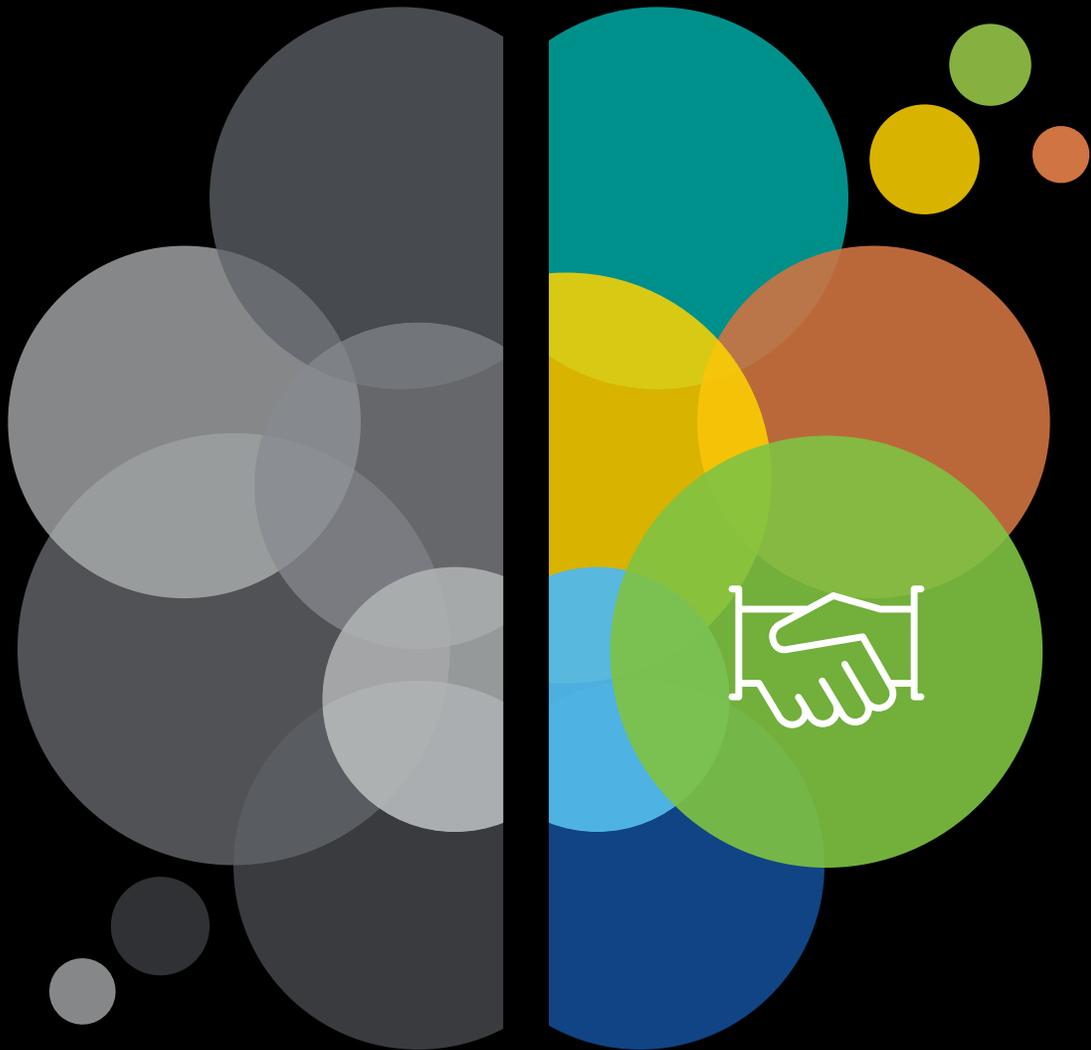


Deloitte.



Insurance re-imagined:
The 'retailization' of insurance

Introduction

Trust: Still the key to success

What a difference a few years can make. Since 2013, advances in digital channels, exponential technology, and emerging business models have caused radical shifts in the finance and insurance sectors. These changes have deep implications for brand, customer experience, and service design and delivery.

Canadian insurers have their work cut out. The first thing they need to do is better understand insurance consumers and the social factors at play in consumer behaviours. This will entail revising assumptions they may hold about which age groups are using technology, reviewing their perceptions and strategies about brand in light of new insight into how consumers research and make purchases, and considering how ongoing technological innovation is shaping how customers want to be perceived, advised, and engaged by insurers and brokers.

