



National Insurance Conference of Canada 2018

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Check against delivery



Good afternoon.

Let me ask you this: Has technology changed your life as a consumer?

I think it's safe to say the answer is an unequivocal yes.

Let me ask you this: Take off your insurance hats for a second. As a consumer, has technology changed your experience with insurance?

Now, that's a different story altogether, isn't it?

Ask a friend, a neighbour, a family member and I bet you'll see how apparent the gap is.

That's what we did – we asked people what they thought of insurance. Take a look.

[VIDEO PLAYS]

Our customers want new solutions. How can we deliver?

That's the million dollar question.

How do we develop the solutions our customers expect?

Regardless of the challenges we face as an industry, the time for change is here.

And every one of us knows that time won't wait.

Let's get a show of hands.

How many of you, at one point in your life, stored your music in a CD tower?

How many of you ever dropped off a roll of film for processing?

Let me back up a step: How many of you know what a roll of film is?

We are all aware of the change happening around us. The innovation. The technological progress. It's inescapable.

But how often do we pause to take stock of the *pace* of change? The speed at which our world is evolving? And the impact these transformations are having on the way we live, on the decisions we make – and on the field in which we choose to work?

Only a little more than a decade ago, the fax machine was still a staple of business communication.

Just a few short years ago, we watched all our TV shows... on TV.

And we watched them when the networks told us to watch them. People would say things like, “Sorry – Survivor’s on tonight, so I can’t come to your dinner party... slash... birthday party... slash... baby shower.”

This one may come as a shock to some of the younger people in the audience: There was a time in human evolution – as recently as this decade, in fact – when some people used their phones as actual phones.

The speed of change, innovation and disruption is accelerating. We feel it. We see it.

Once-in-a-lifetime revolutions in technology now seem to happen every decade.

The classic iPod debuted in 2001 – and was discontinued in 2014.

Industries are being disrupted overnight.

Iconic corporations are going from the Forbes 500 to Chapter 11.

Long-standing businesses are falling victim to new ways, powered by new technologies. Newspapers, travel agents and cab drivers – all are intimately familiar with the velocity of progress, and the consequences of not being prepared.

As we saw in the opening video, this is the future in which insurance companies will operate.

A future of new ideas, new competitors and new technologies.

And, at the same time, a future that will bring major changes to what we currently insure – and how we insure it.

We are not immune to the forces of change.

Yes, it is true that building an insurance company from scratch is a little trickier than building an iPhone app. There are regulatory issues to deal with – and serious capital requirements to meet.

But that doesn't mean we are inoculated against the disruption happening around our industry.

We need only look at the growth of ride sharing services and their effect on car ownership, especially among younger people.

Or think about the potential impact of autonomous cars and what they mean for our traditional business model and our traditional definition of risk.

Not to mention the fact that some are already predicting that insurance for self-driving cars... may ultimately be provided by the makers of the cars themselves.

Some of you will be familiar with the concept known as Amara's law. In a nutshell, it states that we tend to overestimate the impact of new technology in the short term... but underestimate its effect in the long run.

There's a recurring pattern of hype, followed by disillusionment, followed by real and meaningful impact.

Make no mistake: the changes in our world are going to affect our industry – affect it over the long run.

The question we need to ask ourselves is: What are we going to do about it?

To understand how best to prepare for tomorrow, we need a clear sense of where we stand today.

In a time of rapid change, it's more important than ever to understand our customers – and our potential customers... understand their attitudes towards the world, and towards us as an industry.

So we asked them. We conducted public opinion research and we gathered people together in focus groups.

What we found was interesting and relevant – much like what we heard in the earlier video. In some cases, what we found was surprising.

What do people want from us?

They want more choice and customization – just like they get from other companies and in other aspects of their lives.

They want the way in which we communicate with them to evolve with the times. Let's face it: In a time of one-click satisfaction, we must seem like dinosaurs to most.

They want fresh thinking from all parties – from our industry, but also from government and regulators. They want to be protected from risk – but not from change.

