeseen technological advances.

Hydrogen has so far played a minor role as a drive

technology. However, technical progress regarding its expensive production process and awkward refuelling could change all that in the future. As with electromobility, the challenge for hydrogen mobility is to provide an adequate filling station infrastructure.<sup>45</sup>

### Connected vehicles

The term "connected vehicles" refers to the use of various communication technologies to network vehicles with the driver, other vehicles on the road and the road infrastructure. The aim of this technology is to improve road safety while also enhancing vehicle efficiency and traffic flow (reducing emissions).

### Mobility as a Service (MaaS)

In addition, the availability and usage of bookable mobility solutions is on the rise and now covers the entire range of mobility options, such as bicycles, scooters, electric mopeds and cars. According to a PwC study, more than one third of the kilometres driven in 2030 could involve mobility services such as car sharing.<sup>46</sup> By 2030, these services could already account for between 15 and 20% of the global kilometres travelled. Despite an increase in the absolute sales figures in the automotive industry, growth in car sales is expected to halve by this date.

Huge investments are being made in public transport in urban areas and for long-distance routes. This investment relates not only to the transport infrastructure, but also to user-friendliness, which is being driven forward by apps and cross-provider services. New approaches such as dynamic dial-a-bus solutions which do not have predefined routes are being devised and aim to personalise public transport and make it more cost-effective. Nevertheless, the rising costs cannot be fully covered by public funding, resulting in price increases for customers.



## HOME

The "Home" ecosystem brings together all the needs of our customers arising in connection with building, owning and living in property. We will be focusing in par-

ticular on the change in household structures, sustainability, the smart home and ambient assisted living (AAL).

<sup>44</sup> See Xavier Mosquet et al., Revolution in the Driver's Seat: The Road to Autonomous Vehicles, n.p. 2015, [www.bcg.com/publications/2015/automotive-consumer-insight-revolutiondrivers-seat-road-autonomous-vehicles](http://www.bcg.com/publications/2015/automotive-consumer-insight-revolutiondrivers-seat-road-autonomous-vehicles) <sup>45</sup> See Peter Phleps, Irene Feige, Kerstin Zapp, Die Zukunft der Mobilität, Munich 2015, [www.ifmo.de/files/publications\\_content/2015/ifmo\\_2015\\_Zukunft\\_der\\_Mobilitaet\\_Szenarien\\_2035\\_de.pdf](http://www.ifmo.de/files/publications_content/2015/ifmo_2015_Zukunft_der_Mobilitaet_Szenarien_2035_de.pdf) (only available in German) <sup>46</sup> See PwC, Five trends transforming the Automotive Industry, n.p. 2017/2018, p. 9, [www.pwc.at/de/publikationen/branchen-und-wirtschaftsstudien/easycy-five-trends-transforming-the-automotive-industry\\_2018.pdf](http://www.pwc.at/de/publikationen/branchen-und-wirtschaftsstudien/easycy-five-trends-transforming-the-automotive-industry_2018.pdf)



### Changing household structures

The average household in the EU is made up of 2.3 people, with two thirds of all households comprising only one or two people.<sup>36</sup> Increasing life expectancy is heightening this trend and leading to an increase in single and two-person households among older people. For these residential properties, there is a high requirement for safety and comfort.<sup>37</sup> In particular, the question of the affordability of a home will be of crucial importance, especially for young people. Due to the sharp increases in property prices, it is becoming increasingly difficult for young people to purchase their

own apartment or a single-family home. 54% of Austrian men aged between 20 and 29 live at home with their parents.<sup>38</sup> In the CEE region, this figure is even higher. The rising number of one-person households is also set to increase further among both younger and older members of society. An increasing proportion of society's resources will be needed to look after and care for older population groups who feel lonely and alone. In addition, the proportion of patchwork families is also set to grow, while traditional nuclear families are declining. This will result in changing requirements when it comes to financial provision.

