



INSURANCE
ReVOLUTION



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Innovation in a digital world

March 29th, 2017

Challenging orthodoxies (1890's)



Competing standards (1900's)



Patented Innovation (1970's)



Digital Prototype (1968)



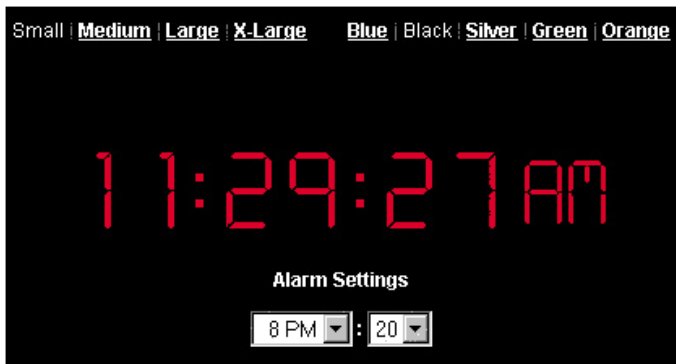
Feature integration



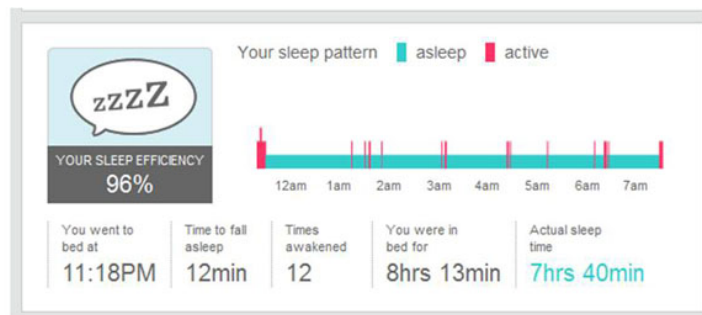
Cost efficiency



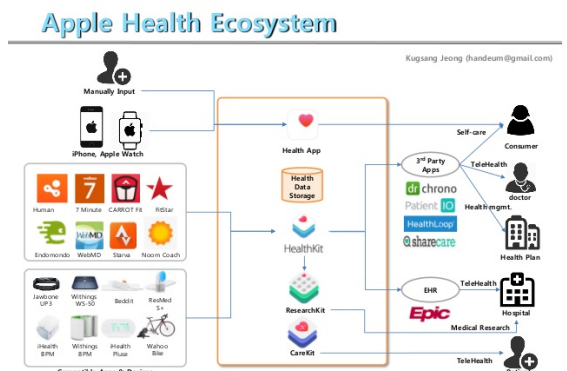
Commoditization



Time as data

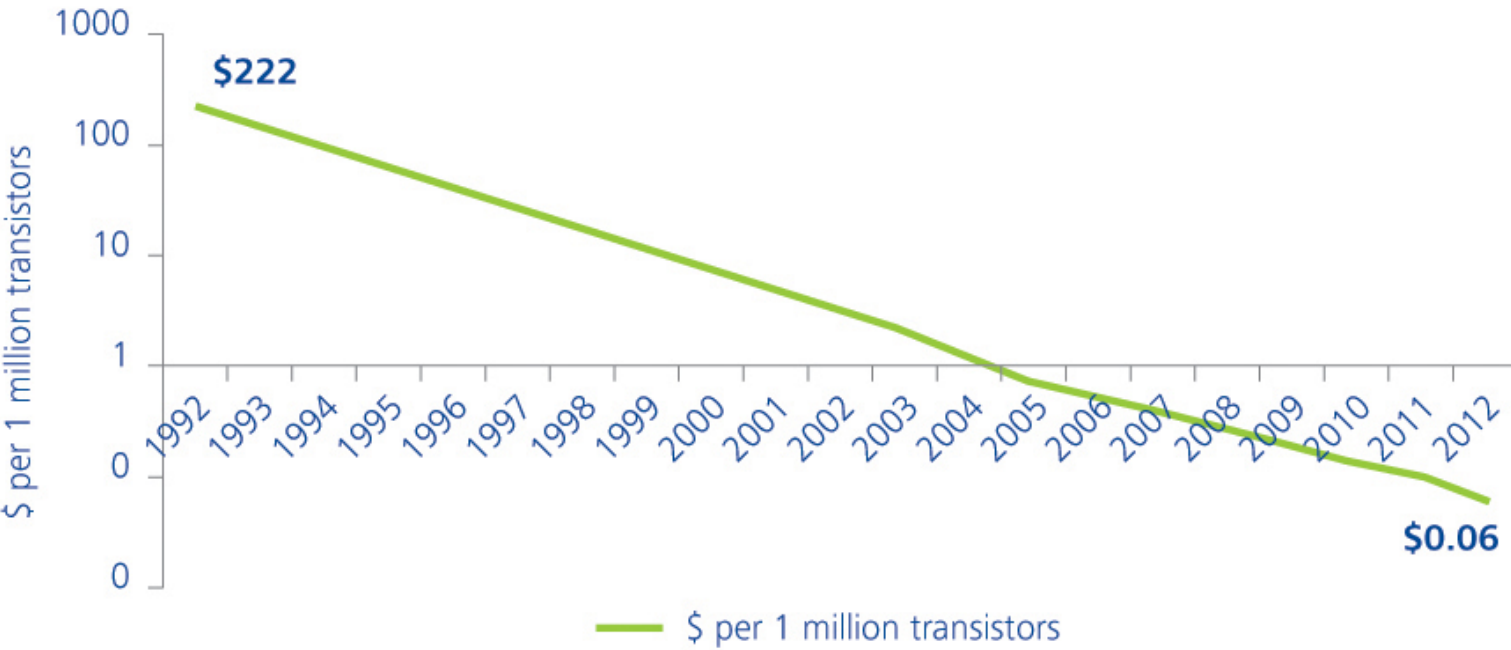