Today's consumers see new ideas and new solutions all around them – but not so much from us.

They acknowledge that we play an important role in their lives. People rely on us and trust us with their family's financial security.

Yet they know very little about the reality of our industry. Here's the best illustration of that. In our research, we asked people: Where do you think your insurance dollar goes? How does it all break down?

And what we found is that, on average, Canadians think 34 per cent of what they pay in premiums... goes to profit.

We can debate about whether there's any upside to trying to inform people about the margins in our industry and the reality of our operations.

But here's something that is beyond debate: Our customers don't care about our problems and challenges.

They don't care about the red tape we face. People think we're doing great and they are not going to line up to support our case for better treatment from government or regulators.

Unless...

Unless we demonstrate that the upshot is a better deal for them. That's what people care about.

That's the kind of change that they can get behind. The prospect of new and better services. More customization. An overall experience that's closer to the ones they get every day from the apps on their phone.

The best designed, most convenient and most affordable services these days are those that are rigorously tailored to individual needs and circumstances. That's true in transportation, hospitality, banking, media, telecom and more.

This is the picture we need to be painting for people. A picture of what's possible if some of the constraints on us are lifted.

Possibilities like:

The ability to arrange all your insurance matters online – and hold all relevant proof documents on your mobile device, if that's your preference

The ability to turn on and off your insurance coverage based on when you drive – and when you choose instead to bike, walk or take a trip.

The ability to pick and choose the insurance benefits you want to buy – the kind of customization I was talking about earlier.

The ability to influence your insurance rates by sharing data from your vehicle

to demonstrate your good driving habits.

These are just some examples. The innovations will ultimately come from you and the companies you represent.

But here's the common thread: These are services and products that our customers want. But we can't provide many of them yet due to regulatory restrictions.

Those of you here in this room today... I know you understand the reality of today's evolving marketplace.

In both your personal and professional lives, you have witnessed the pace of change in other industries.

You have seen how innovation is rewarded – and resistance to change is punished.

You are eager to innovate. You are ready to meet your customers on their terms. To offer more choice and to serve them in better ways. To compete harder than ever to win their business. To offer new services and new solutions that put people first.

Many of you are already taking steps in that direction. But all of you are still fighting a battle with one hand tied behind your back.

Let's be absolutely clear about this: We are a regulated industry we always will be and we always should be.

But stale regulation supports the status quo. It acts as a disincentive to progress and better ways of doing business and serving customers.

Again, to paraphrase what our own customers are telling us: Good regulation protects people from risk, not from change.

As an industry, we have a number of important challenges coming our way in the years ahead:

How do we adapt the auto insurance system as autonomous cars are introduced?

How do we adapt to a transportation system in which the concept of liability is going to be transformed?

How do we deal with the issues raised by the growing popularity of Uber and Air BnB?

Or the life insurance implications of people learning more and more about their genetic makeup – and, over time, becoming empowered to tailor and tweak who they are?

Cyber risk, the Internet of Things, big data... the list goes on.

Here's the key point: These issues don't just affect us. They affect everyone. They will have an impact on all Canadians. And so Canadians have a vested interest in creating a system in which insurers have the flexibility to come up with affordable solutions.

Let's think for a moment about millennials – and what they think about us.

The millennial generation has a very different way of interacting with the world. They've been raised in the era of the startup. Their focus is shorter-term. They think differently about careers and the gig economy.

Today's teenagers go a step beyond millennials – they quite literally have no memory of a time before the Internet.

Among this generation, the conflict of expectation and reality is having an impact. A survey done for the World Insurance Report this year found that only 26 per cent of customers under the age of 35 reported having positive experiences with their insurers. That compares with 37 per cent of those over 35.

That's a big satisfaction gap.

We live in a time when we can see, or learn, or order almost anything we desire by touching the screen of our phone... and yet we live in a country where only one province has taken steps to allow for the use of electronic pink slips.

Regulators need to adapt to the world as it is – not cling to the world as it was.

I'll focus on just one example – usage-based insurance or UBI.