The changing and rising demands of today's customers are culminating in a new set of guiding imperatives for insurers. Chief among these is trust, as revealed by the deeper undercurrents of a maturing digital economy that's based on transparency and simplicity.

There are calmer waters ahead, we believe, but insurers don't have time to take a wait-and-see approach. They're facing a critical juncture; this turbulence provides an opportunity to earn a trusted leadership position in the eyes of consumers. If they don't embrace it, they risk falling irreparably behind the competition.

Backed by the input of hundreds of Canadian insurance companies, this report examines what Canadian insurers must consider as they make important decisions about how they market to and serve consumers.

Customer-centric, retail-like thinking: the new focus for insurers

Since the introduction of interactive web design in the early 2000s, customers have become increasingly empowered on their path to purchase. Trailblazing companies like Amazon and eBay were the first to capitalize on this shift, forging new models of retailing and driving peer-to-peer models of commerce to better appeal to consumers.

We've been tracking the rise of **'retailization'**, which is the shift of mindset in which non-retailers begin to think and act like a retailer in order to better align with customer needs and expectations and, of course, to better compete. The transformation is well underway in the insurance industry. Companies like Canada's Sonnet and New York-based Lemonade, for example, are breaking ground--and traditional--rules in reimagining the digital insurance business model.

In the Deloitte report *Property and casualty insurance re-imagined: 2025*, we explored the emerging business models that are reshaping that segment's future. Insurers will need to confront their reliance on legacy systems, an uncertain and broker-oriented customer base, and an underlying perception of insurance as a sector that doesn't deliver on its promises.

Our latest market online survey of over 1,000 customers across Canada sought to provide a clearer picture of what customers want in a retail experience as well as how key themes of transparency, integrity, and trust-building offer an opportunity for innovative insurers to take the lead. In this report, we further explore the concept of retailization to understand how customers want to interact with, and be engaged by, their insurer.

Thinking like a retailer means thinking like a customer

The old adage about insurance being something that is "sold, not bought" is being tempered by the rise of proactive consumers, who have grown accustomed in recent years to having lots of information at their fingertips. Brands such as Airbnb, Uber, and Netflix introduced a new emphasis on personalization and instant gratification with the digital, 24/7 platform, a level of service that has also boosted expectations.

It's clear the customer is now driving the bus. At the same time, they must take care not to forget how to deliver on their core values. This means working with technology to find new ways to interact with customers while recognizing that the "right" method may vary depending on both the customer and the product being sold. For those companies just starting their digital journey or deciding where to invest next, the prospect of transforming how they do business can be daunting.

Insurers will need to reinvent not only their IT, data, and customer service processes but also their overall operating culture to reflect a customer-centric reality.

Getting to know all about you

We recently took a closer look at the four aspects of the insurance customer's path to purchase. The following describes what over 1000 Canadians like and dislike about each aspect of this process.



01. Discovery and research

The insurance industry is still adjusting to the digital economy dynamic. So are customers. Almost half of the respondents to our customer survey indicated that when choosing an insurer, they do what they consider “enough” research to be able to identify a few comfortable coverage options, with more than two-thirds of those narrowing down the comparison to two to three companies. Many consumers still call the company to learn more and make their decision, highlighting to insurers the importance of offering multiple means to give advice and validate consumers’ choices.

