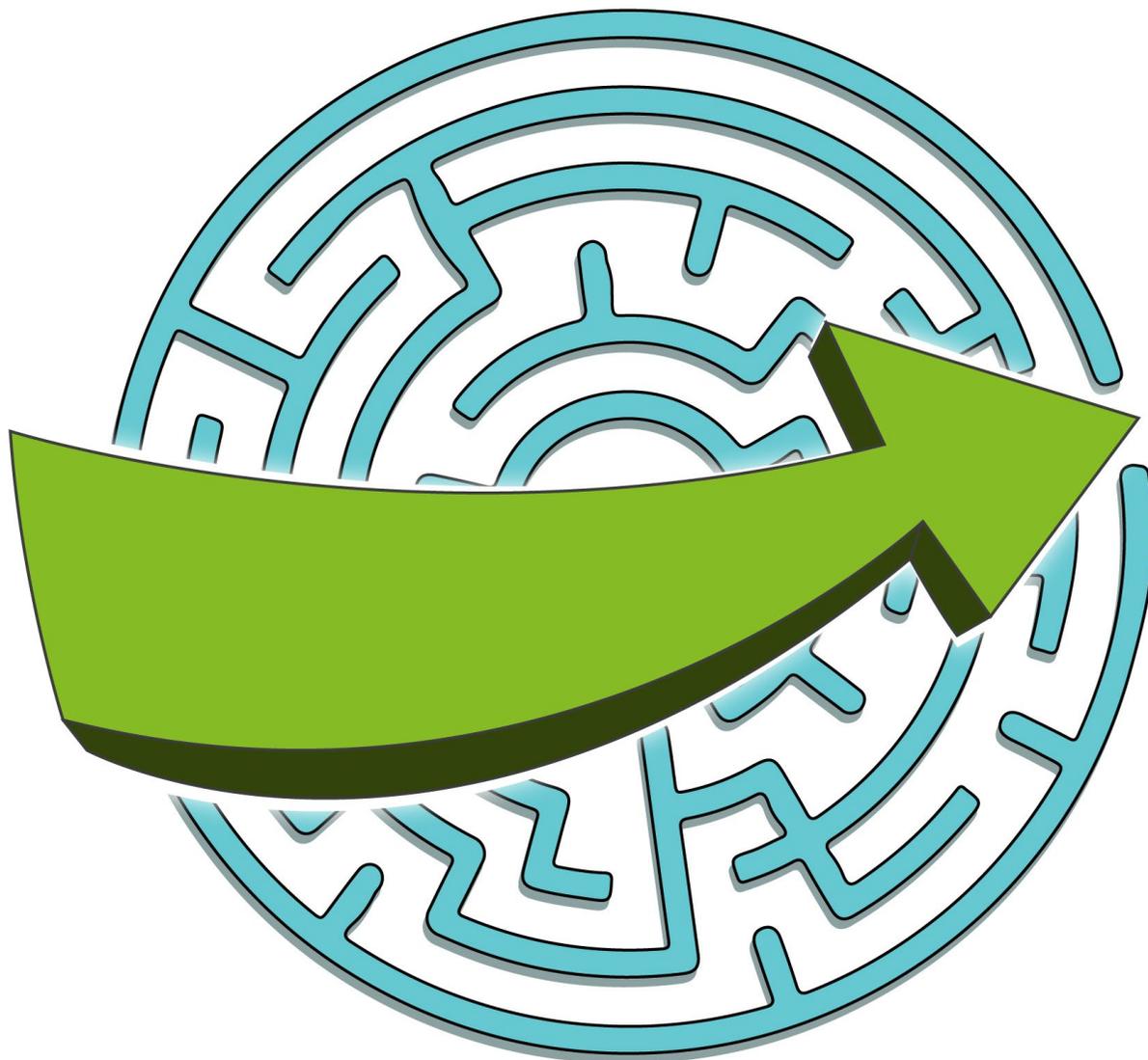


Deloitte.



The future of home
and auto insurance
Bringing the Canadian
customer into focus

Canadian Financial Services

What makes home and auto insurance attractive to customers?

Deloitte surveyed over 8,000 customers from eight countries and discovered country-specific findings in customers' wants and needs.

Here, we discuss the findings observed among Canadian customers and how the current state of the world is shifting their needs.

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Introduction

The last twelve months have been an unexpected period of immense disruption and change. How have these changes impacted what insurance customers want?

Now is an important time to reassess the needs of customers as we have experienced an unprecedented shift to a new normal. Travel restrictions, avoidance of nonessential outings, and the shift to working at home have left many customers questioning the value of their insurance premiums. Conversely, because of the pandemic, customers have been exposed to risks outside their current coverage. For example, some individuals need expanded auto insurance coverage because they have entered the food delivery business to supplement lost wages. Others are left wondering if their home insurance is sufficient to protect their new home office.

Insurers must figure out how to meet the needs of customers as they evolve during these uncertain times. Canadian insurers stepped up during the immediate response to the pandemic by offering relief to their customers through partial reimbursements, temporary premium reductions, payment deferrals, and flexible payment schedules.¹ This relief has helped customers, but as we continue to look forward to the new normal, what will customers be looking for from their insurance providers?

Over 8,000 individuals across eight countries responded to a survey conducted by Deloitte during the height of the pandemic to explore the demand for different home and auto insurance products and services. From this data, our team identified clear signals of what customers want, to help insurers guide the launch of new products, services, and partnerships. The global survey results are summarized in full in [The future of home and motor insurance: What do customers want?](#)

Below we discuss the preferences revealed by the 1,012 Canadian respondents and compare and contrast these findings with international markets.

Insights for insurers to fuel growth:

1. Keep product offerings simple to allow customers to understand their coverage
2. Provide flexible and affordable offerings that are tailored to individual needs
3. Address data privacy concerns for connected offerings
4. Build trust in the claims process
5. Continuing shift to digital channels

We discuss these opportunities in detail below.



Keep it simple

Though there is diversity in preferences, customers tend to favour simplicity. Figure 1 shows customers' key reasons for liking or disliking several products and services (see the Appendix for product descriptions).

