

# AT THE INTERSECTION OF TECHNOLOGY AND INSURANCE

Opening doors to innovation, risk management, consumer engagement

**RAPIDLY EVOLVING** technology and the societal changes it brings carry a number of implications for the insurance industry. New business models, as evident in Uber and Airbnb, are evolving, autonomous cars take to the road, and cyber security risks are proliferating. While challenges continue to crop up alongside technology advancements, they are also sources of valuable tools for day-to-day business operations and can help to identify and track trends, says Doug Grant and Patrick Vice, partners at Insurance-Canada.ca Inc., a Toronto-based organization that provides consumers and insurance professionals with independent information about technology and the business of insurance in Canada.

"Insurance companies can use technology to better analyze risks, which has enabled the industry to become more overtly involved in risk management," says Grant. "This is an area where technology opens up a lot of possibilities."

## CAR INSURANCE

Car insurance, for example, can draw on data from devices or smartphones that track and record a driver's actions. "Several companies consider information that enables them to provide feedback for drivers to help them improve their skills, thereby reducing the potential for accidents," says Grant. "Rather than renewing an insurance policy once a year, an insurance provider might communicate with drivers more regularly to report on their performance and how it compares to that of their peers."

With increased engagement comes the opportunity for the insurance company to help a client better manage risks to ultimately reduce their costs of insurance, he adds.

## LIFE AND HEALTH INSURANCE

Similar trends can be observed in the life and health insurance industry, says Grant. With an increasingly sedentary lifestyle posing serious health risks, insurance companies integrate wellness programs that can help their clients pay attention to healthy habits like exercise, he explains. "The Manulife Vitality program, for example, uses wearable devices that track healthy activities, which earn you rewards that can translate to a reduction in your insurance premium."

## HOME INSURANCE

In home insurance, risk management can take the form of installing water detection technology. "These

devices alert the owner or resident when there is a leak, or they automatically turn off the water supply," says Grant. "Since this reduces the probability of a water damage claim, it benefits both the homeowner and the insurance company, and ultimately translates to lower premiums."

Vice adds that a number of the larger insurance companies are very serious about tracking climate change. "They are looking at mitigation measures and lobby municipalities or other government entities to take proactive measures," he says. "This is new – it's not something we would have seen 15 or 20 years ago."

## PRODUCT INNOVATION

Technology and innovation allow insurance providers to respond to changing needs, explains Vice. "Uber drivers, for example, use their cars to go to the store or for family trips, but

when they take on Uber passengers, they present a completely different risk profile." Insurance companies responded quickly by developing algorithms that track when the car is used for different purposes with the associated risk profiles and premiums, he adds, thus providing safety to the drivers and their passengers, and coverage in case of an accident.

A similar mechanism is available for Airbnb hosts, who can adapt their insurance coverage when they have guests, says Grant. "You can switch between personal insurance and short-term rental insurance, as long as the usage is recorded in the insurer-provided app function."

The insurance industry is responding to new needs – and evolving challenges – by leveraging technology and becoming more innovative, says Grant. "We see a lot of new products as well as new ways of interacting with customers."



Insurance companies encourage their clients to pay attention to exercise by providing wearable devices and promising rewards. ISTOCK.COM

## AUTONOMOUS VEHICLES



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Autonomous vehicles appear to be on a collision course with our old model of car insurance, according to Patrick Vice, partner at Insurance-Canada.ca Inc. "With a conventional vehicle, if you get into an accident, odds are someone is at fault. If there's an insurance payment and you're at fault, then your premium will go up," he says. "If you don't have a driver, this will change the way insurance providers calculate the risk." With autonomous vehicles, insurance providers expect personal liability to decrease, with manufacturer liability going up. Yet the range of companies advancing autonomous vehicles – and the integration of technology from an even greater number of suppliers – may make liability difficult to ascertain, adds Vice.

Read the full article on [www.theglobeandmail.com/partners](http://www.theglobeandmail.com/partners).

## VALUE PROPOSITION

Insurance brokers combining choice, advice and advocacy for meeting each customer's unique needs

Among the main factors currently shaping property and casualty insurance in Canada are changing consumer demand and rapidly evolving technology, and the two are often interconnected, says Peter Braid, CEO of the Insurance Brokers Association of Canada (IBAC). Against this changing backdrop, the central tenets of the insurance broker value proposition – choice, advice and advocacy – have stayed constant or are even growing stronger.

"When it comes to choice, a broker is in the position to provide a range of options from different insurance providers, ensuring that clients have access to insurance that best meets their needs at the best price," he says.

"In addition to advising clients on the best policy, the broker can also advise them on ways of mitigating risks to decrease their risk profile." The third tenet, advocacy, is

especially important in the event of a claim, explains Braid. "The insurance broker plays an important role as the client's advocate in helping to navigate the claims process."

A wealth of online sources can enable Canadians to do valuable research up front, says Braid. "In many respects, clients need advice to sort through the significant amount of information that is out there. And our research shows that even younger generations, including millennials, see the importance of working with an expert for making their purchase decision."

Like many other products available in the market place, insurance is getting more complex, says Braid. To stay up-to-date, the broker channel needs to constantly adapt to changing market dynamics and be aware of consumer needs as well as product innovation.

"We see product innovation for

overland flood insurance coming on the heels of an increase in extreme weather events, for example, or for cyber security risks, which many small business owners have to deal with," he says. "Brokers are also working to be responsive to the needs of today's consumers, who want to have the ability to connect with their brokers 24/7 through the platform of their choice."

Braid stresses that consumers should know that insurance brokers work for them – and not for insurance companies – and have the best interest of their clients in mind. In addition, insurance brokers are also small business owners and community builders, who are making a significant difference in their communities, he says. "The combination of choice, advice and advocacy really add up to a superior

customer experience not only for the purchase but throughout the life of an insurance policy."

As consumers age, their circumstances change, and brokers can help them navigate their changing home and auto insurance needs, says Braid. "Having insurance coverage that reflects a client's unique need at a specific point in time can contribute to that person's peace of mind."

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Insurance is becoming more complex, with more products, and more ways to buy. So you need expert, impartial advice, which is where an insurance broker comes in. We work for you, not the insurance companies.

INSURANCE BROKERS ASSOCIATION OF CANADA