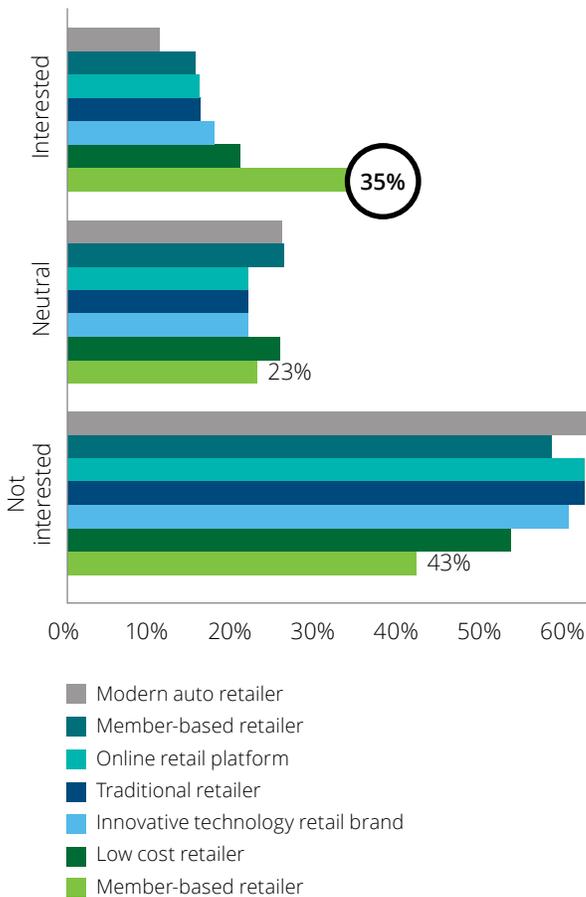
Consumers are also seeking options in the way they interact with their insurer. Eighty-five percent of the people we surveyed said the ability to easily get advice in the communication channel of their choice is important or somewhat important. Today’s insurance buyers expect to have the same depth of information and advice available through multiple channels, so they can seamlessly shift between devices and pick up where they left off. Many consult a variety of sources to obtain more information, including their social networks and third-party sources like customer reviews, before making a decision.

This use of multiple sources results in a fragmented, decentralized research path that affects how insurers should position their advice. As the number of digital distractions continues to rise, insurers that make it easy for consumers to access the information they need on demand will be the ones to succeed.

“I don’t get enough information from my insurance [provider]. It would be great to get more help, or even if they sounded happier on the phone.”

—Auto insurance customer

Who would you buy insurance from?



02. Consideration

To better understand the role brand plays, survey respondents were asked if they would be interested in buying insurance from large retailers such as an innovative technology retail brand, a modern auto retailer, an online retail platform, or a member-based retailer. The findings indicate non-insurance brands that already hold a high degree of trust could appeal to insurance customers. For example, 35 percent stated they would be most interested in buying insurance from the largest member-based retailer in the country, suggesting affinity with that company's care of its employees and members, exhibiting a culture that instills trust in the brand and contributes to a sense of comfort that a member's insurance needs would be well taken care of.

As demonstrated by this affinity with the largest member-based retailer in the country, a critical component of brand-building for insurers will be the core values of the company, along with how it conducts business with its customers and employees. As insurers ramp up investment in

branding and marketing activities, they should keep in mind that it will be the lingering affiliations that make the difference in building trust, rather than raising awareness of the brand. And then there's the strategy of using community engagement as a means of building brand. A new insurer called Lemonade has committed to donate a portion of its revenues (after claims are paid out) to local charities. While the strategy appears to be cutting edge, when we asked our survey participants if it's important for an insurer to support and invest in community events and initiatives, almost half (44 percent) were neutral. If the investments are perceived as genuine and marketed organically (by word-of-mouth or unpaid social media shares, for example), it may be better received, but our customer-respondents indicated wariness of community-building activities backed by traditional campaigning. These findings underscore the importance of trust; if an activity is perceived to have ulterior motives, it can do more harm than good.

"I like reading customer reviews, because they are unbiased reactions, and I can also see how companies respond."

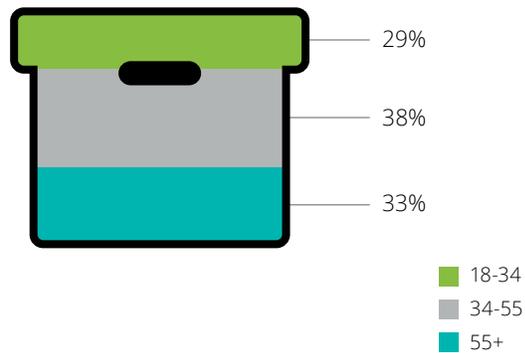
—Insurance customer

03. Purchase

Making the insurance purchasing experience more retail-focused began with the interactive web and accelerated with the advent of mobile technologies and applications. Another shift is now underway as digital channels enter the mainstream market. Insurance customers are anticipating change: one-third of respondents indicated interest in purchasing directly from an insurer's website and 24 percent were open to the idea of insurance pre-packaged with another product, suggesting consumers are becoming receptive to non-traditional methods of purchase.

The ability to offer the right product at the right time will be critical for insurers to effectively cater to customers' needs. Companies will need to look at new forms of product offerings to address changing demographics and lifestyle choices. For instance, they may want to consider offering situation- or instance-specific policies based on geography or experience (e.g., coverage for only a 24-hour period) and perhaps pre-packaged selections for certain segments of consumers.