Figure 1: Key reasons for liking or disliking products and services

Product	Percentage product #1 choice		Likes	Dislikes
	Home	Auto		
Basic	31%	31%	<ul style="list-style-type: none"> • Simple and easy-to-understand • Basic cover and affordable • Privacy is protected 	<ul style="list-style-type: none"> • No value-added services • Less flexibility and least adjustable • Very basic and standard product
Self-controlled and adjustable	22%	21%	<ul style="list-style-type: none"> • Flexible and adjustable • Personalized to different needs and affordable • Better ownership control 	<ul style="list-style-type: none"> • Complicated and time-consuming process • Hassle in self-management of content coverage
Connected and cost-focused	13%	15%	<ul style="list-style-type: none"> • Ability to control premium costs as it is usage-based • Information on cost reduction • Ownership control and flexibility 	<ul style="list-style-type: none"> • Intrusive • Privacy concerns and insecurity related to continuous monitoring
Freedom to move	NA	15%	<ul style="list-style-type: none"> • Security and peace of mind • Flexible coverage options • Convenient and reliable 	<ul style="list-style-type: none"> • Unnecessary extra services • Less need for a wider coverage option • Can be expensive
Invisible	12%	10%	<ul style="list-style-type: none"> • Convenient and hassle-free process • Automatically covered as part of mortgage 	<ul style="list-style-type: none"> • Lack of transparency and disclosure • No freedom of choice • Lack of flexibility and ownership control
Connected and preventative	11%	NA	<ul style="list-style-type: none"> • Alert feature when problem or issue detected • Safety and security • Information on cost reduction 	<ul style="list-style-type: none"> • Intrusive • Privacy concerns and insecurity for continuous monitoring • Complicated and difficult to understand
Connected and broad service	NA	9%	<ul style="list-style-type: none"> • Wide range of services • Remote diagnostic and preventive maintenance features • Personalized • Ownership control 	<ul style="list-style-type: none"> • Intrusive • Privacy concerns due to continuous monitoring • Complicated and difficult to understand
Home Concierge	10%	NA	<ul style="list-style-type: none"> • 24x7 support available • Access to repair services • Security and peace of mind 	<ul style="list-style-type: none"> • Privacy concerns and insecurity for continuous monitoring • Complicated and difficult to understand • Expensive • Forced to choose repairperson provided by insurer

Almost one-third (31 percent) of Canadian respondents selected basic coverage as their preferred choice for home and auto insurance—customers like that the coverage is simple, relatively easy to understand, and affordable. Simple products provide confidence in what is covered, issues in identifying coverage have risen in prominence due to the pandemic.

This preference for basic coverage and simplicity follows similar trends in home and auto insurance in the United States,

United Kingdom, and Germany (see Figures 2 and 3). In the United Kingdom, price comparison websites allow customers to find the most affordable basic offerings. The popularity of these websites increased price competition and led to severe industry-wide erosion of underwriting profit margins.² Price competition may increase going forward in the Canadian marketplace, especially as the pandemic and its repercussions have threatened financial security and expedited a push towards digitization.

Figure 2: The percentage of international respondents that ranked each home insurance product as their first choice

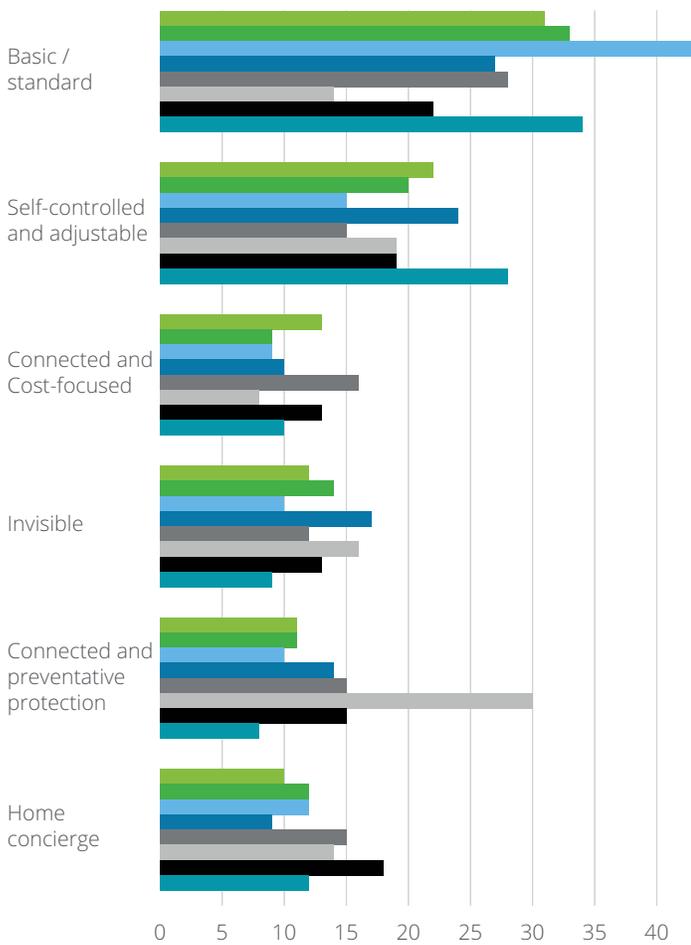
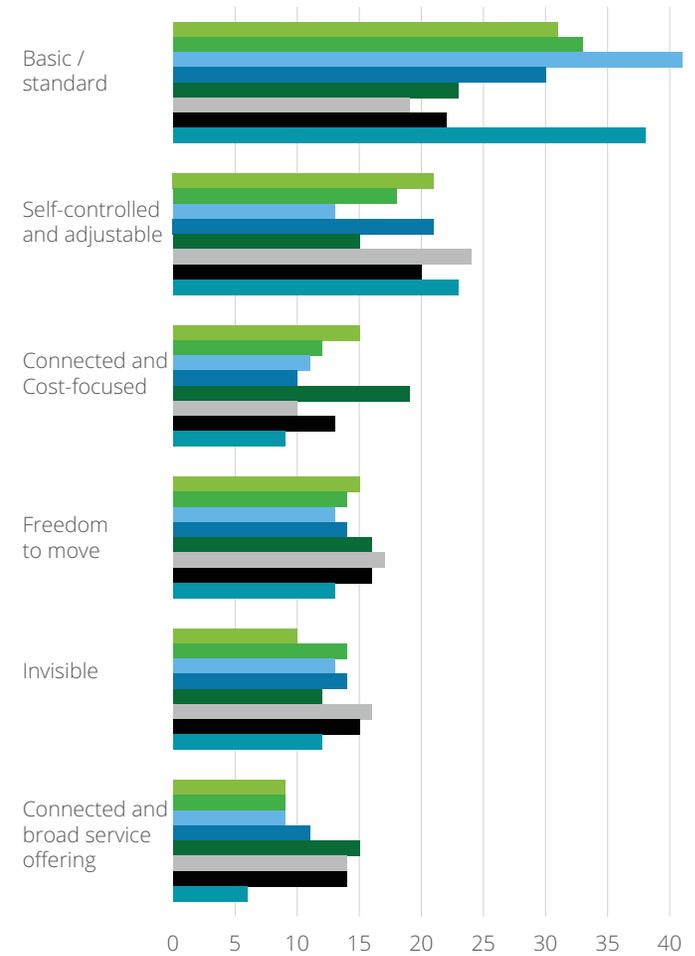


Figure 3: The percentage of international respondents that ranked each auto insurance product as their first choice



■ Canada
 ■ United States
 ■ United Kingdom
 ■ Australia
■ Japan
 ■ China
 ■ Italy
 ■ Germany

The high preference for insurance bundles in the North American market also reflects Canadians' preference for simplicity and affordability (see Figure 4), recognition by insurers on customer preferences towards bundling can drive incremental opportunity. In the North American market, the most popular reasons for choosing bundles were cost savings and ease of insurance management (see Figure 5).

