

INSURANCE TRENDS

Addressing key industry challenges with innovation and focus on customer

CHANGING DEMOGRAPHICS

Canadian demographics are shifting. By 2025, millennials will make up 75 per cent of the labour force. Consumers are already expecting insurance providers and brokers to be responsive 24/7 – and the industry is responding with flexible services.

TECHNOLOGY

Technology is changing how Canadians live and do business. Data about lifestyle choices, such as driving patterns, exercise and fitness, and home safety, for example, inform user-based insurance, which rewards positive behaviour.

CLIMATE CHANGE

Climate change, and the rise of extreme weather events and flooding, is among the most significant challenges facing communities today. The insurance industry is working with consumers and governments to advance climate change adaptation measures.

COMPETITION & CONSOLIDATION

Fast-paced societal changes create market opportunities for innovative insurance providers, who respond to changing consumer needs with new apps, products or services. At the same time, the Canadian and global markets see greater consolidation.



AT A TIME WHEN SOCIETY IS INCREASINGLY IMPACTED BY CHANGING DEMOGRAPHICS, RAPIDLY EVOLVING TECHNOLOGY, CLIMATE CHANGE AND A COMPETITIVE ENVIRONMENT, the insurance industry is charged with responding to new realities, expectations and risks.

“It’s an exciting time for insurance, and we have to continually innovate to offer the products and services that meet consumers’ needs,” says Debbie Coull-Cicchini, executive vice-president at Intact Insurance. Yet despite the backdrop of rapid change, insurance is still a “people business,” she adds. “Intact Insurance is provided through brokers, who can often leverage their local knowledge to help their customers with the right kind of coverage. From our perspective, delivering an extraordinary customer experience is key.”

Ms. Coull-Cicchini sees four key trends that are shaping the insurance industry: evolving consumer expectations, technology, climate change and competition.

CONSUMER EXPECTATIONS
By 2025, millennials will make up 75 per cent of the Canadian labour force. These changing demographics mean increasingly tech-savvy customers who expect businesses to be responsive 24/7, says Ms. Coull-

Cicchini. “We are putting greater emphasis on creating experiences that are faster, simpler and more empathetic.”

She explains that accessibility and convenience can be enhanced through user-friendly online platforms. An example is Intact Insurance’s Client Centre, a self-service portal that allows customers to access all their insurance information online, including policy details, billing statements, as well as track current claims, says Ms. Coull-Cicchini.

TECHNOLOGY
“Technology is changing how we live and do business, and one of the most powerful tools emerging today is data,” says Ms. Coull-Cicchini. Many Canadians are willing to exchange their data for value-added products and services. Usage-based insurance programs, for instance, can offer customers discounts on their car insurance based on their driving habits.

“For example, Intact Insurance has a program called *my Driving Discount* that records driving data using a mobile app. It looks at metrics like acceleration and hard braking, and allows clients to secure discounts for good driving.”

Data from home technology like Nest, which allows homeowners to set or change room temperatures remotely, or Ring, which facilitates

monitoring entrance cameras from cellphones, can improve security and safety, says Ms. Coull-Cicchini. Access to data can do more than offer extra value for customers, she says. “It has the power to change behaviours and shift mindsets.”

CLIMATE CHANGE
Climate change presents one of the most significant challenges facing communities and the insurance industry, says Ms. Coull-Cicchini. “Climate change is impacting Canadians now. Insurance losses hit a record of \$4.9-billion in 2016, eclipsing the previous high of \$3.4-billion in 2013, the year of the Alberta floods, which was once considered the most costly natural disaster in Canadian history,” she says. “In 2016 alone, there were 13 significant weather

events with losses over \$25-million, which places a tremendous strain on our communities.”

While Intact Insurance is focused on helping Canadians get back on track after a weather event, Ms. Coull-Cicchini says it’s also taking a proactive approach to help Canadians protect themselves from increases in severe weather, establishing the Intact Centre on Climate Adaptation at the University of Waterloo in 2015 to find new ways to help governments and Canadians adapt to climate change.

COMPETITIVE LANDSCAPE
The fourth emerging trend is a competitive landscape. “New competitors respond to changing consumer needs with various apps and solutions,” says Ms. Coull-Cicchini. “In addition,

we also see a lot of consolidation in the Canadian and global markets.”