Data as a platform



Three reasons exponential growth matters

Figure 1. Computing cost-performance (1992–2012)



Source: Leading technology research vendor

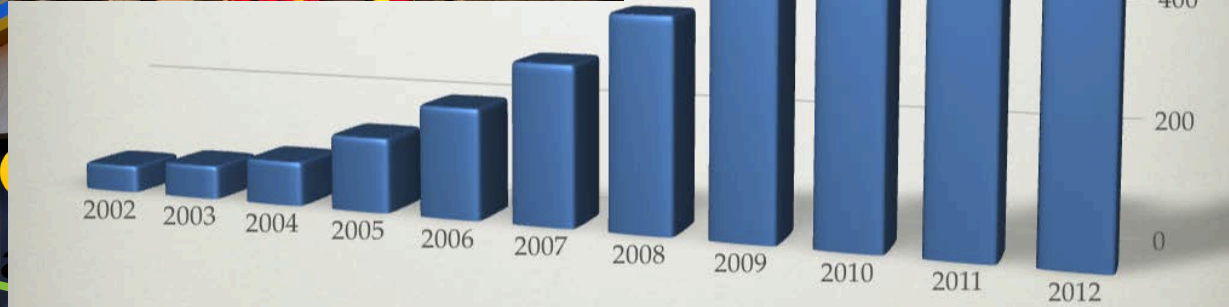
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Dropping cost is driving widespread digitization

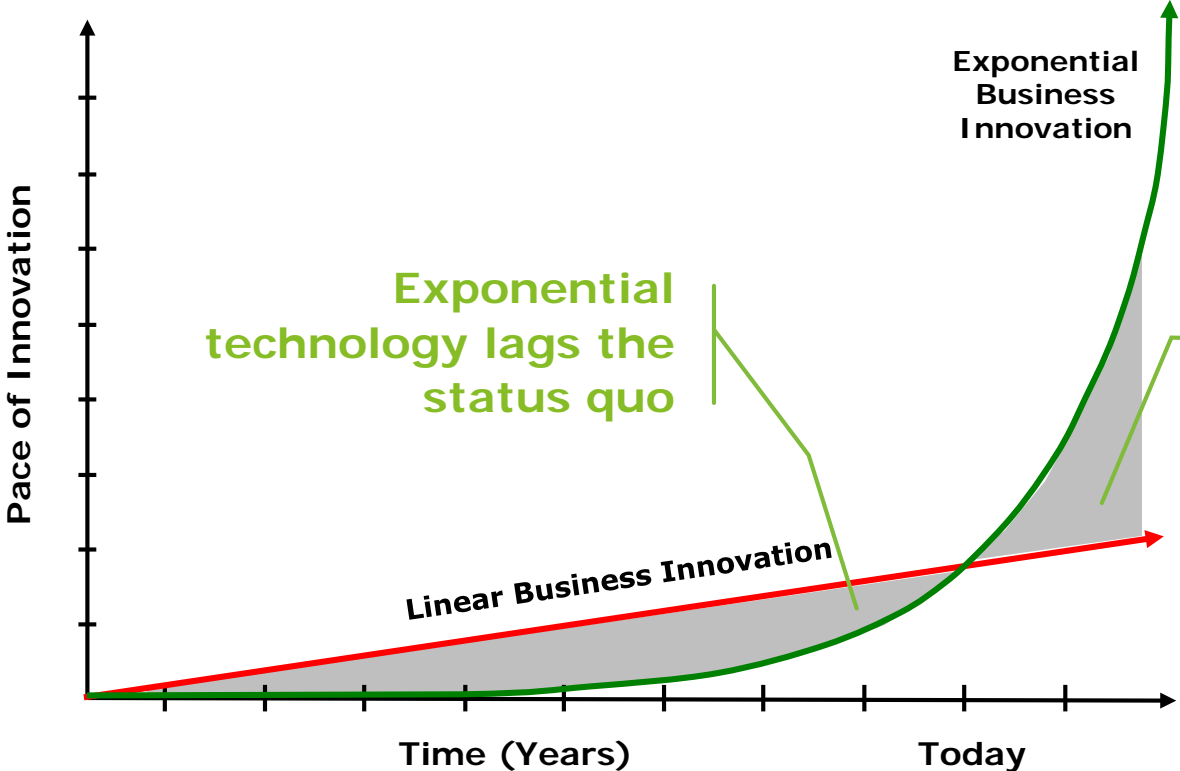
Digitization

➔ Deceptive ➔ Disruptive ➔ Dematerialize ➔ Demonetize ➔ Democratize



Africa Mobile Growth

Where and when will disruption take place?