Figure 4: The percentage of international respondents that purchased home and auto insurance together as a bundle

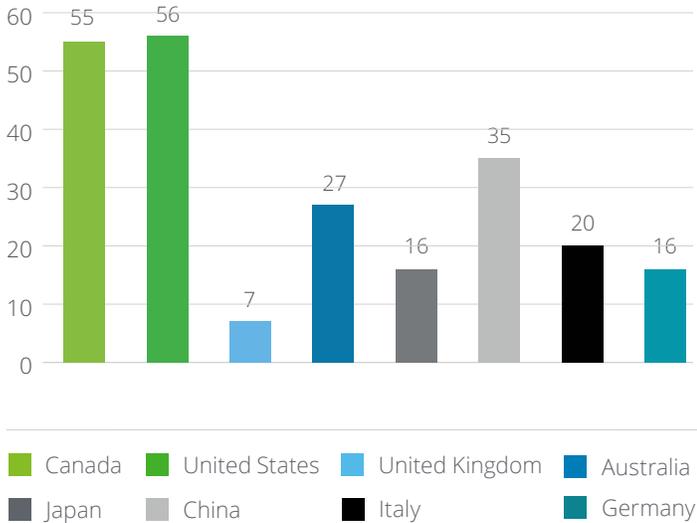
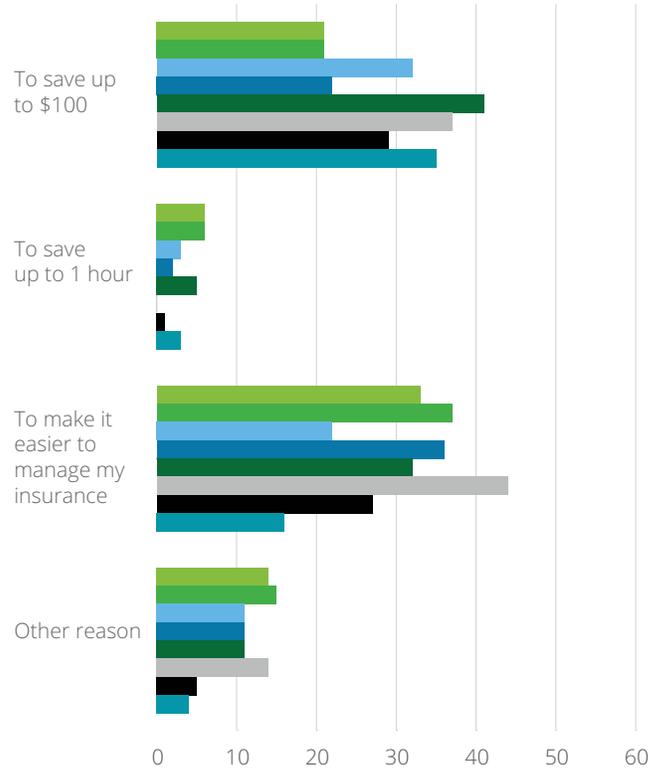


Figure 5: The motivations of the international respondents for purchasing home and auto insurance together as a bundle



Recognition by insurers on customer preferences towards bundling can drive incremental opportunity.



The preference for simplicity varies among age cohorts for home and auto insurance (see Figures 6 and 7). Older Canadians have the strongest preference for basic coverage, while middle-aged Canadians are more open to self-controlled and adjustable products. Canadians between 18 and 34 varied the most in their preferences with three dominant home insurance preferences (basic, self-controlled and adjustable, and connected and cost-focused), indicating that as Canadians mature, they tend to understand the coverage they need and opt for more simple and basic coverage that they know and trust. Younger Canadians tend to show more frustration with the lack of flexibility in basic coverage and lean towards a more tailored solution.

Figure 6: The percentage of Canadian respondents that ranked each home insurance product as their first choice across age groups

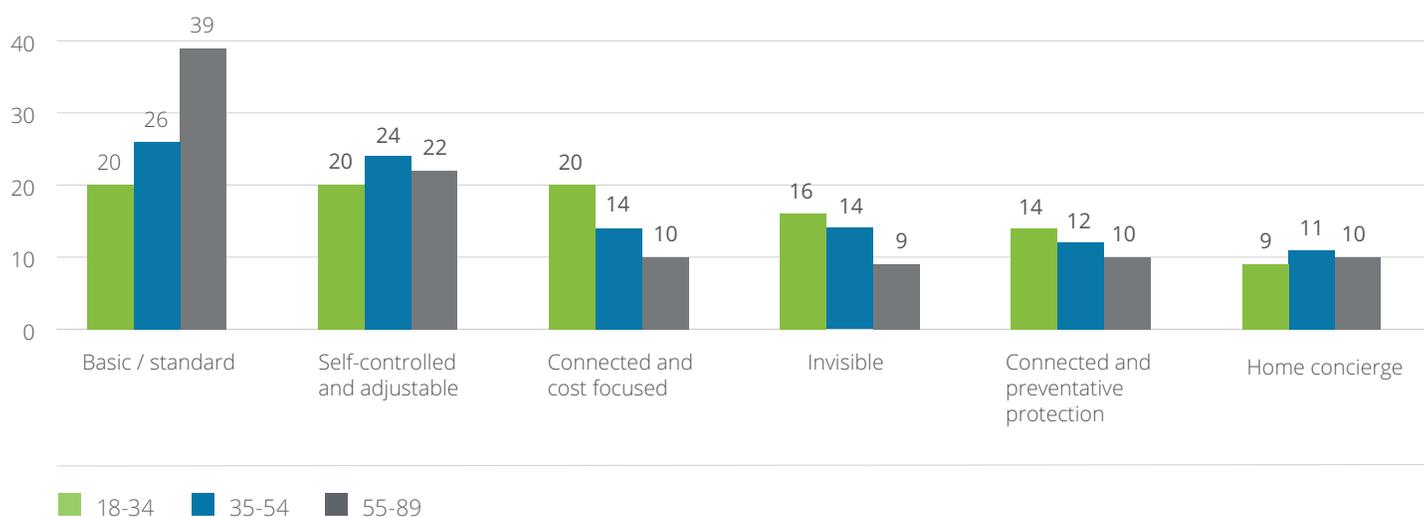
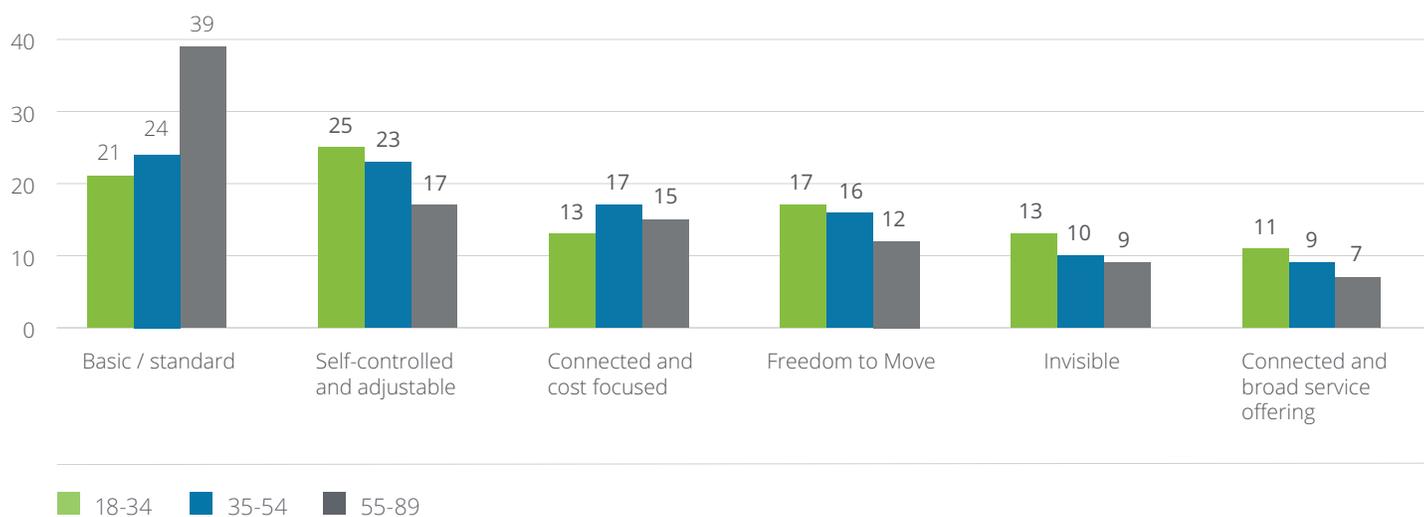


