



**Deloitte.**

# Property and Casualty Insurance Re-imagined: 2025

How consumers, technology, and competition will radically transform Canada's Property and Casualty (P&C) sector over the next ten years



# Table of contents

<b>A perfect storm</b> .....	<b>1</b>
The factors driving P&C transformation	
<b>After the storm</b> .....	<b>8</b>
What the future holds for Canadian P&C	
Preparing for the future.....	<b>22</b>

# A perfect storm

## The factors driving Property and Casualty Insurance transformation

Canada's P&C insurance sector has progressed for decades using business models and practices that have changed very little – and reflect a world that no longer exists.

Today, P&C insurers find themselves facing a perfect storm of change. Evolving consumer behaviours, intensifying competition and disruptive technologies are creating new business pressures. At the same time, climate change is playing havoc with insurers' ability to predict losses from catastrophic events, and regulatory scrutiny and requirements are on the rise. Taken together, these factors are forcing P&C insurers to rethink how they secure competitive advantage and sustainable, long-term value in the years to come. In 10 years, we'll see a radically different landscape in Canadian P&C Insurance.



## Opportunity?

16%

of younger consumers (18 to 24) felt texts from insurers would be most convenient, nearly double the proportion of consumers aged 40 to 54<sup>1</sup>

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70%

of consumers use some form of digital research (e.g. price comparisons or social media scans) before buying insurance

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Over 25%

bought their policies online (e.g. web or via a mobile device)

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Nearly 70%

would be willing to download and use an app from their insurance provider<sup>2</sup>

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58%

of smartphone users follow corporate social media sites<sup>3</sup>

## The consumer evolution takes hold

Today's consumers are highly connected, well-informed, very impatient – and very demanding. They spend more and more time online, using tablets, smartphones and computers to research, shop and socialize. Advice and guidance on the complexity of insurance no longer needs to be a traditional conversation – more consumers expect straightforward simplicity in a digital interaction – other industries have already set the standard on 'digital advice'. Relentlessly searching for the best value and service, consumers pore over product information, compare prices and features online, investigate customer reviews and solicit feedback from family and friends before making a purchase decision. From 2008 to 2013, Canadian consumers obtaining insurance quotes online went from 23% to 40%. Consumers are expecting insurers to provide products, services and advice.

Connected, demanding and value-conscious, consumers are forcing P&C insurers to pay far more attention to their own brand and the customer experience they deliver. With good reason, too: 40% of current P&C customers are likely to switch to a new provider for auto and home insurance in the next 12 months. There is a thirst for digital disruption and those industry players who get there first will be able to secure a competitive advantage.

Consumers' changing lifestyles habits are also creating new challenges for insurers in other areas as well. For example, as homeowners look to maximize both their living space and their homes' value, they're investing in making their basements as stylish and functional as the rest of their home. For P&C insurers, this trend has significantly driven up the costs of sewer backup and other weather-related claims. Understanding these lifestyle shifts, anticipating their business impact and making the necessary changes to adapt will be an absolute imperative for P&C insurers in the years to come.

## Competitive intensity rises and rises..

With no end in sight to the P&C sector's current low-growth conditions – and increasing competition from the U.S. and international players that already underwrite 31% of P&C premiums – Canadian insurers and brokers are pursuing other strategies to secure revenue and grow market share. For many, a merger or acquisition (M&A) may be the solution.

M&A activity in the Canadian insurance sector was relatively modest in 2013: 12 transactions, with approximately \$1.9 billion reported in aggregate deal value. Yet with more than 164 federally regulated Canadian P&C insurers reporting results in 2013, there are clearly many opportunities for further consolidation<sup>4</sup>. In a recent Towers Watson survey, 86% of North American insurance executives said they expect to see the volume of insurance M&As rise over the next one to three years – and 78% said they're actively considering acquisitions<sup>5</sup>.

While the Canadian broker market remains considerably fragmented, interest in M&A is growing as brokers strive to boost profits and market share. There were 21 disclosed M&A transactions in P&C insurance distribution in 2013<sup>6</sup>, and RSA's sale of Canadian brokerage Noraxis Capital Corporation to Arthur J. Gallagher & Co. was one of the largest deals of 2014.

Demographics will drive an increase in broker M&A activity, as well. Many broker firms' principals are baby boomers nearing retirement age – and finding themselves without a succession plan. As a result, we expect to see many of these principals sell their firms to larger brokers or private equity firms in the years to come. It remains to be determined how interest rates will affect the speed of broker M&A activity, but despite the possibility of interest rate increases slowing down the flurry of M&A activity, the trend is poised to continue.

Of course, one of the biggest worries for existing insurers is whether new players will enter Canada's P&C insurance market and cause untold upheaval. For instance, Warren Buffett's commercial insurance company Berkshire Hathaway Specialty Insurance is already expanding into Canada and will bring with it large coverage rates to shake up the industry<sup>6</sup>. Non-traditional players – such as Google, Walmart, Home Depot and Samsung – may be eager to leverage their huge customer base and vast customer data to capture a share of the insurance market. Their entry could bring even more change and disruption to the sector, redefining how the industry prices, markets and sells its products and serves its customers. It's no wonder that in a recent annual global survey of CEOs, 50% of insurance respondents new market entrants as a threat to growth – a far greater proportion than any other financial services sector<sup>7</sup>.