Safety first: The road to self-driving starts with a stop



Getting connected, what will it mean?
Exponential technology surpasses past status quo



Life insurance provider vs. life insight provider?

Digital Disruption in Insurance

How emerging innovations will reshape the ways in which insurance is structured, consumed and provisioned in the future

Long held orthodoxies are in jeopardy...



- Consumer familiarity with established insurers precludes wide-scale disruption by new entrants
- Insurance is often a complex, opaque, and even misunderstood product, which gives the industry's seasoned agent and broker sales force a considerable edge over would-be alternative distribution challengers
- Insurers have effectively cornered the market on the data, models, and analytical talent to underwrite and price exposures as well as facilitate risk management
- Since the premise of risk pooling is fundamental to the business of insurance, the massive capital reserves assembled by insurers cannot be easily replicated by new players

These orthodoxies are in jeopardy of being rendered moot by a wide array of disruptive forces – insurers cannot afford to wait on the sidelines as disruptive trends in technology, the economy, and society threaten to negate the orthodoxies under which the industry has operated

The industry is facing transformative pressure from innovations within and outside of the industry



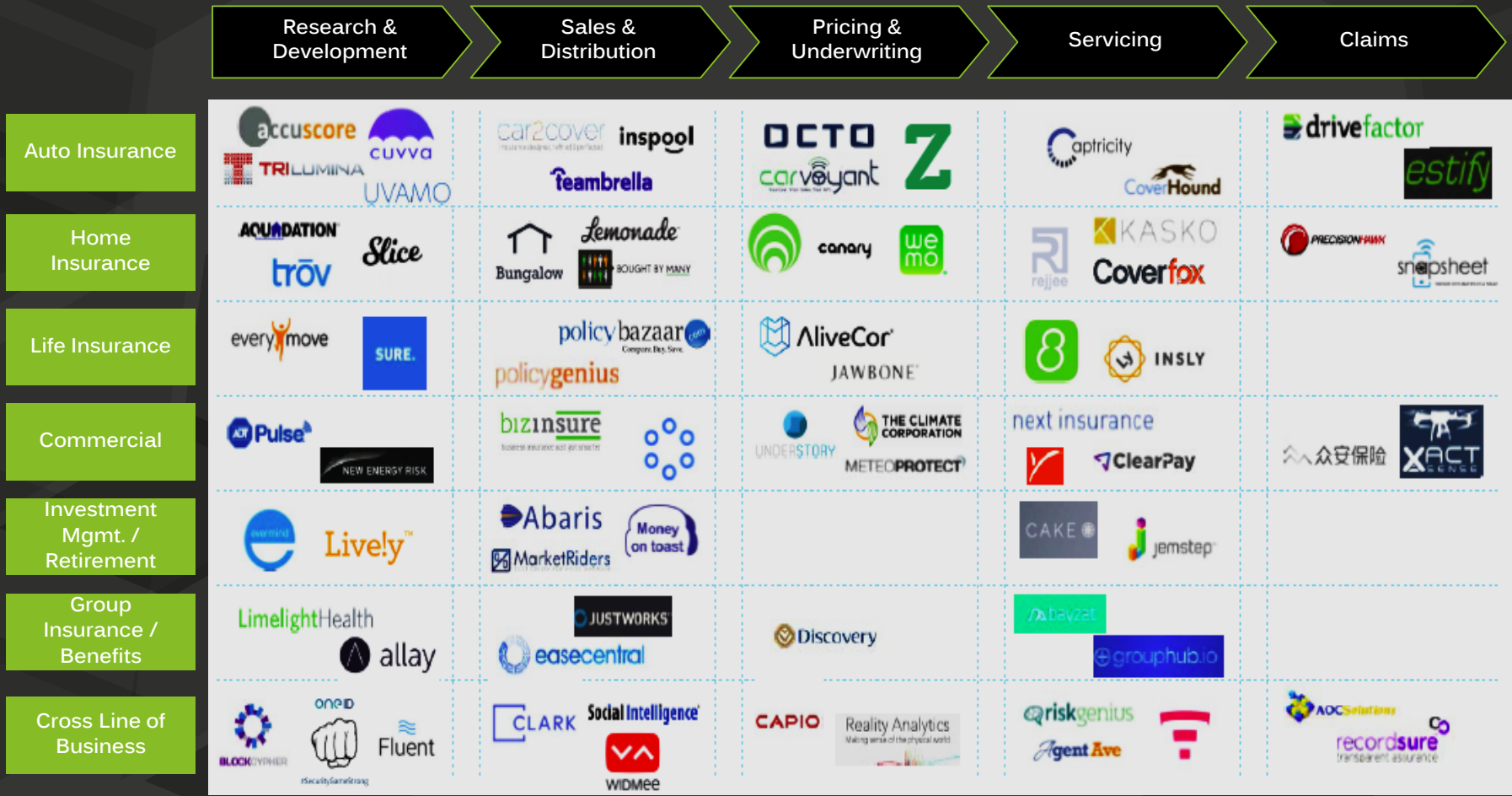
Respond to the rapidly rising customer expectations unmet by traditional insurance providers