Figure 7: The percentage of Canadian respondents that ranked each auto insurance product as their first choice across age groups



Offer flexible and affordable options

Self-controlled and adjustable insurance was also a top pick among many (22 percent) Canadian respondents. Additionally, the ability to adjust coverage based on what you need or can afford was the insurance feature most commonly rated as highly desirable for both home and auto insurance (see Figures 8 and 9). That being said, these options are currently not dominant in the Canadian market and not widely available. As customers are showing an interest in flexible, affordable, and personalized services specific to their needs there appears to be indicators of interest in insurance offerings with these characteristics if available and appropriately structured.

Flexibility in insurance coverage continues to be paramount during the pandemic, as many Canadians have experienced sudden and dramatic changes to their routine activities. About three-quarters of all survey respondents reported driving less due to the pandemic. As regions go in and out of restrictive measures and the future of work evolves individuals are left unsure if and when they can return to their normal routines. As such, Canadians desire the flexibility to easily change their coverage based on how they are currently using their home and car. Individuals have also expressed the desire for flexibility to reduce costs where they can, as job security has been volatile during the pandemic.

Ultimately, insurers need to walk a fine line between keeping products simple for the customer and integrating adjustability when appropriate. Products should not be overly complicated, time-consuming, or require self-management, as these characteristics are not popular in the Canadian marketplace.

Figure 8: For flexible coverage products, the percentage of Canadian respondents that rated each home insurance feature as extremely or very desirable

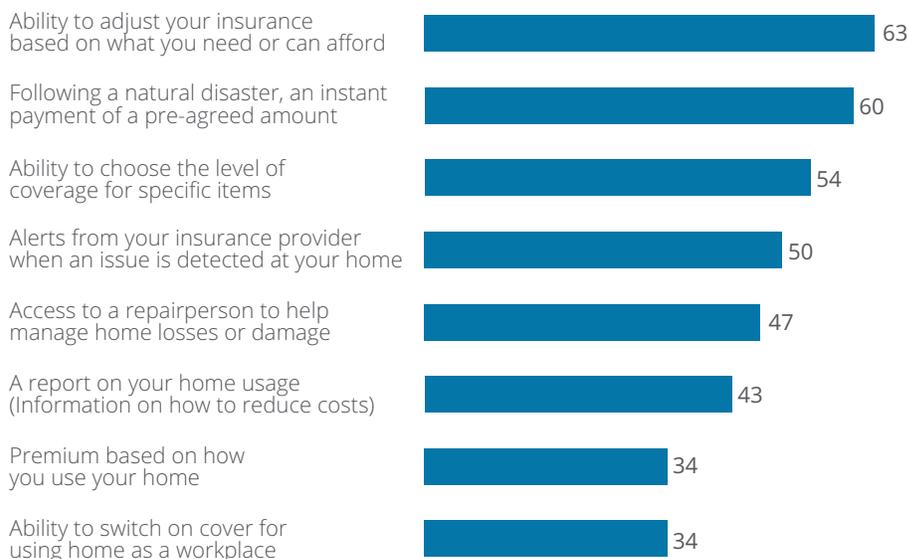
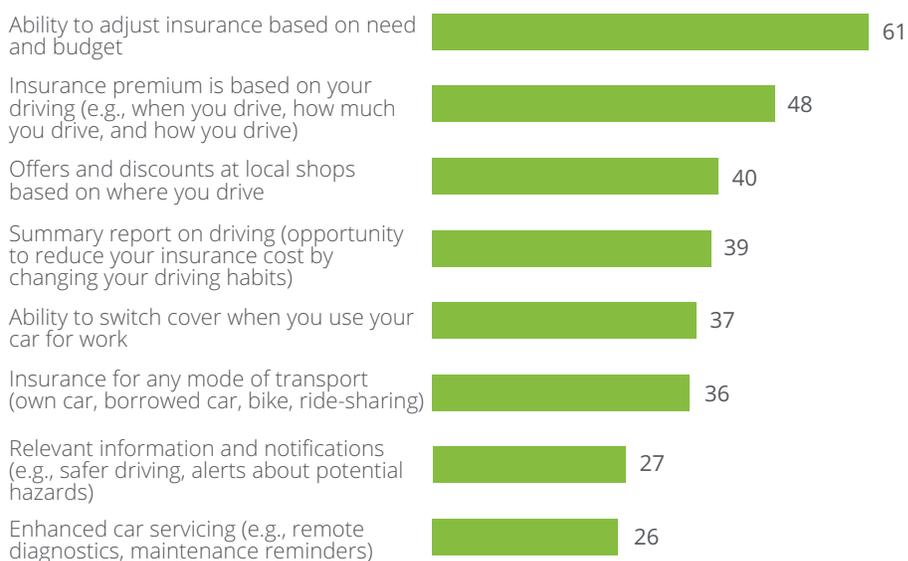


Figure 9: For flexible coverage products, the percentage of Canadian respondents that rated each auto insurance feature as extremely or very desirable



Address privacy concerns

Privacy concerns have limited the general acceptance of connected insurance offerings globally, that being said the survey results indicate the Canadian market may present a future opportunity for certain connected options if appropriately structured. Canada follows similar insurance trends as the United States with Canadians having a slightly higher preference for connected and cost-focused services (see Figures 2 and 3). Canadians are only second to Japan in their preference for connected and cost-focused insurance, and this insurance was the third most popular option for both home and auto insurance among Canadian respondents. Specifically it was identified as a most preferred home insurance options for younger Canadians (see Figure 6), lower preference towards the product on the auto insurance side (see Figure 7), this may be due to the fear customers possess associated to insurers use of driving data.

