

# **Analytics for Insurance in Canada:**

## Customer Centricity Report



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### With Contributions from



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### Building a customer centric Canadian insurance industry

It is very easy to pay lip service to customer centricity. There are companies that claim to listen and companies who profess to 'put the customer first'. The old saying 'the customer is always right' is just that - old. But, until recently, how many Canadian insurance organizations could - hand on corporate heart - say that they were truly customer centric?

Increasingly this is the case, although many admit that it is a journey they are just beginning. "I would love to say that we are 100% customer centric but I think it's fairer to say that we are moving that way," admits Dennis Nilsson, RSA Insurance's Vice President and Leader of the Center of Excellence for Pricing and Underwriting.

This sentiment certainly reflects the findings from FC Business Intelligence's *Canadian Insurance Analytics Healthcheck*, a survey of more than 100 Canadian insurance executives which revealed that 43% felt the focus for Canadian insurers in 2016 should be on customer relationships above and beyond anything else.

Customer relationships was second only to digital and analytics in the table of responses, but it's interesting to note that these too are integral tools to build a customer centric organization. From a digital perspective, executives' desire for strong online platforms reflect this as the chosen channel of interaction for the majority of Canadian insurance customers. The ability of using analytics to deliver insights across the organization is going to prove vital in informing how best to serve the customer and indeed 59% of executives will make this a focus in 2016.

Many institutions are more than a century old and if insurers have managed this long by going to market in a product centric way, what has changed to make a customer focus imperative? "Many other industries have taken steps to focus on the customer and so [customers] expect to be treated well. They expect to control the ways they interact with companies and insurers have been one of the last sectors to make this change. The client's expectations have changed drastically," warns Carl Lambert the Vice President of Business Intelligence at The Cooperators.

Besides the pressure from customers to generally up their game in terms of experience, what does becoming customer centric actually mean? "It's a mixture - it's about making customer interactions easier - more consistent and convenient across all of the channels we have. It's also about offering them the most relevant products and services with a transparent and convenient pricing structure, as well as, developing customized solutions," Nilsson reveals.

However, companies won't make the decision to become customer centric overnight. Many are weighed down by years of process and product. Even those who consider themselves highly responsive to the new climate acknowledge that this is a brave new world for the sector.

### Organizational customer centricity

"We're definitely still product centric but the shift is cultural, based on everyday decisions. We have completely changed our brand to be more responsive to serving the customer's needs and our mandate is around what we are going to do

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to make the customer's life better," reveals Janice Liui, CIBC's Senior Manager and Digital Campaign Optimization.

Executives interviewed for this report agreed with findings from our survey which revealed that one of the biggest impacts of incorporating data and analytics into the organization would take place in underwriting (26%), followed by marketing (13%), pricing (10%) and actuarial (10%).

Interestingly, the most frequently named service provider that will be critical in delivering the future of Canadian insurance was not Google, with its powerful advertizing reach or Apple's mobile market dominance but Opta and to a slightly lesser extent, IBM. Both strong analytics players but Opta in particular flexing its muscles in the realm of product development expertise. This expertise is being founded on customer insight rather than historical insurance product development knowledge.

"In the past we have developed new products by leveraging internal capabilities in the company, just asking ourselves what we think the customer needs. The obvious drawback is that you have this myopic vision through a product lens and it creates silos that compete internally for customers and lack a coordinated approach," Nilsson notes. "The future for companies is to balance the product view with customer focus so they feed directly into the decisions you're making."

Liu makes the critical assertion that, once the decision had been taken to be much more customer oriented in its approach, top level management will then take on the responsibility of driving this cultural change, as she has seen at CIBC. "It's dictated from the top down so it doesn't matter where you are in the organization. You can be on the front line but in multiple meetings all I hear are the words: Is this what the customer wants? Decisions are made with the customer in mind."

Defining what customer centricity means to the insurance organization is easy to do but a challenge to enact, according to executives we interviewed for this paper. "Customer centricity means having each customer – either current or prospective – at the centre of the business and how you operate. It's about knowing them, their needs and preferences and being able to address them in an agile manner across all channels and touchpoints," outlines RSA Insurance's Nilsson. Nilsson then goes on to say that tracking customer interactions across all channels is a major challenge.

The technical aspect of delivering customer centric strategies is proving to be one of the biggest headaches for executives. With most insurers not lacking in data, this information is nevertheless sequestered in multiple silos, managed by several different and essentially incompatible systems as well as serving product creation rather than customer service.

"Insurance needs to catch up everywhere - it's lagging," Lambert admits. "We have always had a lot of analytics and we have the skilled people, it's just that the actuaries were traditionally involved in the assessment of risk. But for us, they have had the mindset to make the cultural shift from risk to client service. Now most companies have statisticians that work together, the technology is coming together and we as an industry are catching up."

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Of course, at times the task of instituting such a vast programme of institutional, organisational, cultural and technical change can seem so massively complex and costly it induces a degree of paralysis. In an industry where precision and planning has always been a priority, many are learning to test, to operate in beta and to accept they are not 100% right, just mostly right.

Lambert is currently engaged in a pilot project around customer service and experience. He is integrating the company's marketing campaigns: "We implement what makes sense," he states. Nilsson on the other hand reveals that RSA has had to embrace a new mindset: "Faster rather than perfect is what we say. Most often, the time needed to achieve 100% of the solution is not worth it compared to the timeline to achieve 90% of the solution."