Of the 24% of respondents who would be interested in buying insurance pre-packed with another product, their ages are...



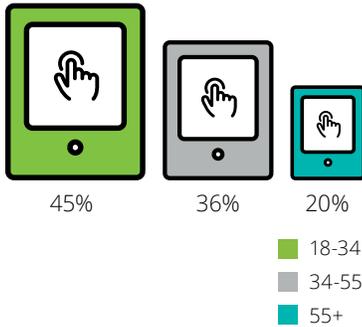
Packaged with the purchase of a product (e.g., you buy a car and the insurance at the same time)

- Of those willing to purchase pre-packaged insurance, the majority were under the age 55, with a slight skew to ages 34-55 (**38%** relative to **33%** for 18-34 years)
- **25%** of consumers are willing to price their insurance at POS

“Costco really takes care of its members so I would definitely consider buying insurance [from them].”

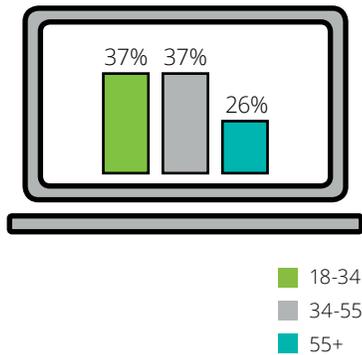
—Home and auto insurance customer

Interest in purchasing through insurer's mobile channels



Individuals between the ages of 18-34 are more open to buying insurance via mobile channels than consumers aged 35+, relative to purchasing via an insurer's desktop website

Interest in purchasing through insurer's desktop website



Today's empowered consumers crave options, and research suggests insurance coverage is no different. Our survey seems to confirm that: 86 percent of respondents told us the ability to easily customize their policy and make updates after purchase is important, indicating consumers want the option to make changes. This is not to say all consumers will make use of this function, but the idea is to empower customers to decide how involved they want to be in the process.

When it comes to the use of technology in the purchase process, insurance providers should shelve any lingering assumptions that digital tools are intended for and most appealing to the millennial generation. Our survey revealed nearly as many consumers aged 35-54 as those aged 18-34 were willing to go online to purchase insurance, making the overall demographic opportunity much larger for insurers than many may have thought.

It's not age that matters, but behavior, when determining who is interested in purchasing through digital channels.

Although this uptake of technologically comfortable older consumers presents a significant opportunity, insurers need to be aware of the differentiation in perception of trust in technology between the younger and older generations. Concern over

the protection and privacy of their personal data may lead older users to be less willing to share specific information and perform specific tasks on a digital platform than the younger generation. Insurers would be wise to focus on building secure systems and policies to increase the willingness of all generations to interact through technological platforms.

The widening demographic of tech-savvy consumers is minting new ways for insurers to get creative in providing the right value at time of purchase. By thinking like a customer regardless of age, insurers who begin shifting their business strategies now will be well-positioned to be among the top two or three contenders for insurance customers' dollars.

04. Engagement

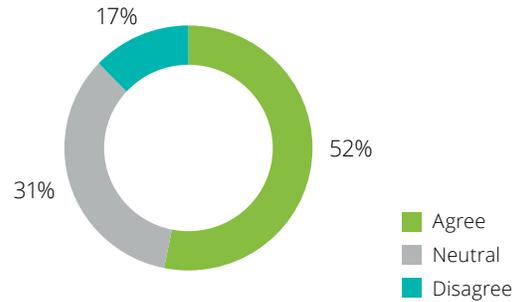
The number of interaction points between insurers and customers can vary significantly. For some policyholders, communications are limited to the purchase and renewal, while for others, a claim can result in many interactions. Given this variability, insurers have struggled to open new avenues for interaction in order to sell their customers further products or services. (The debate continues about what such value-added offers could mean for customers and what it would take for insurers to extend beyond the core purchase itself.)

One opportunity is to enable customers to control the terms of engagement. When given control over the frequency and method of communication, 61 percent of survey respondents said they'd be open to learning about new product offers or relevant coverage options. As incentives to share information, better personalization appealed to 28 percent, while 22 percent reported a simplified and faster experience would make them more willing to share.

Conversely, when clients have no control over the communication coming from their insurer, they're more likely to dismiss any messages that aren't about their policy—just over half (52 percent) would consider such communication spam.

Without control of the communication...