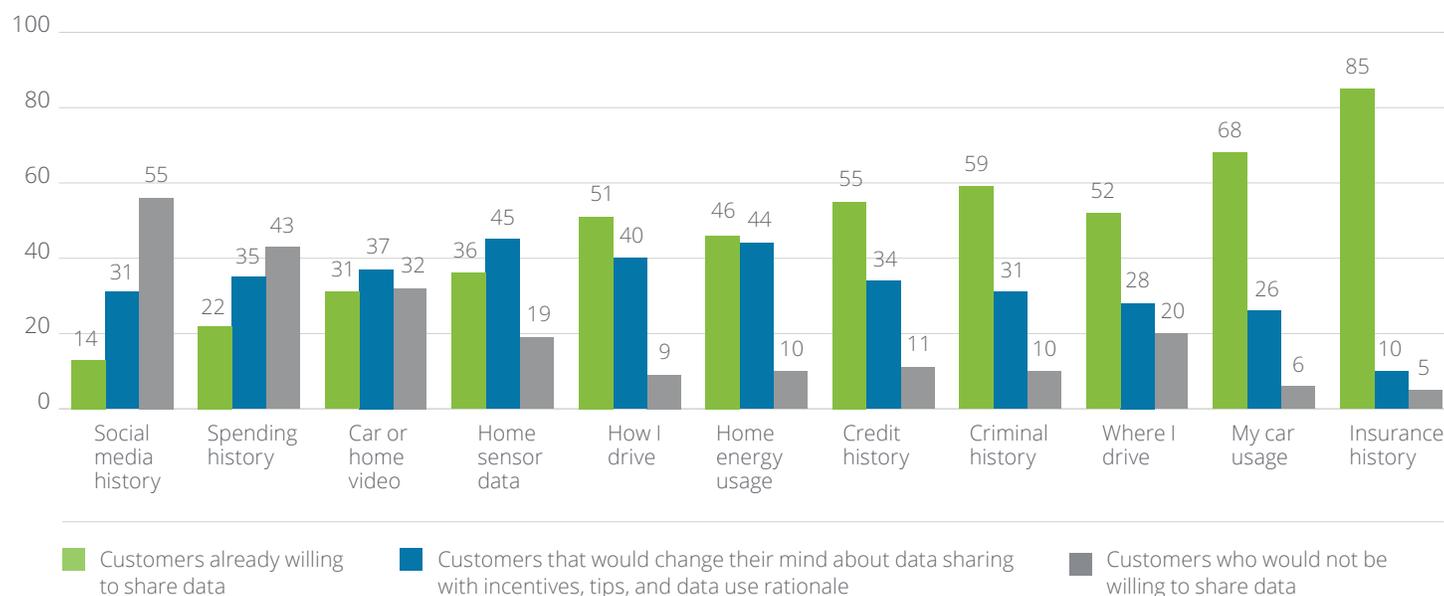
Connected and broad service adjusts how much you pay for insurance based on how you drive and provides enhanced car servicing (e.g., remote diagnostics of car issues, reminders for maintenance and tailored retail offers). This product is the least popular option among all Canadian age groups. Customers perceive this offering as not only intrusive but also difficult to understand. Canadians have the same concerns for connected and preventative home insurance, which was one of the least popular home insurance options. This insurance requires customers to provide data for home usage (e.g., electricity and water usage) and details of who is living in the home. This information is used to provide the customer with safety alerts and assistance when required. China is the only country that was noted to have an increased

interest in connected and preventative home insurance, likely due to an increase in first-time home buyers and citizens that are relatively more comfortable sharing data with government departments and companies. Insurers must work to gain the trust of Canadians if they are to convert customers to more connected offerings going forward.

Though connected products have not yet made a significant footprint in the market, there is ample opportunity for Canadian insurers if they effectively address all relevant lingering privacy concerns. As noted, while there is interest in more innovative services (particularly among younger Canadians), many still see a significant trade-off between the perceived benefits of these products and the increased sharing of data that may negatively affect their privacy or premiums. Ultimately, customers tend to be hesitant in sharing personal data with insurers without a compelling reason.

Customers are generally most comfortable sharing information such as insurance history, car usage, and driving location, but see products with continuous monitoring features as intrusive (see Figure 10). Canadians were least interested in sharing highly personal information not traditionally requested by insurance providers (such as social media history or spending history). The value customers receive in exchange for their data must be very compelling; discounts and tailored coverage alone appear mostly insufficient. Customers must trust that their data will provide them a net benefit over the short and long term.

Figure 10: The percentage of Canadian respondents that are willing to share each data type with their insurer and the percentage that would change their mind with incentives, protection tips, and a data use rationale



Build trust in claims

How insurers manage claims has a substantial impact on the customer experience. Customers are conscious of the claims service they are provided and are sensitive to not receiving adequate compensation for a claim or not receiving payment in a reasonable timeframe to address their immediate needs. Just under half of Canadian respondents conducted different levels of investigation into an insurer's claims services before purchasing insurance products (see Figure 11). Four claims attributes were typically researched: 1) fairness of the claims process, 2) how easy it is to file a claim, 3) how easy it is to manage claims, and 4) how quickly claims are paid (see Figure 12). Customers tend to base their opinion of insurers on market perception from blogs, forums, and word of mouth. It is easier than ever for customers to notify their network and the broader market of any potential dissatisfaction with a provider through online reviews and social media. An emphasis and prioritization of claims management will enable insurers to build their customer base.

Insurers in the Canadian market may look to parametric-based products as an opportunity to build trust. Parametric home insurance provides trust in claims as it predefines the payment amounts and triggers (e.g., level of rainfall or wind speed). Immediate payment of a pre-agreed amount reassures customers that their basic needs will be met in a time of crisis. This offering also tends to align better with customers' desire for simplicity. For home insurance, 60% of Canadian respondents rated receiving an instant payment of a pre-agreed amount following a natural disaster as highly desirable (see Figure 8). This insurance is top of mind for Canadians as we witness an increase in intensity and occurrence of wildfires in western Canada, flooding in central and eastern Canada, and hurricanes in Atlantic Canada. More broadly, the increasing toll of natural disasters combined with the pandemic is heightening the awareness of risk exposure among customers. Insurers can respond to this demand by rolling out parametric home insurance, focusing on high-risk areas where the need is most urgent.