Reshape the consumption models and underlying risks being insured

Equip incumbents and new entrants with capabilities to deliver transformative offerings and value propositions

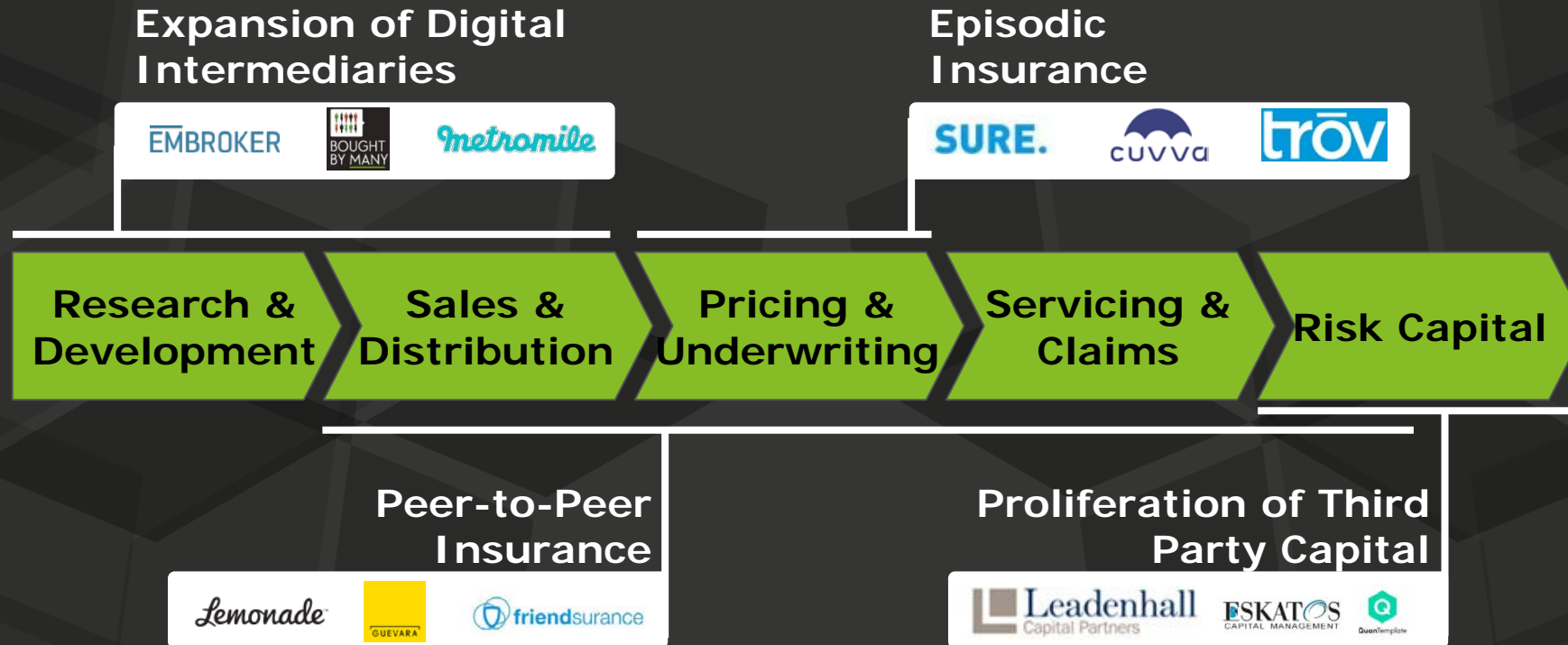
Disruption will not be a one-time event, but a continuous pressure to innovate that will shape customer behaviours, business models, and the long-term structure of the insurance industry

The InsurTech effect...



Globally, InsurTech venture capital investments have hit their highest annual total in 2016 with \$1.69 billion invested in 173 deals

Innovations within the insurance industry exploit customer friction points unaddressed by incumbents



These innovations will accelerate the transformation of the insurance market landscape triggered by innovations surrounding the industry (e.g., wearables, sharing economy)

Innovations outside of the industry may fundamentally change the traditional business models in the long term



Sharing Economy

- Share ownership of property to facilitate commercialization of personal property. Individuals are able to make use of excess capacity, such as an extra bed (Airbnb) or an extra seat (Uber)



Self-Driving Cars & ADAS

- Automotive and technology companies are developing cars that can navigate roads without humans. They shift the nature of risk from human error to manufacturer liability



Internet of Things

- Physical objects are being embedded with wireless technology that allow them to connect to other objects. This gives companies access to more detailed data



Big Data / Social Data

- New interfaces help actuaries and other business users create insights from massive data sets. Social networking firms in particular, are exploring ways to quantify and analyze human activity



Machine Learning

- Predictive analytics providers help insurers create the next generation of pricing, underwriting and claims models with a new level of sophistication and accuracy with the ability to personalize insurance policies with dynamic pricing



Distributed Ledger Technology

- Distributed ledger technologies can act as a facilitator of automated premium payments, claims assessment and claims payments, due their high degree of immutability and reliability