## Travellers'

\$1.1 billion

acquisition of The Dominion and Desjardins' recent deal for State Farm Canada are marquee examples of the consolidation taking place at the top end of the market. The top ten Canadian underwriters accounted for more than two-thirds of direct written premiums in 2013; the top three alone (\*Intact, Aviva and Desjardins/State Farm) accounted for one-third.

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## The age of technology disruption is here

Several technologies on the cusp of widespread adoption are certain to disrupt Canada's P&C industry – and play a key role in shaping the sector's future.

Insurers are realizing what tech firms and retailers have understood for a while now: there is an incredible amount of consumer data available, and investing in advanced analytics can deliver the data-driven insights companies need to deliver the experience consumers want and demand. Advanced analytics can enable insurers to vastly improve pricing and underwriting sophistication, optimize claims processes, prevent and detect fraud, and increase customer acquisition, penetration and retention – all with the goal of generating profitable growth.

New and emerging technologies such as micro-sensors, wearable devices, data aggregation services, gamified applications, machine-to-machine communications, driver-assisted and driverless cars all create opportunities for insurance carriers and other industry players in the future.

To date Canadian insurers have been slow to respond to the technological advances. Canadian insurers have been primarily focused on core technology solutions (e.g., policy administration, claims, billing, rating) to provide the scalability and agility to start down the path of pursuing these strategic technology options down the road. Their peers elsewhere, such as insurers in the U.S., U.K. and Australia, are far ahead in this regard, using sophisticated social media and mobile capabilities to better understand customers and deliver engaging experiences. Allstate's Digital Locker mobile app enables customers to create and store their home inventory – complete with photos, notes and costs – on their smartphone. State Farm's Steer Clear app is designed to reinforce good driving habits among under-25 drivers; those who complete the app's program can be eligible for policy discounts. Australia's Hollard Insurance offers 'pay-as-you-drive' insurance, with rates tied to GPS-tracked mileage.

## Macro factors: Climate change and regulation

Demanding consumers, rising competitive intensity and emerging disruptive technologies will drive a decade of intense change across Canada's P&C sector. Yet Canadian insurers – and indeed their global peers – face additional, 'macro' challenges that add urgency to the transformation effort.

### Climate change: An unpredictable world

The changing climate is making it more difficult to develop models that insurers can use to assess the risk of catastrophic events and price insurance products appropriately. Warmer temperatures, rising wind speeds and changes to long-standing precipitation patterns will all contribute to a rise in extreme weather events across Canada. As extreme weather events become more common, insurance-related costs will rise, compelling insurers to consider how they cover such risks – and price that coverage. Insurers will need better models and better data, and some will choose to forge new partnerships to obtain them.

### Regulators adapt to a changing world

Regulators are well aware of the forces changing the insurance landscape in Canada and around the world. In response, they're moving towards greater scrutiny and increased regulatory requirements, as well as increased oversight on brokers and MGAs, especially as the pace of change speeds up. Insurers will need to make a concerted effort to manage strategically this change while balancing regulatory and market demands alike.

There are a number of global regulatory developments that insurers will be unable to ignore, all of which pose a significant cost impact: Tougher solvency capital requirements, new International Financial Reporting Standards (IFRS), more aggressive and invasive risk management procedures and additional enterprise risk controls. Domestically, insurers will be waiting for regulators to weigh in on such topics as flood insurance, the scrutiny on Ontario auto insurance linked securities, and new technologies such as telematics (and the products these technologies make possible.)

As we look to the future, provincial regulators in auto will likely be the first to go through a new wave of review to include the aforementioned disruptive technologies and to determine the incorporation of new rating variables and frameworks on the part of insurers, with many other regulatory facets to follow.

- In 2013, total insured losses from natural disasters were the highest in Canadian history at \$3.2 billion<sup>8</sup>
  - The earth is projected to warm by another 1.5°C by 2050<sup>9</sup>
  - By 2030, climate change costs are projected to cost the global economy \$700 billion annually<sup>10</sup>
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## Challenges and opportunities in the Canadian Regulatory Environment<sup>11</sup>

### Challenges

- Responding to demands for additional information in tighter reporting deadlines
- Gaining a better understanding of current risk and sensitivities
- Setting appropriate overall risk appetite and risk tolerance limits
- Enhancing data and improving process efficiency to support Own Risk Solvency Assessment requirements and new financial reporting standards
- Developing integrated capital analysis capabilities and building internal capital models
- Enhancing capital efficiency and deployment

### Opportunities

- Using insights gained from risk management and regulatory reporting for business value
- Fully standardized and integrated risk and regulatory compliance processes and methodology for greater efficiency
- Increased consistency between internal decision making and regulatory risk and capital requirements
- Optimizing capital use across business lines or multiple entities
- Improving transparency and comfort for the Board on risk management and capital efficiency
- Communicating effectively to all stakeholders in an increasingly complex environment



### **Will insurers weather the storm?**

Canada's property and casualty insurers face a decade of turbulent business conditions – a perfect storm of evolving consumer behaviours, intensifying competition, and rapid innovation, all taking place against a backdrop of a changing climate and tightening regulations.

Will Canada's property and casualty insurers weather the storm? Certainly the P&C insurance business – and the industry itself – will look very different in 2025.

