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Innovation in the Canadian Life Insurance Industry

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EVOLVING LIFE INSURANCE INDUSTRY

The Canadian life insurance industry is seeing a wave of innovation across multiple fronts. Evolving customer expectations, shifts in distribution, emerging technologies, big data and the threat of non-traditional entrants have insurers looking to drastically change the way they do business.

In response to these evolving industry dynamics, Canadian life insurers are increasing their level of innovation in order to achieve a competitive advantage, with particular success in the following four areas:

1. Underwriting innovation. The life insurance industry as a whole has seen a focus on accelerated-underwriting efforts to better meet the needs of consumers and advisers. The traditional 30-day invasive and manual underwriting process is just one more reason for the millennial generation to defer purchasing life insurance. Several Canadian insurers have seen progress over recent years in accelerated underwriting for the young and healthy, successfully underwriting applicants in real time without the need for blood tests or paramedical exams. New technology and processes and the increased availability of data have insurers investing in the data and analytics capabilities required to further expand their real-time underwriting capabilities. While still limited by approved third-party data sources compared to our U.S. counterparts (i.e., credit ratings, electronic health records, etc.), several Canadian insurers have seen tremendous progress over the last two years.

In the fall of 2016 Humania Assurance launched HuGO, what they quoted to be the most advanced underwriting platform available in Canada at the time, offering up to \$1 million of term insurance at a competitive price in just 15 minutes. HuGO was the first to introduce personal underwriting through the use of

predictive analytics, providing real-time underwriting decisions at the point of sale on approximately 65 percent of applications.

Earlier this year Manulife announced that it had eliminated the need for all nicotine, blood and urine testing for policies up to \$1 million on all individual life insurance products with the use of its predictive analytics program, a significant achievement toward simplifying the purchasing process and a first in Canada.

Although consumers would likely agree there is room for improvement, we can only expect further advances in underwriting as the availability of data and investments in emerging technologies continue to increase.

External partnerships are at the forefront of senior executives' minds as they look to become more innovation-focused.

2. Innovative products for the new consumer. With evolving consumer expectations, demand is increasing for a seamless, customized and self-serve experience. To become more customer-centric, insurers are partnering with non-traditional start-ups as a means to offer new products and services tailored to consumers that encourage ongoing engagement like never before.

Last fall, with the launch of Vitality, Manulife was the first to offer a life insurance product that awards customers for living a healthy lifestyle (e.g., exercising, getting a flu shot) with "vitality points" that can be used to lower their life insurance premiums. Manulife Vitality customers receive a free wearable device to track their progress, are provided with personalized health goals and can easily share their health data to receive vitality points. By partnering with Vitality, Manulife has managed to not only incentivize policyholders to live a healthier life but also encourage ongoing engagement unlike any other life insurance product to date.

As mobile interactions become continuously less expensive, there is likely to be an increase in life insurance product offerings built on behavioral analytics applications in the wellness space.

3. Re-engineered distribution and service offerings using digital technologies. The customer experience is changing dramatically in other industries, and customers are coming to expect the same service options as part of their life insurance experience. To



meet these evolving expectations, several insurers are looking to enhance their digital service offerings, allowing for quicker and more accessible distribution with personalized advice (e.g., live chat, needs analysis tools and mobile technologies).

One insurer making significant progress in this space is Sun Life, which has focused its efforts to develop an industry-leading new business digital platform. Sun Life's "discovery stage," where it has designed a digital experience for helping clients navigate complex insurance information to identify their needs and make an informed decision, was recognized in the 2016 Canadian Life Insurance Digital Sales Functionality Benchmark Report from Forrester for achieving the highest score of Canadian life insurers who are using digital touch points.

As customers seek greater autonomy in decision making, insurers must deploy infrastructure that supports digital technologies, simplifies the purchasing process and provides personalized advice.

4. External partnerships. The Canadian insurance industry faces rising competition with the entrance of global players, InsurTechs and non-traditional start-ups. Forward-looking life insurers are seeking to learn from the new business models and technology platforms that these new players have developed to interact with the insurance ecosystem through the use of external partnerships and/or investments in accelerators or

incubators. Accelerators and incubators can be thought of as communities that provide start-ups with the resources, mentorship and investor connections to further develop their idea in exchange for equity.

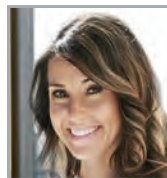
Among several external partnerships aimed at increasing its digital service offering, Sun Life partnered with Plug and Play Tech Center, a technology accelerator that helps to connect start-ups with investors. As part of the partnership, Plug and Play organized a 12-week insurance-specific program in which Sun Life and other organizations support start-ups with industry expertise and mentorship while they develop an idea to pitch to investors at the end of the program. Strategic investments like this provide insurers with an opportunity to be at the forefront of innovative technologies in their industry.

Given their global perspective, Canadian reinsurers are among those most open to embracing an innovative culture. Munich Re Canada recently announced that it had a permanent workspace at Cookhouse Lab, a lab that provides a creative atmosphere for insurers, reinsurers and financial services professionals to collaborate and take an iterative approach to idea generation.

A recent industry survey that was conducted this year at Deloitte indicated 50 percent of Canadian life insurers have already engaged in external partnerships as a means to increase their degree of innovation, with 76 percent planning to engage in external partnerships over the next one to three years. These responses provide a clear indicator that external partnerships are at the forefront of senior executives' minds as they look to become more innovation-focused.

LOOKING FORWARD

Today's consumer expects customization, transparency and efficiency, all uncharacteristic traits of the traditional life insurance business model. For an industry encumbered by complex products, legacy systems, channel conflict and a risk-averse culture, our progress in innovation is slow but promising. There may be some serious work ahead, but I for one am excited to be a part of the transformation journey on which our industry is about to embark, with particular interest in the innovations that will lead the way. ■



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