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**Shape of the Insurance Industry:  
How Would You Describe it?**

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**Report**

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A short survey was undertaken in early November, 2012 by Insurance-Canada.ca asking people how they might describe the shape of the industry to others.

## How Would You Describe the Shape of the Insurance Industry

The survey asked this question:

If you or someone else were describing the "shape of the insurance industry" in Canada to someone else inside or outside the industry, what are some of the different characteristics you or the other person might mention? Complete the following sentence: "The shape of the insurance industry is described by...." Some possible examples include the following:

- the number of insurance companies - the number of distributor firms – the split of direct vs intermediated business sold - the number of insured people and businesses - the split of premiums or policies that are business (commercial) vs personal -the number of service firms which serve primarily the insurance market (auto or home repair, rating services, claims outsourcing ..) - the number of people employed in service firms - the dollars paid out in claims indemnification.

This survey was open for a week from Nov 1<sup>st</sup> to 8<sup>th</sup> 2012.

This report will provide an overview of collective responses.

### Demographics of the Respondents

Of the nine industry sectors offered, the top three were:

- Services and Product Suppliers: 33%
- P&C Brokers and Agents: 30%
- Insurers P&C: 23%
- The remaining: 14%

In response to a "size of organization" (compared to their peers in the same segment), there was a relatively even distribution across all sizes:

- Small organizations: 40%
- Medium: 28%
- Large: 32%

All but one was from Canada.

In response to "position at your firm", the responses were:

- Executive / Owner / Principal: 35%
- Manager: 33%
- Professional: 22%
- Other: 10%

## Comments about responses?

After the simple/obvious duplicates were removed from the suggestions, about one hundred “descriptors” were suggested. As expected the hard usual well-reported financial numbers like assets, premiums, policies claims etc. were relatively common. At the other end of the spectrum were much more difficult to measure characteristics such as customer satisfaction, how clients make a purchase decision, the value as perceived by customers of the product purchased, etc.

Here are a number of the suggestions grouped into a few categories.

## Insurance Businesses and People

- The number of insurance companies / Reinsurers
- The change over time in the number of insurers and brokers
- The number of people directly or indirectly employed by the industry
- Number of Insurance Brokers/Agents (licenced people)
- The number of distributor firms (MGA/Brokerage/Agency/Other)
- The number of service firms
- The number of people employed in service firms
- Industry employment by sector over time: history and projections
- Industry employment demographics by sector (age, gender, etc.)

## The Financials

- Total premiums
- Premium paid versus claims paid out (\$ and %)
- premium increases over time
- revenues earned
- The total assets under control of the industry
- the level of reliance on combined ratio vs investment income to deliver a reasonable return to shareholders
- Commercial penetration as measured by % premium versus total asset value
- the shareholders’ profits
- where our consumer money is going
- the split of premiums or policies that are business (commercial) vs personal

- the state of equity and investment markets
- split in private versus Government run insurance
- Change in stability of Insurance company ownership
- Geographical split of companies and premiums

## The Customer and The Product

- the number of insured people and businesses
- number of insurance clients
- household penetration as measured by % premium versus household assets
- number of policies insured
- number of declined claims
- differences between different types of insurance (Life, A&S, P&C etc.)

## Distribution

- the health of the independent broker distribution network
- the shift in distribution
- the split of direct vs intermediated business sold
- the dominance of direct writers in the industry
- There will probably be a greater number of MGA's
- the channel clients use to purchase insurance
- new distribution channel options (hybrid models Direct/Intermediated)
- the service provided for sales and product selection
- Relationship between insurers and distribution firms

## The Softer Characteristics

- the image of insurance brokers
- the attitude of insurers regarding service and coverage interpretation
- degree of customer centricity
- how clients make purchase decision
- the value that is seen with the product purchased

- The customer satisfaction score relative to other financial sector industries
- Torontonians (Customers in general?) have become extremely claim conscious
- the demands of a new generation of consumers (eBusiness)
- baby-boomers retiring
- how the market perceives benefits being demonstrated by the insurers
- a summary of the recent catastrophes and what the industry did to help
- The incredibility felt by the public at large

## Supporting Resources

- Technology: State of technology relative to other industries
- Technology: Shift in use of technology
- Data: Lack of a centralized statistical database of experience for all lines
- Data: Types, Frequency and Severity of Claims

## Summary

Obviously with this type of question there can be no real conclusion.

The diversity of responses indicates wide-ranging ideas among insurance people about how this industry should be presented to others.

A follow-up survey will ask readers to rank these factors within each group.