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Canada's property and casualty insurers face a decade of intense and uncertain business conditions.

What will the industry look like after the storm?



# After the storm

## What the future holds for Canadian P&C insurance

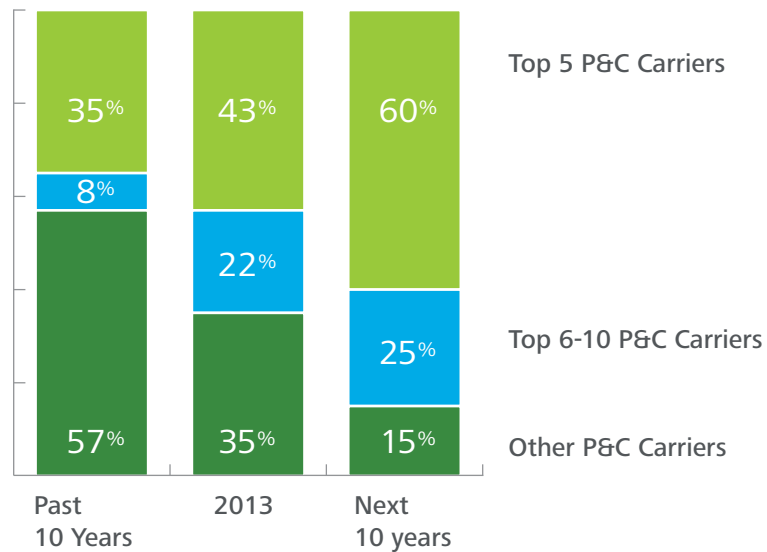
There are many forces driving change in Canada's property and casualty landscape in the years to come. When the storm finally abates, this is what we see as the future of the industry.

### The new industry order: A few giants tower over the rest

Amid intensifying competition, ongoing M&A activity and the relentless search for growth, the Canadian P&C industry will break into two bands by 2025.

The Canadian market will be dominated by the handful of large carriers left standing after years of consolidation. These giants will continue to focus on both personal and commercial business and expand their direct channel capabilities. The process is already underway: over the past 10 years, approximately 12% of auto direct written payments (DWP) and 15% of personal property DWP has shifted ownership because of consolidation. New entrants will push large players to focus and compete in direct channels. P&C insurers need only look to their life and health counterparts to see where their own industry is heading: the top three life and health players claim 77% of market share.

Small carriers will have evolved into niche players to survive; they will exit unprofitable markets or business lines and instead focus on specialized products, specific geographic regions and underserved or overlooked markets.



MSA and Deloitte Analysis

Predictions of the broker's demise will not come to pass – though the broker distribution channel will change. Brokers will increasingly embrace a tiered model. Those wishing to provide personal and commercial insurance will align themselves with large carriers, while independent brokers will tie themselves to specialized niche players. It's an approach that will be essential if brokers want to preserve growth: From 2008-2012, captive

insurance agents achieved 3.9% compound annual growth, compared to the 0.6% achieved by independent brokers<sup>12</sup>. Given these market movements, the concentration of large brokerages will increase, in regards to winning business from dominant, market-leading insurance carriers.

		Current vs. Future state of P&C insurance in Canada	
		Current state	Future state (10 years out – 2025)
Carriers (Traditional, Non-traditional, Niche)		<ul style="list-style-type: none"> <li>The top 10 P&amp;C insurance carriers in Canada account for almost two-thirds of market share</li> <li>Insurers have flexibility in their product offering</li> <li>Insurers compete with insurers</li> </ul>	<ul style="list-style-type: none"> <li>Top 5 P&amp;C Insurance carriers will account for two-thirds of the market share</li> <li>Insurance will specialize in niche markets (e.g., commercial specialty insurance) and offer personal products</li> <li>Insurers will compete with companies such as Google and Walmart, who will focus primarily on leveraging existing customer data and offer personal product</li> <li>Innovative brokers will have new means to access and service consumers leveraging their own or key carriers' digital and marketing capabilities</li> </ul>
	Distribution (Direct, Tied Brokers, Ind. Brokers)	<ul style="list-style-type: none"> <li>The top 10 Brokers represent 40% of broker market premiums (2009 Data)</li> <li>Brokers represent 65% of Canadian premium volume</li> <li>Tied brokers are estimated to account for only about 26% of the Canadian market (2009 Data)</li> <li>Large brokers traditionally focused on upper middle market and large/complex clients</li> </ul>	<ul style="list-style-type: none"> <li>The top 10 Brokers will represent two thirds of broker market premiums</li> <li>Brokers will represent less than a third of Canadian premium</li> <li>Tied brokers are estimated to account for about half of the Canadian market</li> <li>Large brokers will continue to consolidate for scale, demand lower commissions particularly in personal lines, diversify product offering in financial services, offer specific MGA or white label opportunities for carriers in specific niche markets</li> </ul>
Access Channel (Web, Mobile, Social)		<ul style="list-style-type: none"> <li>Insurance companies use different preferred access channels to reach their consumers</li> </ul>	<ul style="list-style-type: none"> <li>Every insurance provider will adopt a holistic omni channel approach to adapt to the consumer's new dynamic path to purchase</li> <li>Insurance companies will sell primarily if not exclusively through digital channels</li> </ul>





## What does this mean for insurers?

Increasing market concentration will force carriers to make strategic decisions and consider new and sometimes unfamiliar strategic plays.