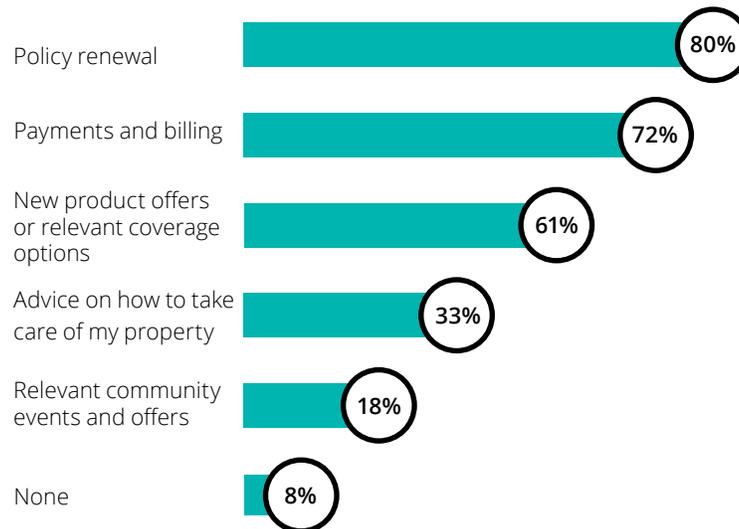
Any communication from insurer that is not about my policy I would consider spam and unwanted



- **52%** of respondents indicated they would consider any communication unrelated to their policy spam
- **57%** of respondents also indicated they are not interested in receiving texts from their insurer

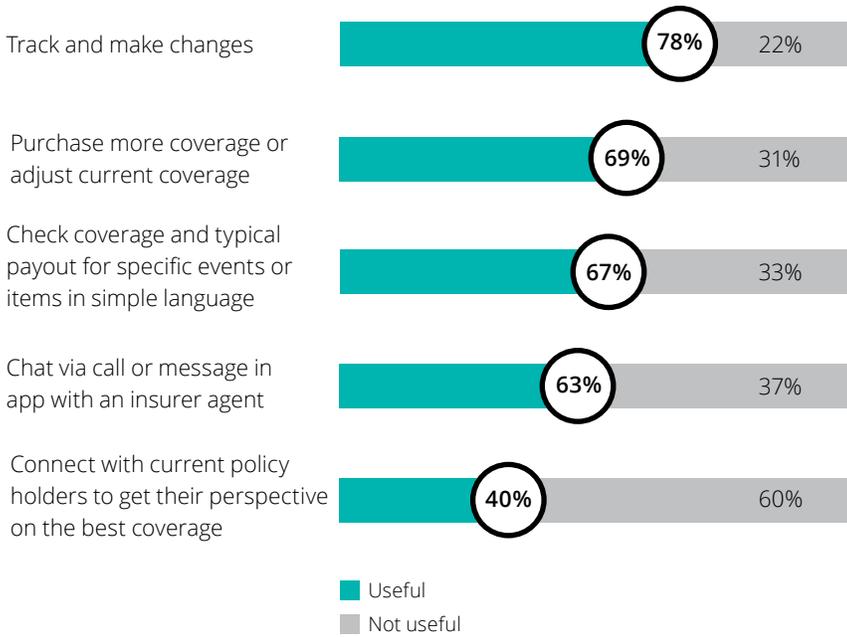
...when given control over the content and frequency

If you could choose communication method and frequency, what would you want to receive?



- Only **8%** of respondents said they wanted to receive nothing
- **30%** indicated they would be open to learning more about home renovation and auto repair

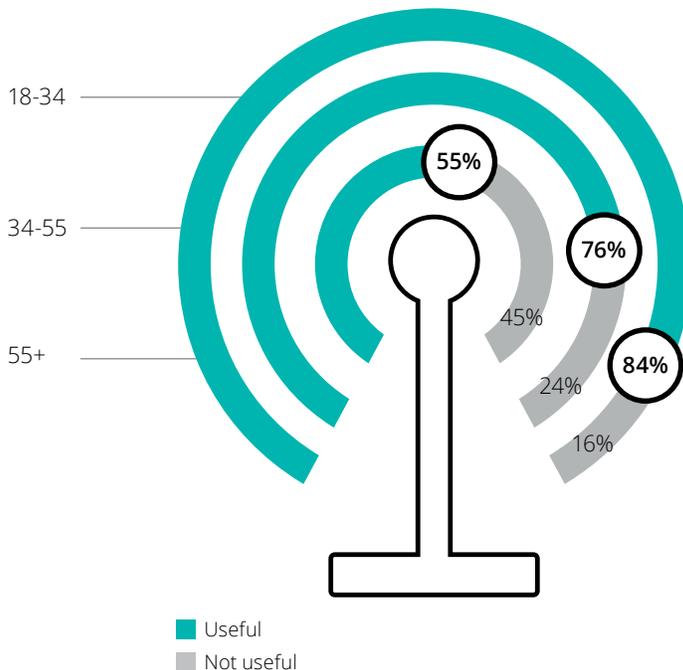
Most useful features in mobile experience



