

# Strategic Play for Market Share Jeopardizes Industry's Reputation

By George Cooke

**T**he Canadian property and casualty insurance marketplace is likely one of the most competitive in the world, if measured by the number of active insurers. With the so-called distribution war in full swing, one would reasonably expect that Canadian insurance consumers are enjoying the fruits of this hyper-competitive environment, in the form of innovation, efficiency improvements and enhanced service levels.

And yet, few would argue that this is the case. Why not? Well, government intervention is usually cited as the main culprit, with some justification. Governments, as the authors of provincial auto products, have indeed dampened competition by failing to respond to increasing claims costs, responding inappropriately, or by failing to recognize that the balance between costs and benefits, once found, must be maintained through ongoing monitoring and adjustment. I would argue, however, that this is only part of the story.

The industry's reputation is fundamental to the way governments respond to the inevitable public outcry when premiums increase sharply, as they must after being pushed down to absurd levels. The insatiable hunger for market share of some insurers fuels their optimism when establishing rates. By the time reality hits, the entire marketplace has been affected and all insurers are blamed when prices escalate dramatically. This has always been the case, but in the current environment of increased transparency and consumer power, the fallout represents an increasing risk that we ignore at our peril.

The strategic play for market share, through distribution changes, is similarly creating a risk that our industry's reputation among consumers will be materially damaged. Pardon me for getting excited when the industry's reputation is threatened, but Canada is The Dominion's market and we have long-term plans to continue insuring Canadians.

We can't take our money and go home or to another market when the Canadian marketplace is undermined by regulators or competitors responding to or creating the problems experienced by consumers.

Every business has a right to choose the strategy it deems most attractive, as long as the strategy is legal. Whether insurers decide to distribute through brokers, agents, or direct response, or even all three, they do so for their own reasons. This is what a competitive market is all about and a truly competitive market is a consumer's best guarantee of fairness and value.

When an insurer places a veil of ambiguity between itself and the consumer, however, and uses a slight-of-hand approach to enjoy the goodwill of one distribution method while actually using another, the rest of us should cry foul. Similarly, when governments impose rules and some companies don't follow the rules, or when the risk selection methods used are an accident waiting to happen, we should all stand up and object.

I say to my competitors, no matter what your distribution persuasion or operating approach, play fair with the consumer because it's on all our heads when you don't. Stand up and be seen for what you are. If you believe you have a value proposition, prove it by being transparent with the consumer. The old adage "forget about the consumer and the consumer will forget about you" keeps coming to mind.

There are other, more obvious examples of insurers using consumers' ignorance to their advantage, including advertising discounts for characteristics discounted by almost every insurer on the planet. While this is somewhat misleading, it is within the normal competitive practices of most industries. Nevertheless, I suggest, and hope, that most players in our industry would see distribution ruses and non-compliance with regulations as being out of bounds. If you can't change the rules you must abide by them. When companies don't comply, regulators need to enforce, and be seen to be enforcing, the rules imposed on all competitors by politicians.

Research shows that, increasingly, consumers know the name of their insurer, although this knowledge is still at relatively low levels. I welcome the increased branding and advertising that is being done to enhance consumers' awareness, and the inevitable escalation of these activities as we go forward. I see this as a good thing because as companies become differentiated in the minds of consumers, then individual companies, not the entire industry, will benefit from or pay the price for their actions.

This double-edged sword will bring a discipline to the marketplace that is sorely lacking in today's environment.

At the end of the day, it is consumers – not insurers or governments – who will decide the fate of the various distribution channels used in our industry. Whether they rely on a recommendation, conduct their own research, or are attracted through advertising, consumers will choose how and where to buy. The Dominion is on record as being committed to responding to the changing purchase preferences of consumers. This can be achieved, as we continue to demonstrate, while retaining the value of the independent advisor in the mix, which is a win-win for consumers and, I suggest, contributes to sound market dynamics for the long term health of the industry.

As consumers become increasingly savvy, and familiar with the major insurers, brand value and reputational risk will become increasingly important. In this emerging environment, insurers will be forced to be vigilant or risk paying the price for their behaviour in the marketplace. The negative consequences of their actions will be clear. For everyone's sake, especially consumers, this environment can't come too soon. [C](#)

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