### Areas to consider include:

- **How to best manage the threat of new entrants and identify available strategic plays.** There is significant pressure for carriers, especially the larger ones, to assess their market position and partnership opportunities. This assessment will help firms determine how to compete with new entrants and how they can secure strategic advantage.
- **How to capitalize on the changing role of the broker.** As brokers move towards a tiered model, insurers should determine how to work collaboratively to reshape the broker's role to better fit a world where consumers now take a very different route to discovery and purchase.
- **New products or business line plays.** Large carriers and niche players alike will have to explore what product and new business line opportunities are available in an environment where consumers view insurance as a commodity.

## Retailization: Insurance embraces retail thinking

Property and casualty insurers will look to the retail sector as they transform the way in which they operate their business and engage with their customers. The forces poised to drive change in the insurance sector are already altering the world of retail, and the lessons learned will prove invaluable – and influential – in how insurers respond to their own challenges.

By 2025, customer experience will overtake price as a key brand differentiator<sup>14</sup>. Accordingly, insurers will invest in building their brand to gain traction among consumers. Carriers will invest in improving the customer experience they deliver, providing user-friendly tools that allow customers to research, customize and purchase products when, where and how they want – a path pioneered by retailers' omni-channel efforts.



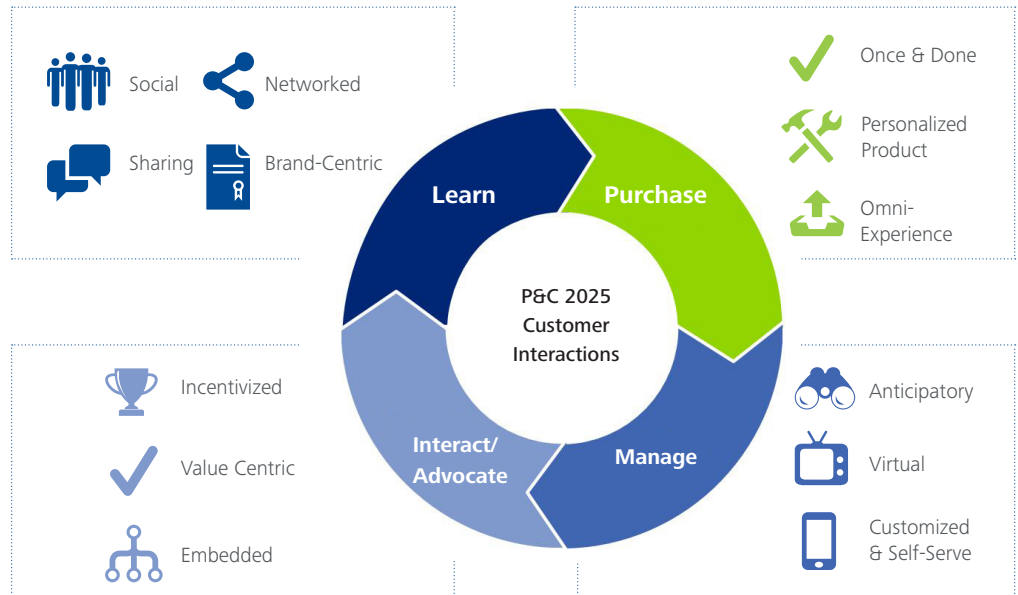


## Insurance goes retail

Ongoing investment into advanced analytics will enable insurers to achieve a new level of personalized attention to customers. Insurance products and pricing will become more tailored to the unique situation of each customer. Analytics will help insurers anticipate their customers' needs and provide product suggestions at the right moment; some carriers are already offering anticipatory 'micro-coverage' for storm coverage or travel-related activity.

One of the more profound shifts involves insurers' place along the customer's path to purchase. Insurers will engage with potential customers along the entire purchase journey to build a relationship and improve the likelihood of a sale.

Retailization of insurance will be consumer-centric and occur at each step of the customer journey