Figure 11: The percentage of international respondents that research insurers' claims processes before purchasing insurance products

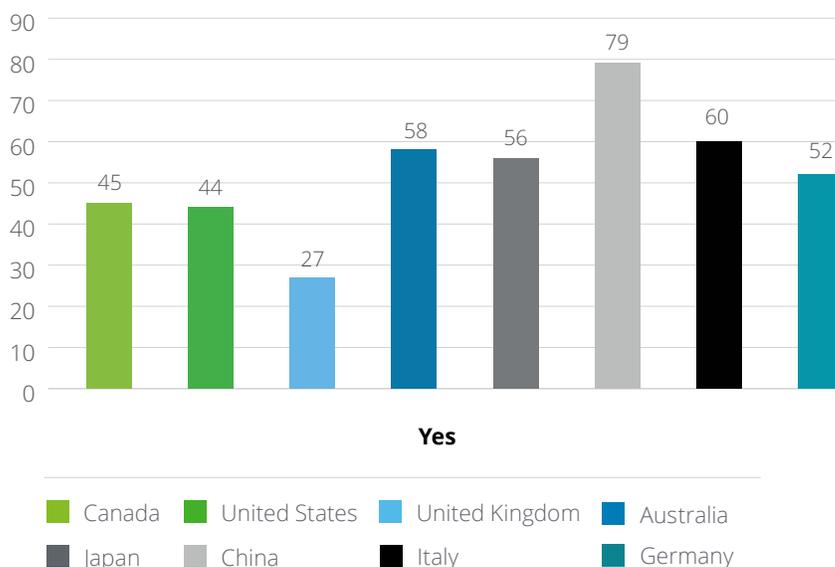
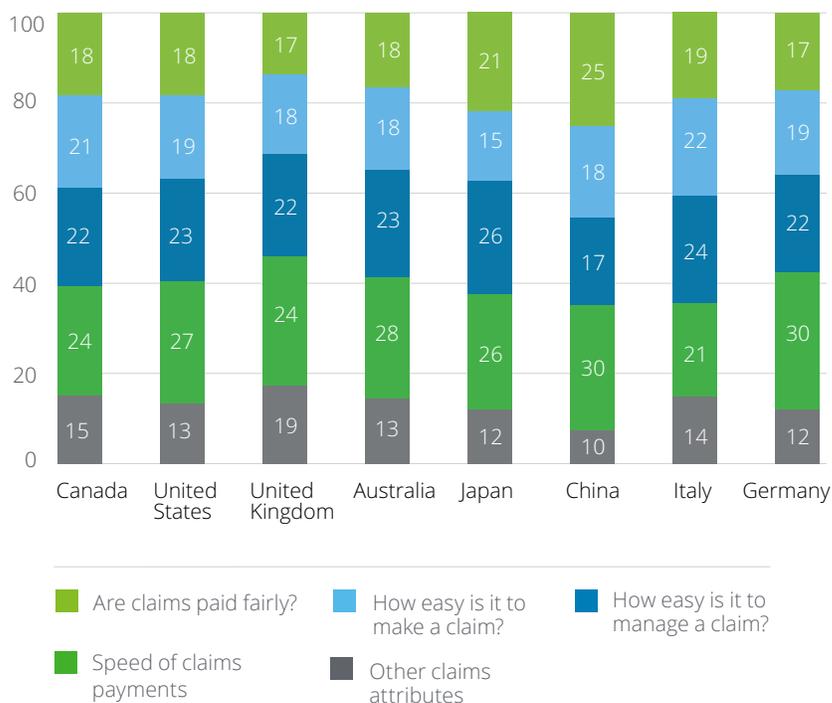


Figure 12: Claims management attribute prioritized by international respondents



Continuing shift to digital channels

Though Canadians (and North American's more broadly) tend to be relatively loyal insurance customers (see Figure 13 and 14) the ongoing shift to digital channels is likely to require insurers to re-focus on customer experience and drive improvements to convenience, value, and service in order to retain proportionate market share as online channels provide increasingly easier options for customers to switch providers.

Figure 13: The percentage of international respondents that switched their home insurance provider

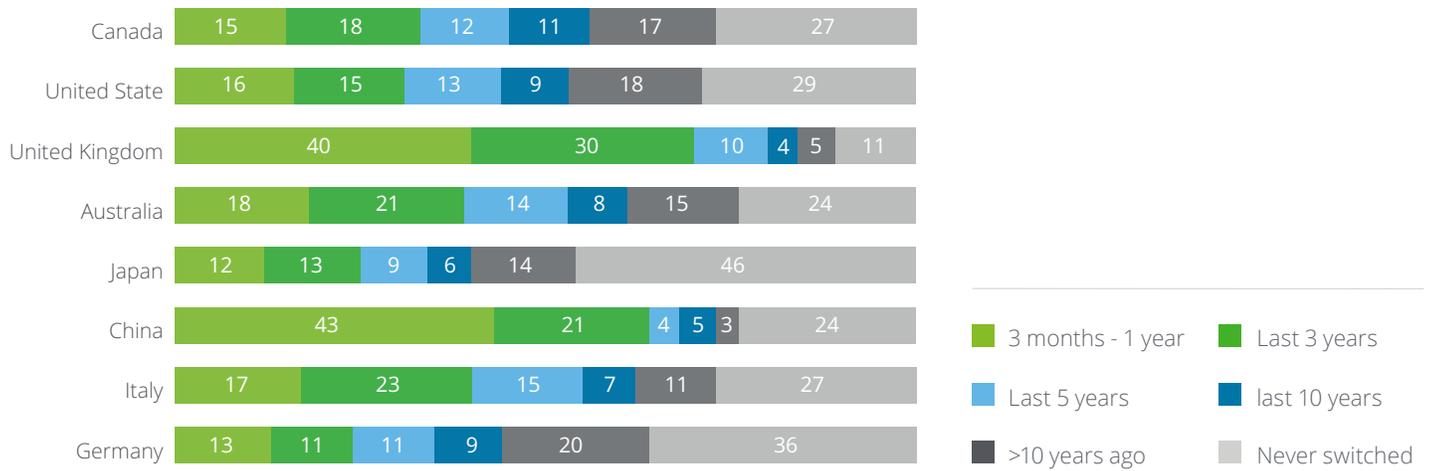
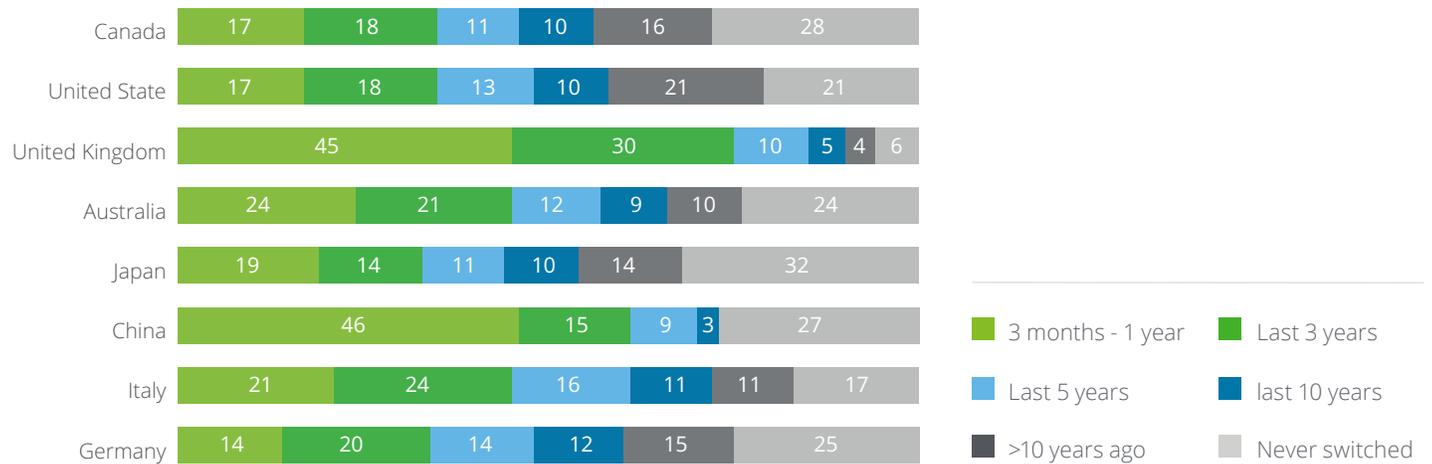