These transformative forces are expected to result in the following six implications for the future market landscape

1 Commercial Ownership of Policies
As users' risks disaggregate from assets, the ownership of personal property policies will migrate from individual customers to commercial institutions

2 Shortening Policy Lifecycle
Insurance consumption will be more episodic in duration as the needs-based usage of assets proliferates

3 Granularization of Risk Units
Risks will be broken down into their lowest level units as the driver of liability and protection separates

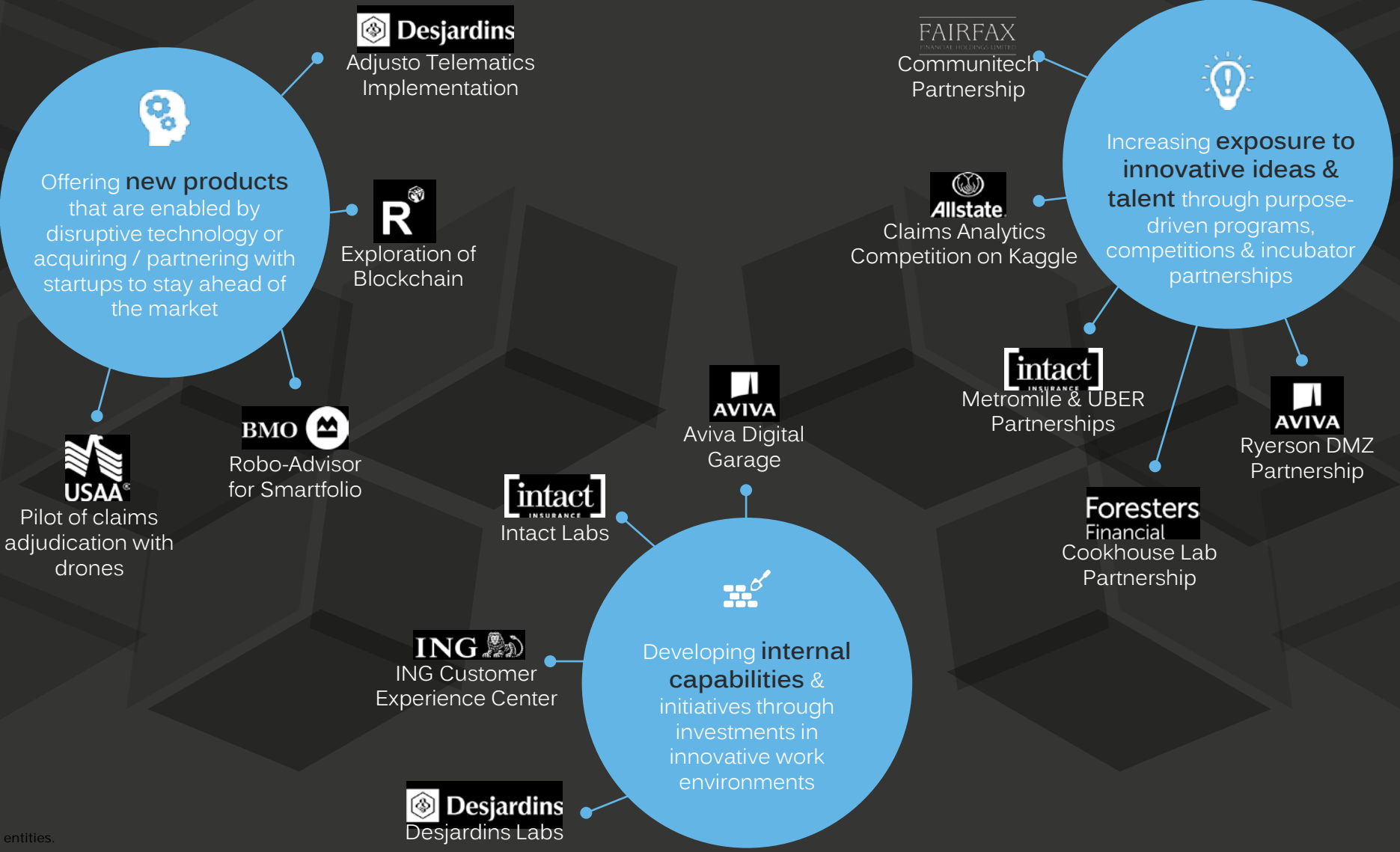
4 Commoditization of Risk
Property risks will become increasingly commoditized as risks are reduced and homogenized

5 Unpooling of Risks
Insurers' ability to pool risks across customers will decrease as customers become more informed about their risk levels

6 Separation of Origination from Underwriting
Origination activities may be separated from the underwriting risks as more efficient providers of risk capital that specialize in investment activities enter the market

Some of these implications may be contradictory with one another and dominate the trends in certain customer segments

Leading organizations are approaching future disruption with three key models to keep up



When do you stop...or do you?