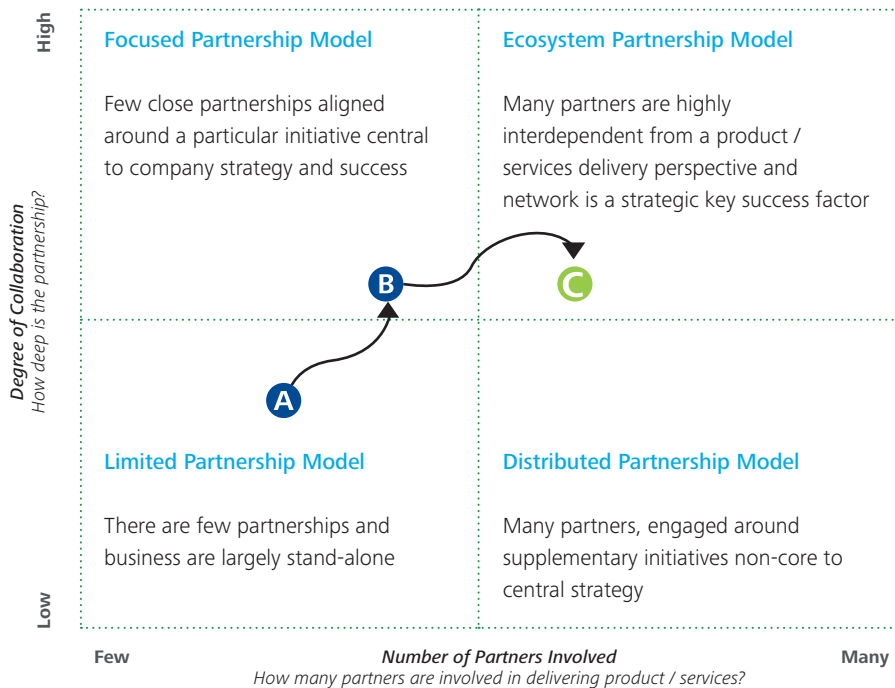


## **What does this mean for insurers?**

Insurers must develop and actively manage a modern brand identity that resonates with customers, and deliver the experience those customers demand.

### **Areas to consider include:**

- **How to manage new communication channels.** Insurers will need to abandon traditional, one-way customer communication and instead engage customers in an ongoing, two-way conversation across multiple channels, from offices to call centres to social media. It's a significant shift. Insurers should determine what resources they require to track, manage, and interpret customer sentiment. They should also identify consumer-focused businesses in other industries that can help them enhance their customer experience.
- **New customer research, understanding and analytics methods.** Insurers will want to invest in more sophisticated capabilities to capture customer insights. New methods and tools for the insurance industry, such as ethnographic research which relies on observational techniques, can provide insurers with the insights needed to make better business decisions and innovate faster and more effectively.
- **How to become agile enough to quickly adapt to market changes.** There is a very different type of leadership and talent required to survive and thrive in the new world order that we're predicting. Today's insurance executives and staff have not had to face these types of challenges before and have not had to be flexible, fast, and bold. There are clear implications for how they need to hire to change the mix of resources, the types of behaviors that they assess and reward, and even how they organize their workplaces to get more innovation and action from their teams.



## Partnership ecosystems become critical

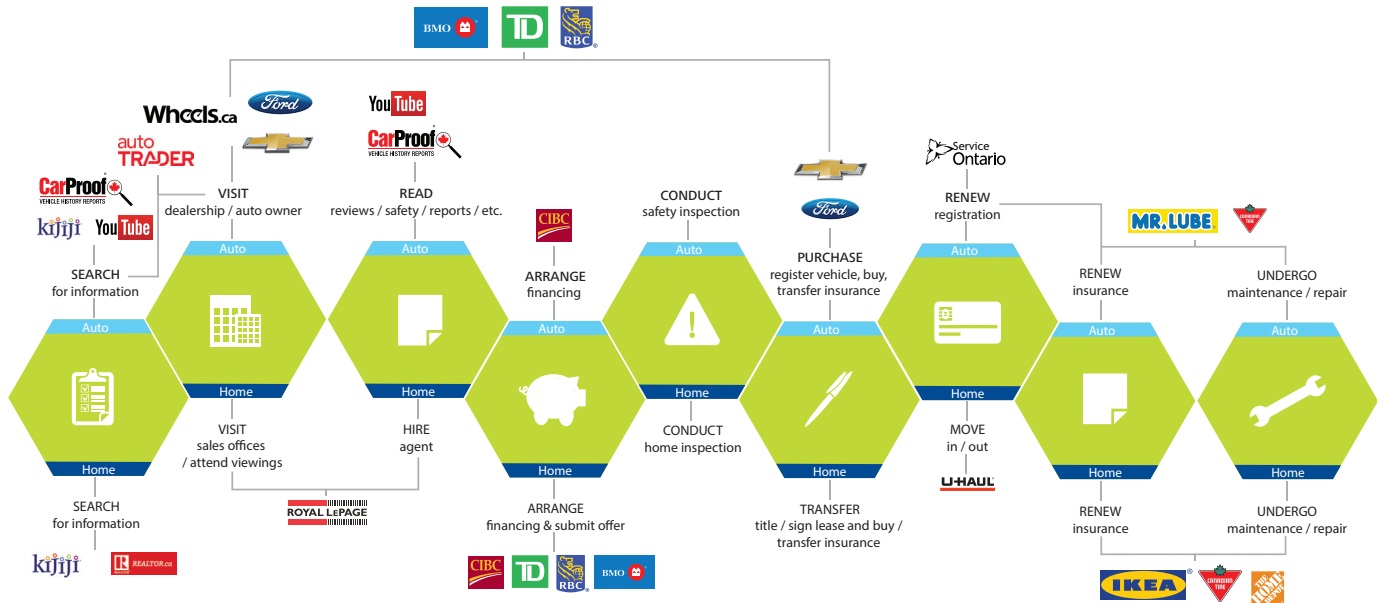
Large insurers will be able to realize significant competitive advantage by cultivating integrated partnerships ecosystems that allow them to deliver value-added tools and services to consumers through frequent customer interaction. It is partnerships which help to enable interconnected consumer needs.



Insurance carriers have long offered preferred vendor relationships to their customers, of course. Rather than simply providing core insurance products and policies, insurers will instead deliver value-added services through a highly collaborative partnership network. Helping policyholders with their car or home purchase or maintenance isn't just helpful, it is will be a less-capital intensive, savvy way for insurance carriers to gain customers and loyalty than traditional vertical / horizontal integration strategies.