In an industry where new products and services come online on a regular basis, brokers are uniquely positioned to pair their knowledge of products with an understanding of the customer, says Ms. Coull-Cicchini, who adds that Intact Insurance looks to broker feedback as well as consumer surveys for identifying market opportunities.

An example is Intact Insurance’s *EDGE Complete*, a product that was developed in response to a need identified by brokers and consumers, she says. “We heard that businesses would welcome a broad coverage and flexible solutions – so this product is not only easy to understand, it is easy to scale up to reflect business changes. It has been very well received.”

INSURANCE INNOVATION ENABLING CANADIANS TO BE COVERED ‘ANYTIME, ANYWHERE’

What if more of Canada’s millions of registered automobiles, currently sitting idle about 95 per cent of the time, could simply be shared? Could car owners turn their underused vehicles into cash flow? And those who don’t own cars or are away from home – could they simply access an app, hop into a nearby vehicle and drive away?

These were the questions that ShiftRide founders Mohsen Mohsenpour, CEO; Nima Tahami, CDO; and Deepak Parpyani, CTO, asked themselves when they decided it was time to disrupt the car rental and ride-sharing industry. But there was one particularly formidable barrier: insurance. Traditional auto policies leave car owners unprotected in these circumstances.

The ShiftRide co-founders approached many insurance companies before designing a solution through an intrepid process of incremental risk analysis and technical innovation in partnership with Northbridge Insurance. The result? A policy that covers collision and comprehensive, liability and standard accident benefits when the car is in use by a ShiftRide driver; the car owner’s insurance is unaffected. Making all this possible is the Box, a device that plugs into each car to measure not just time and kilometres driven but driving patterns.

“We had to go through multiple measures to make sure that cars are safe and inspected,” says Mr. Mohsenpour. “We also know how the cars are being driven; if there’s something wrong, we know about it before it happens. It’s about predicting when things can go wrong to stop it from happening.”

ShiftRide has been in operation for six months in Waterloo-Kitchener and is about to expand into Toronto, enabled by a new insurance para-



Technology that measures not just time and kilometres driven but also driving patterns can enable insurance policy solutions suitable for car-sharing models like ShiftRide. SUPPLIED

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digm that Mr. Mohsenpour would like to see expand far beyond auto coverage. “We should be able to get to models like beautiful smart cities where we have general insurance policies that cover everyone, so technology and people can work together seamlessly to make everyone’s lives better.”

It’s an audacious vision. And it is only one of the many drivers of change the industry is currently responding to, starting with consumer demand, says Doug Grant, a partner at Insurance-Canada.ca. “Consumers get different experiences from other industries – think Amazon, Google, travel – whether it’s mobile apps, ‘I want it now,’ or transparency.”

“InsurTech” companies such as Lemonade and Trōv in the U.S. and Zipsure.ca in Canada are striking examples of insurance innovation, but Mr. Grant predicts that the most significant changes will occur as the technology behind these startups is incorporated into more traditional models by industry incumbents. New and existing products are changing, using data analytics to design product parameters and pricing that is more granular than it has ever been, he notes.

Technology is also driving a proactive rather than reactive approach to risk management. “Weather monitoring continues to be enhanced – you

can warn customers there’s a hail storm likely in their area in the next two hours so that they can move their car inside the garage,” he says. “There are similar examples in business or personal insurance, be it life and health or property and casualty.”

At the same time, startups are inspiring a new approach to product development, with more willingness to launch, test, refine and adapt products, as well as new resource deployment strategies, Mr. Grant reports. “Companies are much more attuned to working as a team within an organization to enable things to be done better. I’ve never before seen the interest in developing and matching people skills to things like customer engagement.”

It’s an evolution that started years ago and has been referred to as digital transformation, innovation, disruption and, most recently, insurTech, he says. For consumers, it means more engagement, from weather warnings to health monitoring that affects premiums, as well as more accessible and responsive coverage.

In one possible future, Mr. Grant’s vision for this continued evolution aligns with that of Mr. Mohsenpour: Canadians will be covered by “anytime, anything, anywhere insurance – I don’t care where I am, I want to know I’m insured.”



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Your business covered.

Flexible. Competitive. National.

Your business is more than just bricks and mortar. It's where you create, innovate, consult, build and sell. The right coverage is important to keep your business running.

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