Figure 14: The percentage of international respondents that have switched their auto insurance provider



The United Kingdom leads the online purchase realm by far, with 81 percent of respondents using online methods to purchase home and auto insurance (see Figures 15 and 16). The propensity for Canadians to purchase insurance by phone or in-person is a reflection of the current shortage of online insurance options in Canada rather than an aversion to online modes. When asked about purchasing preference, Canadians have shown an increasing interest in utilizing digital mediums such as websites alongside more traditional distribution channels (see Figure 17).

Figure 15: The percentage of international respondents that preferred each medium for purchasing home insurance

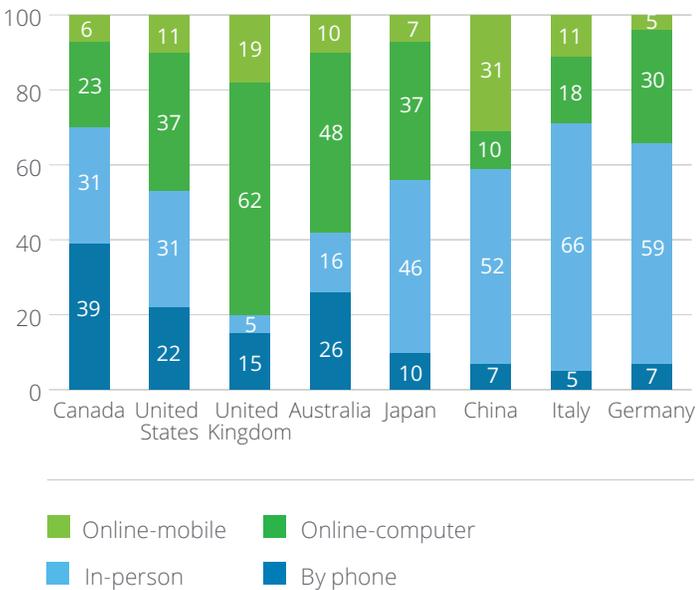


Figure 17: For selected distribution channels (noted below) percentage of Canadian respondents that rated channel as extremely or very desirable

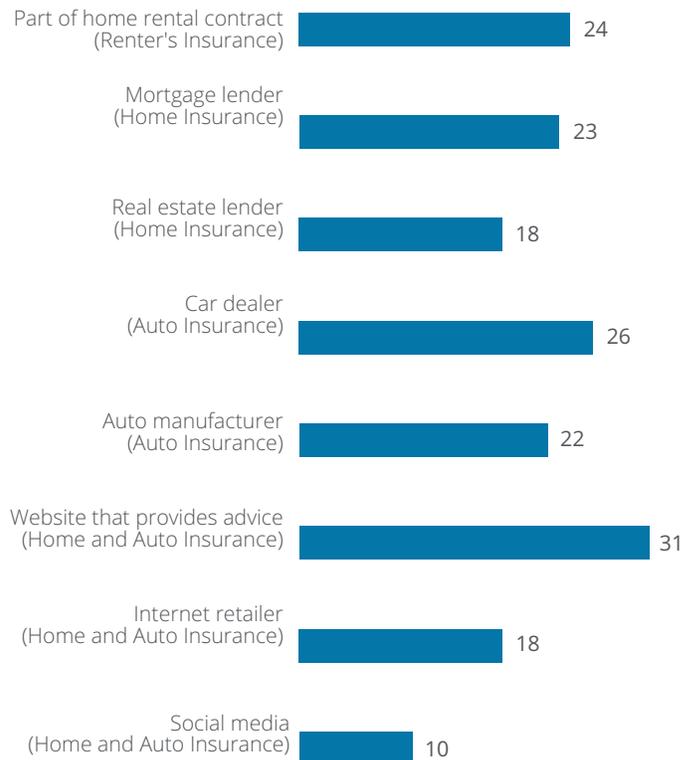
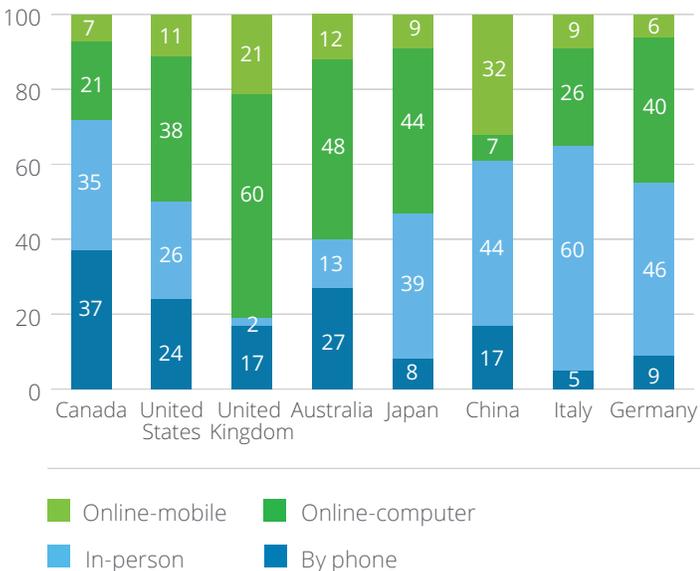


Figure 16: The percentage of international respondents that preferred each medium for purchasing auto insurance