From Liu's perspective, it's all about bending current resources to the customer's will: "Our solution at the moment is to bootstrap. On a daily basis, how do we hack what we have? The technology and what we're trying to do doesn't always match up, so platforms that are used as data management (DMPs) for social are being used for more than their intended function. We use Adobe Target for testing as it was intended but also for personalization. Without full stack integration and data from various sources, you often have a data confidence issue. But we have to work out our tolerance for that."

The shift from organizational silos is happening. While it is hard to change mindsets, once they are, the human element is able to create workarounds – managing the new customer philosophy quite well. Creating proof points around investment can prove harder. In our executive survey, 36% claimed that they were starting to see a return on investment from customer analytics but 20% had yet to and a further 10% had resigned themselves to no returns for a further two years.

Interim measures such as pilot programmes and campaign testing are providing yardsticks along with more diligent approaches to measurement that go beyond last click attribution. These are attempts to reveal how each step in the increasingly convoluted customer journey contributes to the whole.

### Developing the new customer experience

Ultimately however, these new mindsets, bootstrapped technologies and revealing customer insights are paving the way for new approaches to insurance models. In some cases, it's leading to whole new product categories.

Cooperators' Lambert outlines the company's recent experience responding to flooding across Canada. This has proven to be a case in point and showcases the benefits of adopting a customer first strategy:

"When we had a flood in Alberta two years ago, it cost us more than \$100m which is a significant payout for the organization. Flood is not a risk that is usually covered in the Canadian insurance sector and at the time our CEO's message was that we should be proud of paying out that money because it was a time when we had accomplished our mission as a company."

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He adds, because Canada is the only country in the G8 that does not have flood coverage and the government caps what it will pay out, insurers have taken heed of these customer concerns and are now launching flood programmes. From The Cooperators' perspective, the company commissioned \$1.1m of research from the University of Waterloo's Faculty of Environment to investigate flood risk and sustainability. It has made this research freely available to the public with a view of being able to serve the client better.

For Liu, a large part of customer centricity comes down to simple communication. By changing the way the company has approached its communications, she is finding new ways to engage more deeply and provide greater satisfaction: "In a very digital space, the only way we can interact with our customers is through the screen. Unlike telephone banking for example where you have the opportunity to use context and verbiage, digital tends to be all or nothing. We know customers like pictures, we know what they're attracted to on screen, what channels they prefer and their frequency of interaction.

"We are really starting to look at the behaviour of our customers and understand the attribution. If someone is coming through paid, earned or owned media we use that information to shape our personalization. Campaign optimization is not all about testing whether one colour button works better than another, it's about the experiences made across the whole site," Liu adds.

Lambert adds that insurers are having to keep on top of the changing nature of risk and adapt the customer experience to suit. He reveals that drawn-out claims processes were once a necessary evil to weed out fraud but this is no longer necessary. The drawn out procedure however, remains. "New regulations have dealt with a large amount of fraud which was a big problem for us in Ontario. Now that there has been a big decrease in claims fraud we can speed up the process."

Customer centricity may eventually create a defining point in the changing nature of insurance companies as a whole. Lambert gives the example of Google where recently more column inches have been devoted to its driverless car innovations than its position as the leading search engine. The common thread, he reveals, is not the web but innovation. In the same way, insurers are deepening their commitment to analytics and embracing the Internet of Things initially to mitigate risk. Equally, insurers are working to improve client engagement and they look set to become more easily categorized as service providers. "Either the service companies are going to have to start offering insurance, or the insurers are going to have to start providing services. The odds of the latter are in our favour," Lambert concludes.

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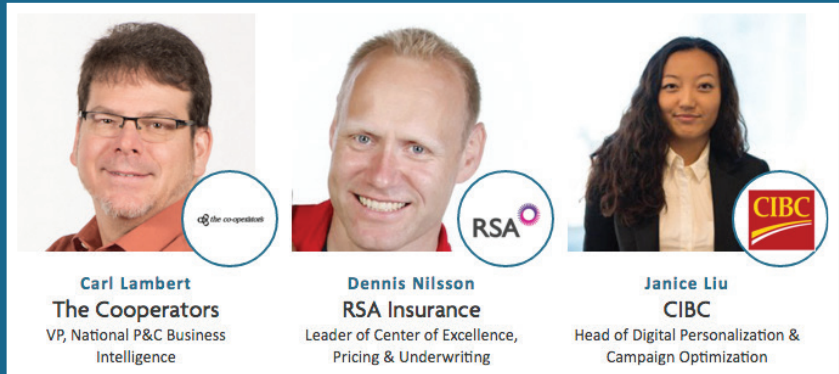
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The contributors of this white paper: Janice Liu of CIBC Insurance, Carl Lambert of The Cooperators, and Dennis Nilsson from RSA are all speaking at Insurance Analytics Canada on the 12 & 13 May in Toronto.



The purpose of this white paper was to develop thoughts and ideas in the run up to the conference. We are looking to build our intelligence in the area of customer centricity and analytics in insurance for the Canadian market and support the community of people who face challenges in this area.

Insurance Analytics Canada has been created for the community by the community with research spanning over 6 months and an anticipated audience of over 200 expected at the event.

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