Mitigating the impact of disruptive trends, as well as capitalizing on the growth opportunities they present, will be part of a **continuous journey rather than a final destination**

Carriers will **need to constantly innovate and experiment** as they adapt to the accelerating evolution in technology and consumer expectations, reinventing their products, systems, and business models accordingly

Speed is of the essence, as insurers may not have much time in many cases to transform their operations, policies, and personnel in response to an emerging strategic threat or opportunity

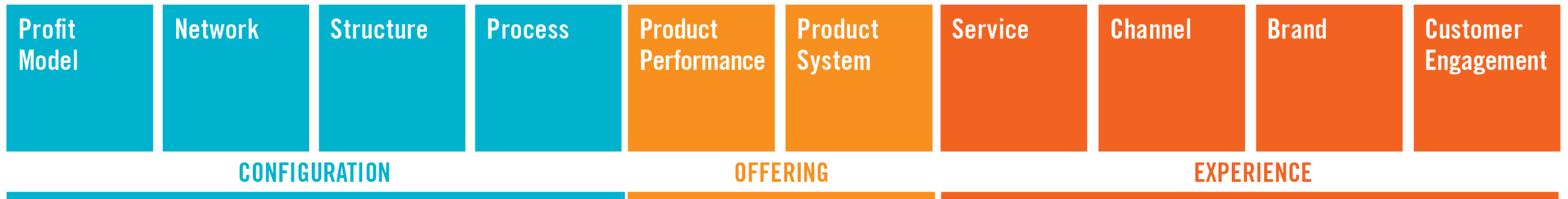
Rather than be victimized by disruptive developments, **insurers must be proactive** in turning them to their advantage, in some cases perhaps by working with complementary providers from outside the industry

Thinking beyond product

Making bolder bets today

In 1997, we made a discovery

TEN TYPES OF INNOVATION

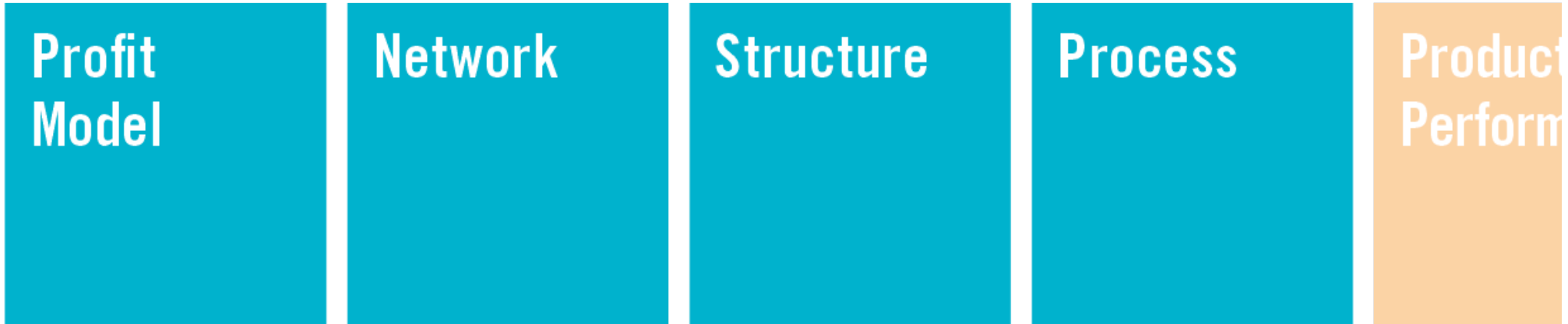




How you connect with others to create value



How you use signature or superior methods to do your work



CONFIGURATION



How you make money



How you align your talent and assets





How you create complementary products and services



How you employ distinguishing features and functionality



TESLA

How you deliver your offerings to customers and users

venmo

How you foster distinctive interactions

Service

Channel

Brand

Customer Engagement

EXPERIENCE

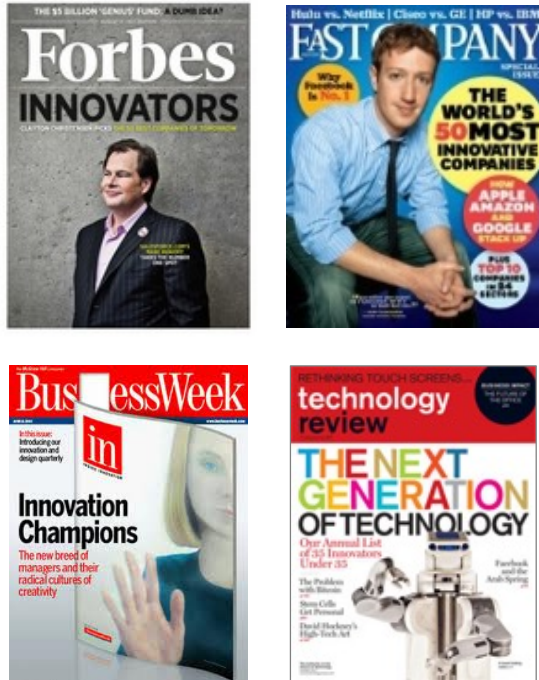
How you support and enhance the value of your offerings