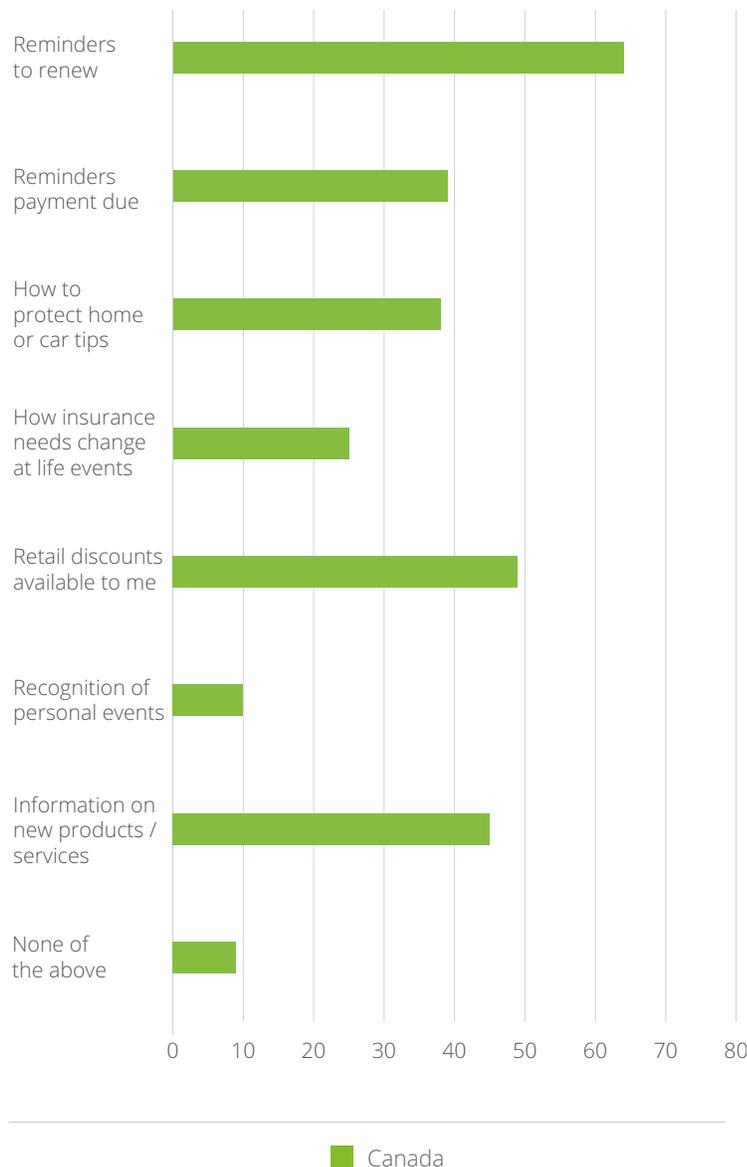


We have witnessed the shift in customer preferences toward online mediums in the international markets that are more digitally mature. This shift will likely occur soon in Canada, where insurers have invested heavily in digital capabilities in the past 24 months. The pandemic has also suddenly made more consumers amenable to online purchasing mediums. The probable rise in online purchasing and the desire for online features means insurers should look to grow or partner to attain the right digital capabilities.

Insurers should also consider building partnerships with traditional auto and home retailers. The preferred purchasing trends indicate that customers want their insurance purchases to be simple and easy. They want to purchase insurance where possible from the same source from which they purchased the item they wish to insure (e.g., car deal for auto insurance, mortgage lender for home insurance).

Insurers can garner customer loyalty by enhancing the value of premiums through perks and value-added services. Insurers should use readily available customer information to provide customized perks, such as discounts at retailers near where they live or work. Insurers should generate summary reports using the customer's data to provide suggestions on how changing habits can reduce costs—giving them direct value for their data. Notifications should be carefully selected, such as renewal notices or vehicle maintenance reminders, not to overload the customer with unnecessary communications. Insurers should not waste resources on sending impractical personalized notifications that customers may view as spam.

Figure 18: Types of communications Canadians preferred to receive from insurers



Conclusion

To gain an edge on the Canadian auto and home insurance markets, insurers must re-align their approaches to engaging customers – key points to keep front of mind:

- Drive towards making insurance simpler and more convenient, while providing value-added services. Customers want to be confident that they are paying for the right product to meet their needs while not actively managing their insurance.
- Insurer communications should focus on informative correspondences that reduce the burden of insurance management and enable customers to make changes that reduce premium costs.
- Deliver greater flexibility, especially to younger Canadians who experience the most significant fluctuations in job security, lifestyle, and budget. Partnerships with retailers where possible will also give insurers an edge in the increasingly competitive market.
- Trust in the claims processes needs to be built through effective claims management processes.
- Insurers need to provide clear explanations for the use of customer data, accompanied by assurance that data will not result in increased premiums or rejected claims.
- Insurers should prepare for a competitive transition to online sales and services and grow sufficient capabilities. Insurer will be increasingly compared online, along with insurance offerings, which will test customer loyalty and lead to increased competition.

Appendix

Home insurance products and services

Basic

Your home is fully protected. You purchase insurance as you normally do (e.g., via a website or broker). Your insurance price is based on the value, characteristics, and location of your home and past insurance history.

Self-controlled and adjustable

You can adjust your insurance based on what you need or can afford. You can increase or decrease your level of coverage depending on whether you are at home. Similarly, you can choose the level of coverage for specific items (e.g., jewelry).

Connected and cost-focused

Your insurer understands some aspects of how you use your home (e.g., how much electricity, gas, and water you consume). The insurer uses this information to assess how much you will pay for insurance. You receive a report on your home usage that provides information on how to reduce your insurance and other household operating costs.

Invisible

Your home is fully protected, and you receive the same level of service as with standard insurance. However, your insurance is automatically provided as part of your mortgage or rental contract. This means you do not need to arrange insurance. Your bank or real estate agent will support you through the process of filing a claim (i.e., a formal request with an insurance company for coverage or compensation for a covered loss or policy event).

Connected and preventative protection

Your insurer understands some aspects of how you use your home (e.g., how much electricity, gas, and water you consume) or who is living there (e.g., an elderly person). You receive alerts when an issue is detected (e.g., leaking pipe or the elderly person needs assistance). If possible, your insurer sends a qualified person to help. You also receive a report on your home usage that provides information on how to reduce your insurance and other household operating costs.

Home Concierge

You receive a service package that gives you access to 24/7 home support. The package includes the standard set of protections from a home insurance policy and provides support to manage losses from your home or damage to it. You get access to a repairperson.

Motor insurance products and services

Basic

Your vehicle is fully protected. You purchase insurance as you normally do (e.g., via a website or broker). Your insurance price is based on the type of vehicle, your driving record, where you live, etc.

Self-controlled and adjustable

You can adjust your insurance based on what you need or can afford. You can increase or decrease your level of coverage depending on your car usage. This helps ensure that you do not overpay for insurance (e.g., being charged less when your car is parked in a garage). However, forgetting to adjust coverage could leave you without appropriate coverage to drive.

Connected and cost-focused

Your insurer understands some aspects of your driving (e.g., when you drive, how much you drive, and how you drive). The amount you pay for insurance is based on this. You receive a report on your driving, which provides information on how to reduce your insurance cost, e.g. by changing your driving habits.

Freedom to move

You are covered for whatever mode of transport you choose. This includes driving your own car but also borrowing a friend's car, using a bike, using a rideshare (e.g., Uber).

Invisible

Your vehicle is fully protected and you receive the same level of service as with standard insurance. However, your insurance is part of your car purchase or lease agreement. This means you do not need to arrange insurance. If you have an accident, repairs are handled by the car manufacturer through your local car dealer.

Connected and broad service offering

Your insurer understands some aspects of your driving, e.g. when you drive, how much you drive, and how you drive. The insurer uses this information to assess how much you will pay for insurance. You also get enhanced car servicing, such as remote diagnostics of car issues, reminders for maintenance, and tailored retail offers based on where you drive.

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Endnotes

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Designed and produced by the Agency | Canada. 20-3501114