Mobile engagement levels for insurers are currently lower than in other industries, which could be attributed to the number of mobile apps competing for consumer attention, the lack of relevant features and functionality in insurance apps, and the lower frequency of insurance transactions as compared to, for example, retail banking.

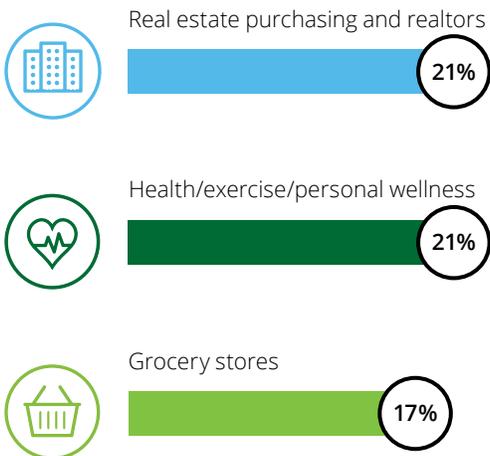
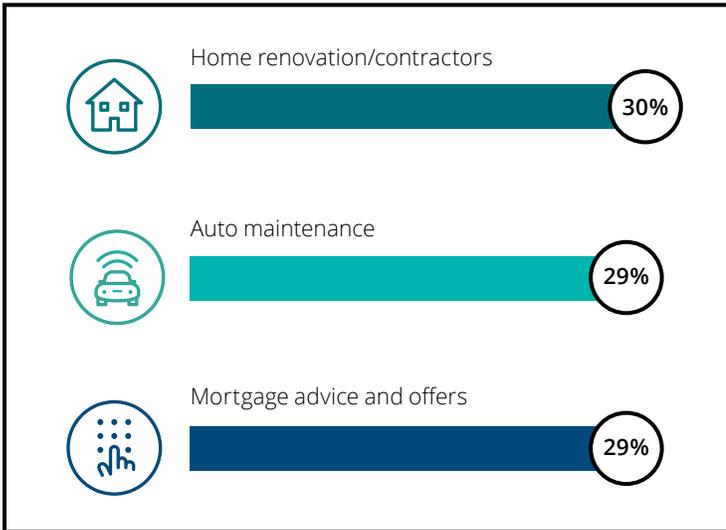
One way insurers can increase usage of their app is to ensure they're offering the right features. Being able to track and make changes to their existing insurance offering would be a useful feature according to 78 percent of respondents, while 69 percent said an app would be useful for purchasing more coverage or adjusting the current level. For 63 percent, the ability to live-chat or text message with an agent would be a useful app function, reflecting a growing trend towards chat capabilities that can mimic the experience of a live agent.

Interest in purchasing more coverage or adjusting current coverage via mobile channel



From a demographic perspective, the millennial generation (18-34 years) is notably more interested in purchasing coverage and adjusting current coverage via mobile channel (84 percent, compared to 55 percent for those 55 and older). This represents an emerging opportunity to reflect the habits of a generation for whom digital is a way of life.

Other products/services/advice that customers would want to learn more about from an insurer



Continuing engagement beyond the point of purchase is also critical. It's the avenue for insurers to build trust with their customers by offering services the insurers believe the customer may find most useful. Indeed, when the survey participants were asked which adjacent products or services would be of interest, the top responses were closely connected to their original purchase: home renovation/contractors, auto maintenance, and mortgage advice and offers. This implies that utility is still top-of-mind for insurance customers, so any additional offers should be carefully considered and be relevant to the assets the insurer is already protecting.

Thinking about opportunities to extend beyond transactional interactions towards value-added ones will be critical to ensure that consumers feel valued and taken care of. And don't forget: evidence suggests insurers should engage on customers' terms or not at all.