Zappos
COM

How you represent your offerings and business

Virgin

We conducted research and analyzed...
PROS vs. Joes

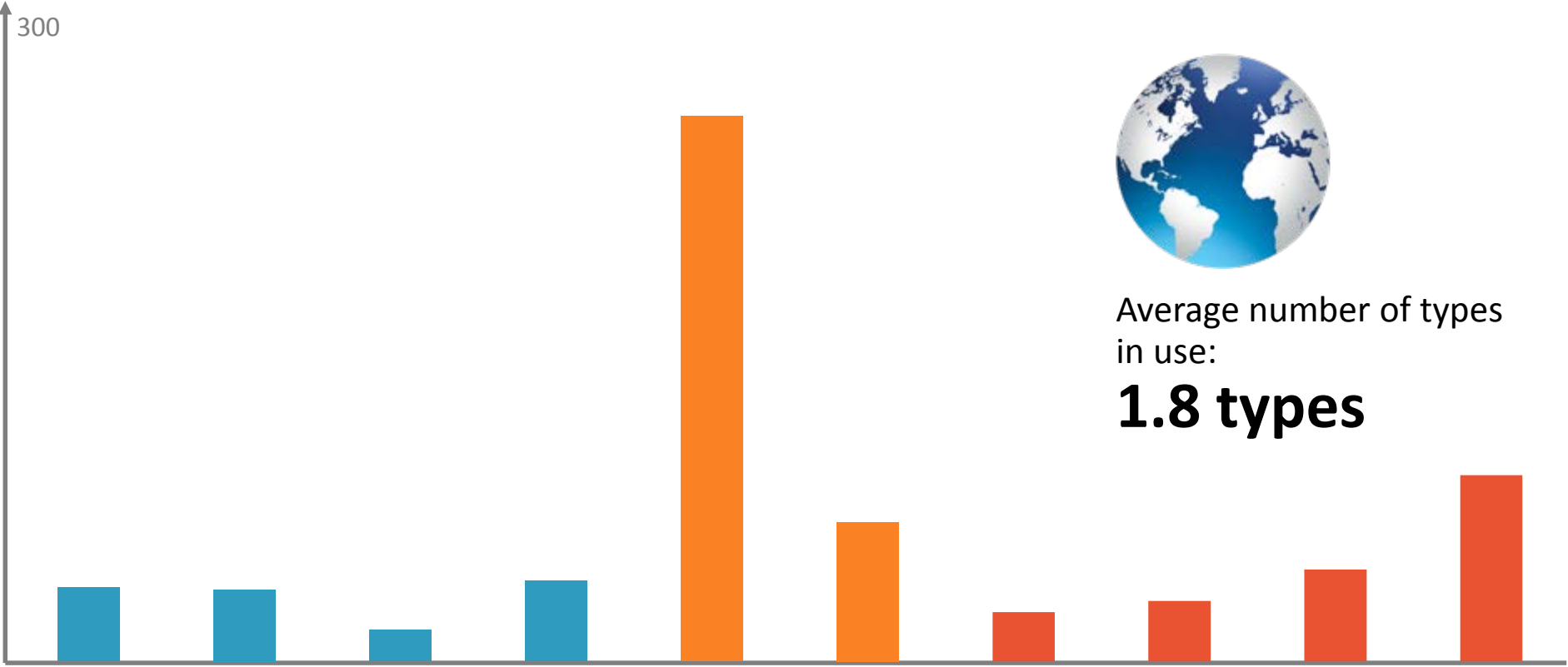


A merged list of the top innovators taken from leading publications

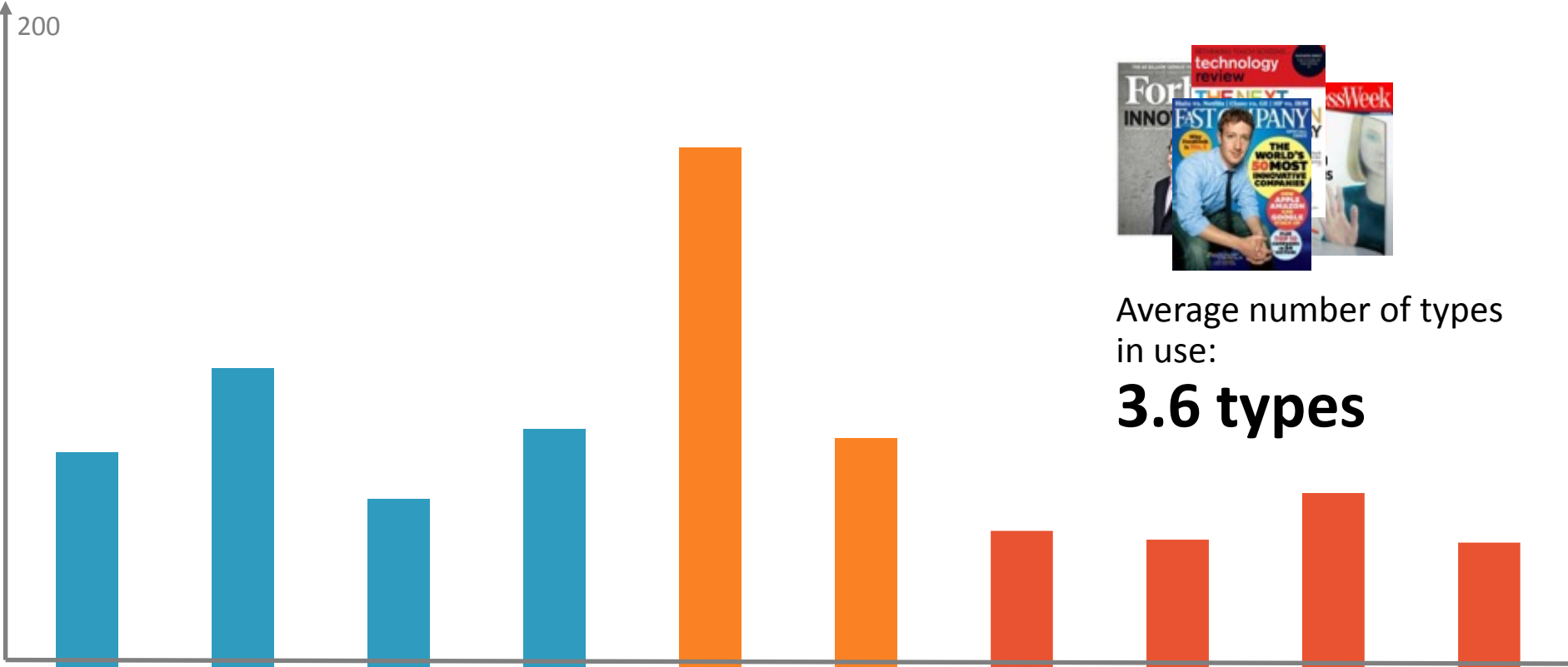