In the opinion research we've done, fully two-thirds of respondents agreed that determining premiums based on driving performance is a fair way to price auto insurance. Only one in 10 disagreed. The public sentiment is clear and overwhelming.

And yet here in Canada we can't use UBI to fully determine premiums.

In other words, consumers are being denied more accurate pricing.

They are being denied the kind of innovation and forward thinking that would result in better products and better service.

Consumers want fair competition.

They want good companies serving them well, using the latest technology.

In the research we conducted, we found that only 37 per cent of Canadians – barely one in three – feel confident that they fully understand their home insurance policy. And only 42 per cent say they fully understand their auto policy.

New and more efficient avenues of communication would help us to better inform our clients and better respond to their concerns, needs and questions.

Regulators have a duty to protect consumers – but also to enable an environment that allows for this type of innovation.

It is long past time that they got on with it.

I think it's fair to say that we have been working for some time now to make this case to policy makers.

But perhaps in doing so, we are overlooking an important potential ally – the people of Canada.

As I said earlier, consumers don't care about the challenges we face as an industry – but they do care about new products and services, and easier ways of communicating and doing business.

That's what we want to give them.

We're not asking for protection from competition. We don't want preferential treatment.

We seek only the freedom to adapt and innovate – to use the ingenuity of our people to create a better way of doing business.

We seek the ability to be where consumers are. A generation ago, that was around the family kitchen table for an evening visit. Today, it's on electronic devices, 24/7.

We seek the flexibility to find new and modern ways to help our customers navigate the complexity of insurance – and make sure they buy the products that meet their needs.

We seek the opportunity to ourselves be the disruptors – to lead the way in creating change and a new way forward.

Here is my commitment to you today: Over the next 18 to 24 months, I will make it a priority to communicate a consumer-friendly message – a message that says: better regulation means better insurance for all Canadians.

I will work with the support of my colleagues at IBC – and in partnership with anyone and everyone who is interested in bringing about change.

Change that opens the door to new ideas, products and services.

This is about challenging government to create the conditions so we can build products that make sense for Canadians.

It's about encouraging consumers to reach out to their elected representatives – not to help us, but to help themselves.

It's about creating a win-win-win scenario. Government gets credit for creating a more consumer-friendly marketplace. Consumers get better insurance solutions. And we get the opportunity to innovate.

Above all else, this is about telling a story that resonates with Canadians – a story of what is possible with more efficient and modern regulation.

A story of new services and new ways of managing and customizing insurance.

A story that puts us on the side of consumers in pressing for the opportunity to shape the future.

This is about driving change that opens the door to new possibilities.

This is about building a future that works for Canadians.

I'm the first to acknowledge that this is no easy task. It is a long-term strategy that will require a lot of heavy lifting. But it's one that's key to our success as an industry.

Ladies and gentlemen:

This is a New York City taxi medallion.

A licence to drive one of those famous yellow cabs... and, for decades, a licence to print money.

Medallions would be passed down through generations. On the open market, they would sell for hundreds of thousands of dollars – sometimes close to a million each.

Then came Uber and other ride-sharing services. In the span of a single year, the value of this medallion dropped 25 per cent. Then another 25 per cent. It didn't take years for people to switch to Uber. It took weeks.

The device in your pocket isn't just a phone. It's more than a means of communication and data transmission.

It is a pipeline. Through it, new ideas and new services can instantly reach millions. They can take hold and be embraced literally overnight.

Once change has been unleashed, it can never again be contained.

There will be changes to our industry in the years ahead, and there will be challenges. We will continue to bear witness to the impact of disruption.

The responsibility of creating a modern regulatory insurance environment falls to others – but we have responsibilities of our own.

As an industry, we must be ready to change and adapt. We must be willing to invest in new ideas.

We must be eager to meet today's consumers – and tomorrow's – on their terms. And build the solutions they want.

If we focus on this kind of innovation... if we are allowed the freedom to exercise our ingenuity... then we can be the ones who shape the future of our business.

Thank you.