Ecosystems will share their valuable customer data in order to build a 360-degree view of customer needs and behaviours. This will feed into each level of the insurance value chain, from marketing, sales and distribution to underwriting and claims, and improve the quality of insurers' analytics. Deloitte research indicates that 50% of consumers would be prepared to provide additional personal and lifestyle information to their insurers in exchange for better deals on relevant services<sup>15</sup>.



## Deloitte's P&C Insurance Partnership Ecosystem



 AUTO  HOME

All brands/logos on the ecosystem map are purely illustrative and suggest no preference or endorsement of any of these firms are logical partners for insurance companies.

In contrast to the larger carriers' focus on far-reaching business ecosystems, smaller carriers will instead pursue limited partnership models that better fit with their focus on specialty or niche products and markets.

No matter their size, these new partnerships and ecosystems will be highly customer-centric, focused on understanding customers' needs and engaging with them on their terms – often before they've even begun to consider insurance.

### **What does this mean for insurers?**

No insurer is an island. In a highly competitive, globally connected world, insurers and other companies will find that building strategic, mutually beneficial partnerships is the most effective way to stay relevant.

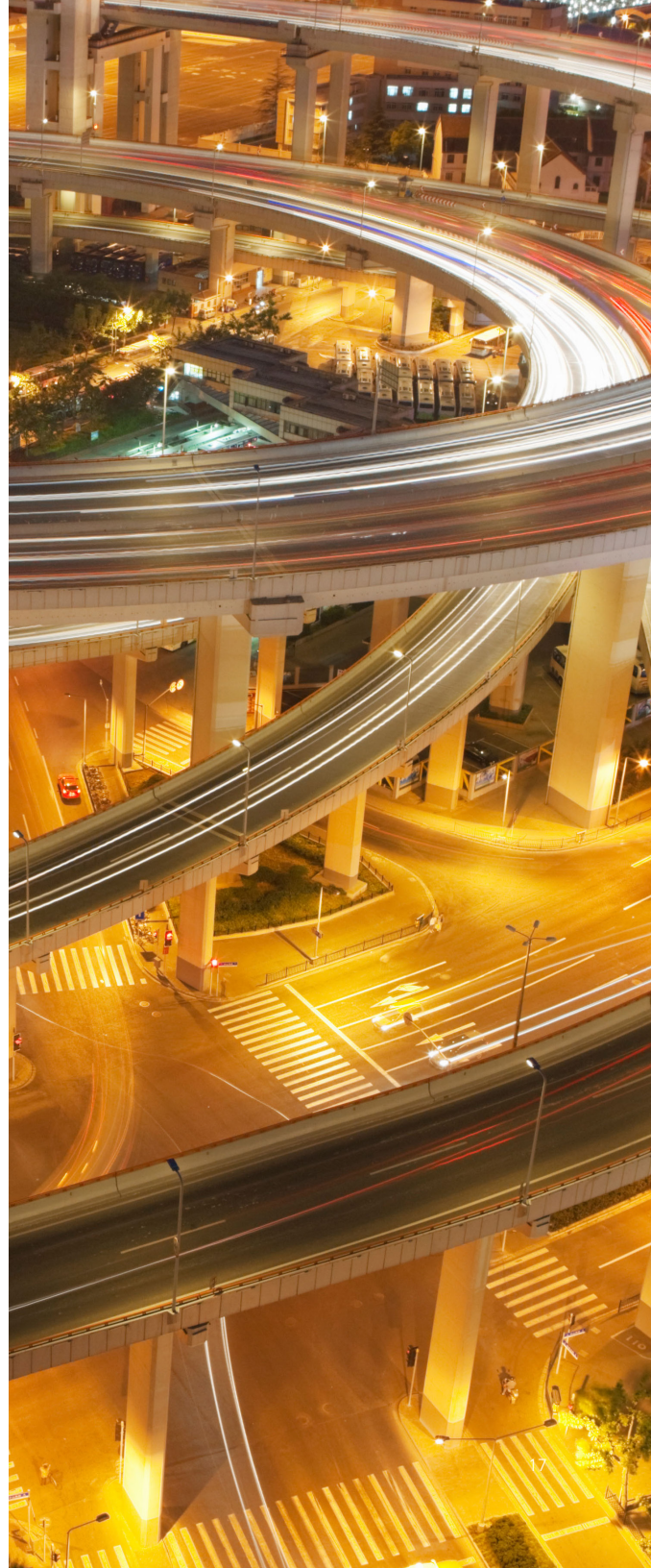
### **Areas to consider include:**

- **Ideal – non-insurance – partners for the new ecosystem.** Partnering with non-traditional players can enable insurers to broaden awareness of their brand awareness and product offerings and become involved in other aspects of their customers' lives.
- **Partnering with startups and other industry disruptors.** More and more businesses are searching for ways to use technology to disrupt the traditional insurance business. Insurers should identify these disruptors and establish partnerships to turn threats into allies.
- **Advocating regulatory change to enable data-sharing across ecosystems.** Given the current strict regulatory environment around insurance data, insurers need to consider what changes are needed to enable their business ecosystems to flourish, and work with regulators to make it happen.