Designing for trust

In a world of 24/7 access, information the average customer might have had to write away for or visit in-person to obtain is now taken for granted to be no further away than their device and an internet connection. They expect to be served on their terms, through the channel of their choice, at their time of choosing, and to receive tailored information that reflects their needs and interests.

It's easy to see how legacy practices aimed at centralizing the customer relationship through a broker or call centre must change. Breaking from this mindset requires not just thinking like a customer, but thinking like an *empowered* customer—one that not only has access to information but also an ability to act on that information quickly and decisively.

In addition, given that consumers are turning to their network of family and friends—and even to unknown reviewers—for advice before approaching people in industry, insurers need to view trust as a kind of social currency. They should look for bold ways to give back first and show with tangible action they trust their customers, earning their customers' trust in return.

We believe there are five primary principles insurers should keep in mind when building their trust and social capital with customers:

1. Predictability

Customers expect clarity on what they are buying, why the insurance policy or product matters, and how the company will respond to a claim. Transparency and clear expectations creates the all-important 'no surprises' experience customers need in order to feel comfortable engaging with their insurer and allowing it to become involved in more aspects of their life.

2. Consistency

Doing what you say you will do and delivering on promises without hesitation is the foundation of trust. This base should be solid before considering any further engagement.

3. Advice

Customers will seek information from a variety of sources, but ultimately place the most value on a trusted opinion. Insurers should aim to be that. This means offering ways for customers to receive information that is tailored to their needs or interests, and being available to discuss what that information

means in easy-to-understand terms. It means giving straight talk on how much extra certain coverage will cost, and under what conditions it would make sense to purchase—or not.

4. Options

Giving customers the option to choose establishes a sense of intimacy and partnership in decision-making. A cornerstone of the advice process is ensuring customers are provided relevant options, and making them readily available through the insurers' own channels so customers don't have to turn to other sources.

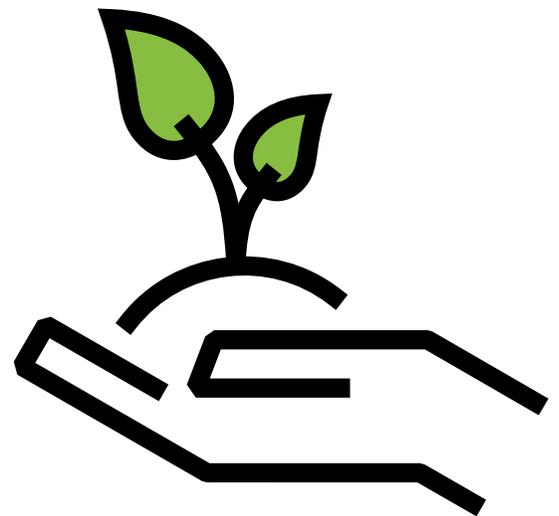
5. Value-add

Once baseline trust has been earned, insurers should take care to never take it for granted. They can build on it, carefully, by striving to offer a service tailored to the needs and interests of each customer, extended only after they have learned more about what that customer wants, as well as when and how he or she wants to receive. Looking ahead to 2025 and beyond, the successful insurer will be the one who is able to earn and maintain the position of trusted advisor with its customer base.

Cornerstones of success

The '**retailization**' movement will require insurers and brokers to actively adopt a retailer mindset. For many, this will mean forging new ways of doing business. More than reimagining the business to better engage customers, it requires understanding that a cornerstone of business strategy and operations is a better understanding of and responsiveness to customers.

In short, insurers should strive to be seen not as disconnected purveyors of coverage but as committed partners, ones who place a premium on ensuring their customers are engaged in the right ways and for the right reasons. They must first, however, ensure they have built a solid foundation of trust.



Meet the team



Daniel Shum
Partner
dashum@deloitte.ca
416-874-4248



Mukul Ahuja
Senior Manager
mukulahuja@deloitte.ca
416-874-4284



Jessica Goldberg
Partner
jgoldberg@deloitte.ca
416-874-4477



Eva Treumuth
Senior Manager
etreumuth@deloitte.ca
416-601-6595



James Colaco
Partner
jacolaco@deloitte.ca
416-874-3152

Deloitte.

www.deloitte.ca

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals—9,400 of whom are based in Canada—make an impact that matters, please connect with us on [LinkedIn](#), [Twitter](#) or [Facebook](#).

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.

Designed and produced by the Deloitte Design Studio, Canada. 17-5323V