### Household sizes in the EU from 2010 to 2019 in millions

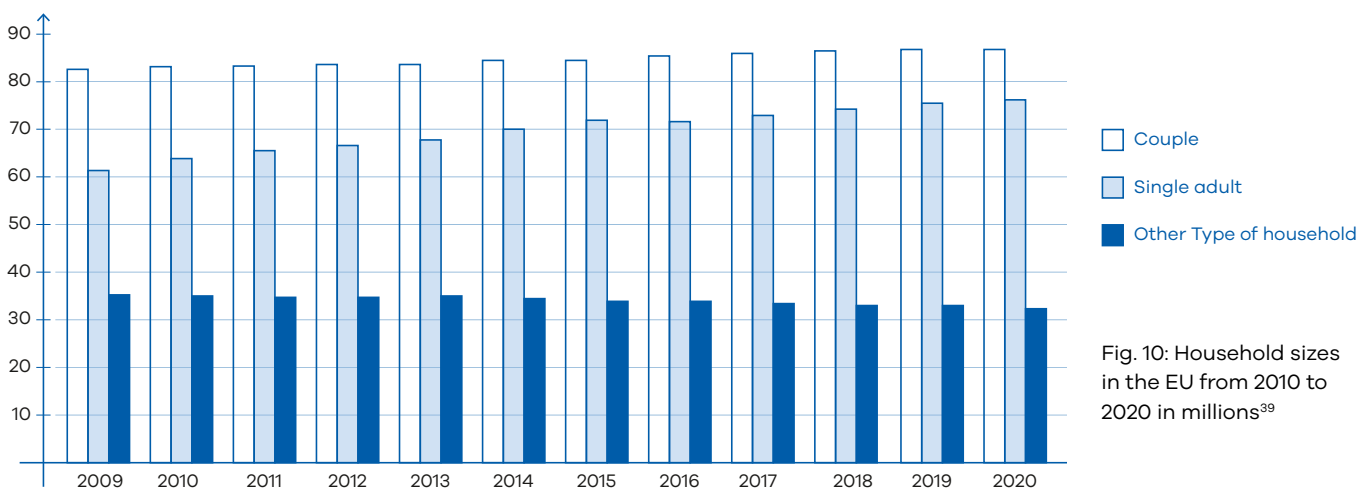


Fig. 10: Household sizes in the EU from 2010 to 2020 in millions<sup>39</sup>

### Sustainability

The most important trend with respect to housing is ecological and hence economic sustainability. This involves both saving energy and using it efficiently (in the form of passive houses, for example).

Back in 2009, the EU decided that at least 80% of households should be fitted with a smart meter by 2020 (E-Control, 2018<sup>40</sup>). By the end of 2018, 1,060,000 smart meters had been installed in Austrian households, equating to a share of just 17%.<sup>41</sup> In 2019, the share had increased slightly to 20%.<sup>42</sup> Social sustainability is also an important trend and is leading to an increase in community-led construction projects and plans as well as to the development of new ways of living together that enable us to save resources.<sup>43</sup>

### Smart homes

The term "smart home" refers to the digitalisation and technological development of one's own home. It includes the control of infrastructure such as blinds, lights,

heating (home automation), increasing networking of household appliances with the internet (connected home) and digital personal assistants, which increasingly are able to carry out simple tasks such as providing information or making restaurant reservations using voice commands. Smart homes provide the cornerstone for efficiently organised smart cities.

### Ambient assisted living (AAL)

Increasing life expectancy and the associated restrictions and changing needs in the areas of medical care, accessibility in the home and safety are increasingly giving rise to new questions relating to care and provision for the future. Ambient assisted living (AAL) primarily concerns communication and information technologies which support people in their daily lives and promote personal safety (such as sensors which detect if someone has had a fall). AAL therefore helps older people and people with a disability in particular to choose to live independently in their own homes for as long as possible.

<sup>36</sup> See Eurostat Key Figures on Europe – 2017 edition <https://ec.europa.eu/eurostat/documents/3217494/8309812/KS-EI-17-001-EN-N.pdf/b7df53f5-4faf-48a6-aca1-c650d40c9239>

<sup>37</sup> See Statistics Austria, Living arrangements, Vienna n.d., [http://www.statistik.at/web\\_en/statistics/PeopleSociety/population/households\\_families\\_living\\_arrangements/living\\_arrangements/index.html](http://www.statistik.at/web_en/statistics/PeopleSociety/population/households_families_living_arrangements/living_arrangements/index.html), <sup>38</sup> See Jeder Zweite zwischen 20 und 29 wohnt bei den Eltern, Der Standard, 12.8.2013, [www.derstandard.at/story/1375626331210/jeder-zweite-bis-29-wohnt-bei-seinen-eltern](http://www.derstandard.at/story/1375626331210/jeder-zweite-bis-29-wohnt-bei-seinen-eltern) (only available in German), <sup>39</sup> Eurostat, Household Composition Statistics, o. O. 2020, [https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=File:Households\\_by\\_type\\_in\\_the\\_EU,\\_2010-2020\\_\(in\\_millions\).png](https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=File:Households_by_type_in_the_EU,_2010-2020_(in_millions).png), <sup>40</sup> See E-Control, Smart Metering – Rechtliche Grundlagen, n.p. n.d., [www.e-control.at/konsumenten/smart-meter/rechtliche-grundlagen](http://www.e-control.at/konsumenten/smart-meter/rechtliche-grundlagen) (only available in German) <sup>41</sup> See Smart Metering: 80-Prozent-Ziel für 2020 kaum erreichbar, Die Presse, 6.9.2019, [www.diepresse.com/5685470/smart-metering-80-prozent-ziel-fur-2020-kaum-erreichbar](http://www.diepresse.com/5685470/smart-metering-80-prozent-ziel-fur-2020-kaum-erreichbar) (only available in German) <sup>42</sup> See Holpriger Start für Smart Meter, HLK, 13.9.2019, <https://hlk.co.at/a/holpriger-start-fuer-smart-meter> (only available in German)

<sup>43</sup> See Beziehungsweise, 1/2 2017, [www.oif.ac.at/fileadmin/user\\_upload/p\\_oif/beziehungsweise/2017/bzw\\_jaenner\\_februar\\_2017.pdf](http://www.oif.ac.at/fileadmin/user_upload/p_oif/beziehungsweise/2017/bzw_jaenner_februar_2017.pdf) (only available in German)