## Lifestyle data changes the game

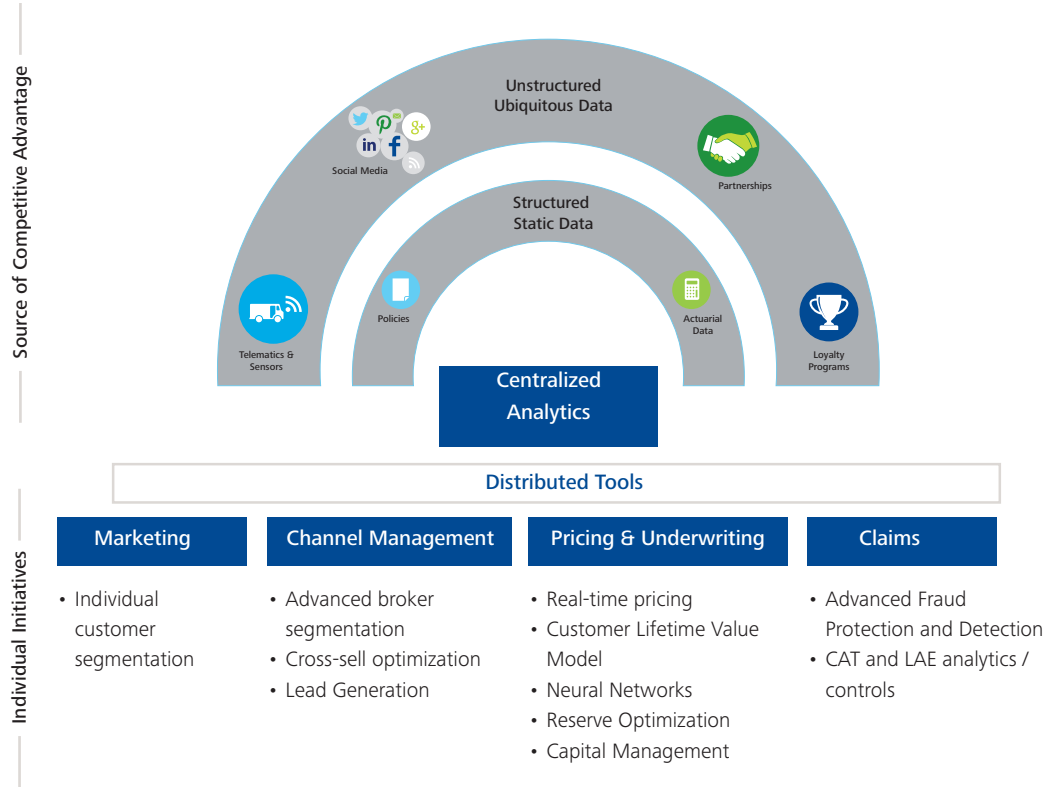
Armed with advanced analytics – and access to a vast array of customer data – insurers will be able to develop a deep understanding of their customers' behaviour and lifestyle in all areas of life. This, in turn, will enable them to assess risk and price products at the level of the individual, delivering a tailored experience never before possible.

Analytics will also allow insurers to better predict the lifetime value of a customer, enabling them to offer promising younger customers additional value in order to secure a long-term, profitable relationship. More frequent premium changes will be one of several ways insurers will be able to gain cash flow, as insurers will be able to adjust premiums in real time in response to customers' own choices: Purchasing a safer, self-driving car, for example, will instantly be reflected in lower auto insurance costs.



Pricing sophistication will be taken to new levels in the next 10 years: performing risk selection and pricing segmentation / optimization in real-time at every customer interaction requiring a rate will allow insurers to maximize profitability, these new pricing models that use extensive variables and operate in real time will eventually eradicate the need for the traditional underwriting function in personal lines and small commercial lines – referral rules will no longer exist in these lines and the underwriting function will become a specialty domain of larger commercial segments.

Further, commercial underwriting will be enabled by more sophisticated underwriting analytical models to dampen the “art” of underwriting in favour of the “science”. Underwriting rules in specialty commercial lines will become more and more standardized and may introduce opportunities for automation in the years to follow.



By 2025, the Internet of Things will have become a part of our everyday reality, with an unbelievable number of connected devices – from thermostats to household appliances, wearable tech to automobiles – generating an endless torrent of data. By 2020 alone, there will be 50 billion connected devices on the planet, compared with 8 billion people<sup>16</sup>.

Insurers and their ecosystem partners will be able to use this data flood to understand their customers' behaviour at a near-granular level, allowing them to deliver tailored offerings at a level that's impossible today. Usage-based insurance (UBI) will take on a whole new meaning, as insurers' data-driven understanding of driver behaviour reshapes how they underwrite risk on cars and trucks. The Internet of Things will reshape home insurance, as well: USAA recently patented a home data recorder that can track temperature, humidity, wind speed and mechanical vibrations all of which can have an impact on a house's condition.

### **What does this mean for insurers?**

Insurers will soon have access to a wealth of data. Realizing the value of this data will depend on insurers' ability to turn data into understanding, insight and better business decisions.

#### **Areas to consider include:**

- **How to collect, store and take action on structured – and especially unstructured – data.** While much of the data insurers will need will be highly organized, consistent and structured, far more data will be “unstructured” – an anarchic collection of social posts, tweets, claims photos and more. Carriers will need to determine how they'll monitor and make sense of it all.
- **The organization's willingness to embrace new technology, tools and data sources.** Capitalizing on new technologies and increasing the role data plays in decision-making could drive considerable shifts in traditional business practices. State Farm, for example, now uses drones to fly over catastrophe areas, collect data and assess damage. There may be parts of the business that could see considerable shifts in best practices due to new technologies if insurers are willing to employ them. Is your organization willing to embrace new ideas – and make the changes that are required by their use?
- **The people, skills, knowledge and competencies required to leverage the data revolution.** Capitalizing on new technologies – and making sense of data they generate – will require insurers to recruit talent with dramatically different skillsets. Does your organization know what those skillsets are, or how you'll attract and retain the people that have them?

Desjardins Group, the largest provider of usage-based insurance in Canada, is already monitoring more than 50,000 people through the program. It recently polled its customers using telematics devices and found that 50 per cent agreed that they've become safer drivers after installing the units in their cars. On average, these policy holders are earning a 12 per cent discount from standard rates, although discounts can range up to 25 per cent.

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Tokyo Marine Insurance partnered in Japan offers inexpensive insurance policies via mobile phones to cover short term risks associated with travel or sporting activities. The system gathers contextual information about customers and then offers a policy when it seems the customer is in a relevant location.

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## A Peek into the future: Autonomous vehicles

- Fully self-driving cars, or “Autonomous Vehicles” (AV’s), are expected to be on the market in 10 years (Japanese automaker Nissan is even more bullish, suggesting it will bring a self-driving car to market by 2020).
- Autonomous vehicles (AVs) are capable of sensing their environment and navigating without human input using technologies such as radar, remote sensing technology, GPS and computer vision - this technology will have significant implications on insurers in 2025.
- Several auto manufacturers and research organizations have already developed working autonomous car prototypes including Mercedes-Benz, GM, Continental Automotive Systems, Autoliv Inc., Bosch, Nissan, Toyota, Audi, Volvo, Google.

Major adoption of self-driving vehicles will significantly change the traditional automotive insurance business model by:



Replacing individual human risk factors by external / environment based risk and risk based on the make of the vehicle and vehicle software



Shifting liability from vehicle owners to manufacturers and developers, causing fewer traditional auto claims, but reducing traditional auto insurance revenues (very low risk to underwrite)



Attracting new industry entrants, like autonomous vehicle manufacturers who may decide to ensure their own products or provide a warranty that includes insurance (Robotics Business Review)

What does this mean for insurers? They will need to:



Proactively engaging with OEMs, start-up companies and other Partners



Expand their products shelf and choose how to provide coverage (e.g., to software developers or manufacturers?)



Realize autonomous vehicles are only the beginning as behaviors begin to change as well



## A Peek into the future: Internet of life

- The Internet of Things had been long touted and although it is true that things will become more digitally connected it will be how we interact with the technology that truly matters - through the Internet of Things we can gain insights into behaviours like never before, essentially creating a building the Internet of Life. IoT is particularly interesting for multi-line insurers with life & health and P&C portfolios which can leverage this technology for a highly integrated customer experience.
- In today's landscape The Internet of Things (IoT) is the interconnection of uniquely identifiable embedded computing devices within the existing Internet infrastructure. In fact, the IoT can refer to a wide variety of devices such as heart monitoring implants, biochop transponders on farm animals, automobiles with built-in sensors, or field operation devices that assist fire-fighters in search and rescue, home alerts sensors.

The Internet of Life will become one of the key game changers for insurers and change the business model of insurance by:



Increasing risk assessment accuracy by leveraging this structured and unstructured data



Enabling new proactive services, through early risk intervention



Allowing targeted micro-policies as insurers gain the ability to get increasingly more specific with risks



Enabling lifestyle support for insurance consumers beyond insurance

What does this mean for insurers? They will need to:



Building relationships with manufacturers of sensors, beacons and home monitoring



Rethinking the types of policies and services and services provided to consumers



Keeping up with regulatory developments



Positioning themselves as a part of the revolution

# Preparing for the future

The future of property and casualty insurance is approaching fast. Action is required if Canada's P&C carriers are to remain relevant and competitive in the years to come. Here are four steps insurers can take now to start their revolution.

- **Embrace the consumer evolution.** Companies need to understand how their consumers have changed, how they make purchases in today's connected world and then invest in digital channels to meet consumers' needs on their terms.
- **Invest in advanced analytics capabilities.** The vast, endless flow of consumer data will be the vital lifeblood of business in the years to come – for those able to make sense of it.
- **Make connections and form partnerships.** Insurance companies should begin to build the partnerships that will enhance their brand in the minds of consumers. Establishing partnerships may even reduce the risk of being overtaken by a competitor or new entrant.
- **Develop a strategy for a consolidating world.** Insurers and brokers alike will need to explore their options for maintaining market share and profitable growth in a stubbornly low-growth environment.



# Deloitte can help

To learn more about our perspective on the future of Canada's P&C insurance sector – and how Deloitte can help you respond and chart a path forward – contact one of our professionals.

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Special thanks to **Norman Gao**, **Stephano Combi** and **Shawn Mctigue** for their contributions.



## Endnotes

- 1 FICO
- 2 Monitor Deloitte Industry Research
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