Random sample of innovations using scans of journals and social media

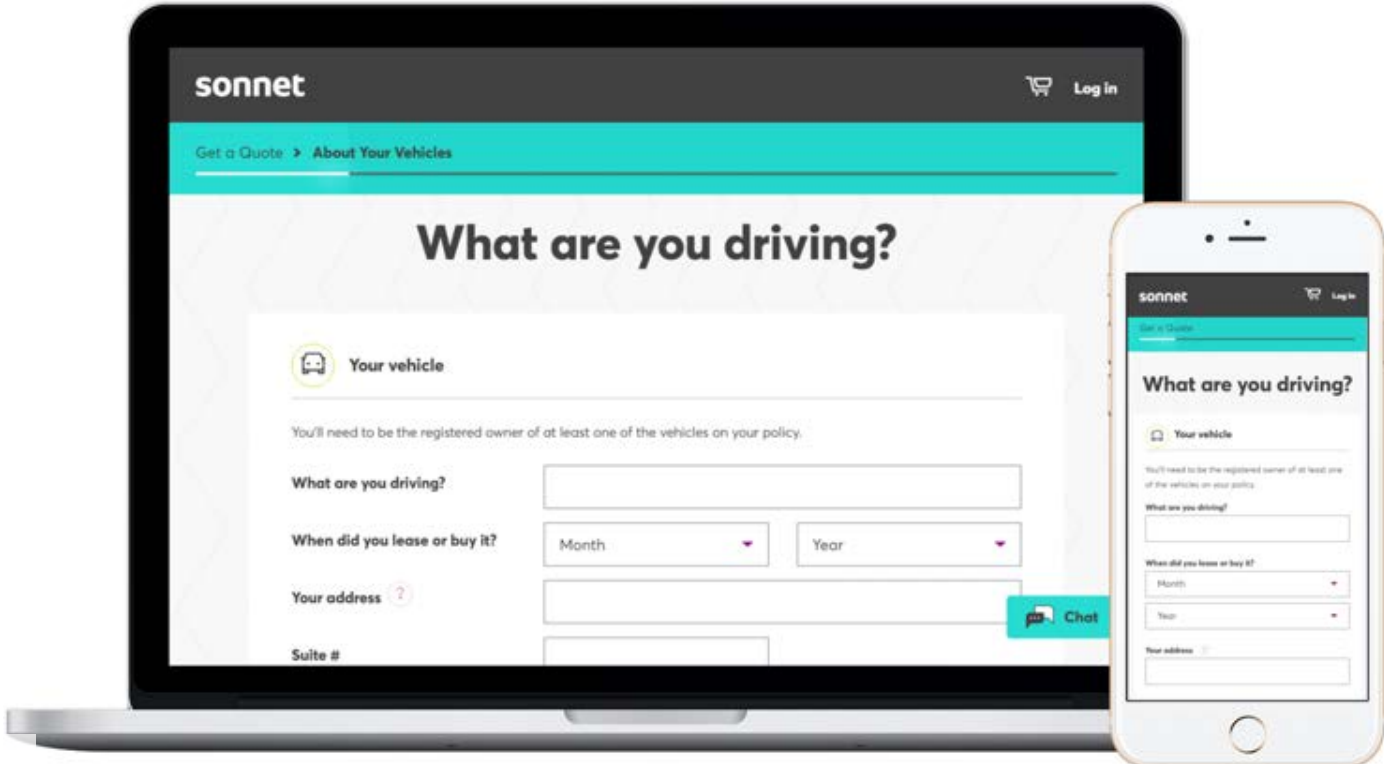
The average innovator (Joe) tends to pursue product-based innovation which integrates few other types.



A successful innovator (Pro) looks beyond Product Performance and integrates twice as many types of innovation.



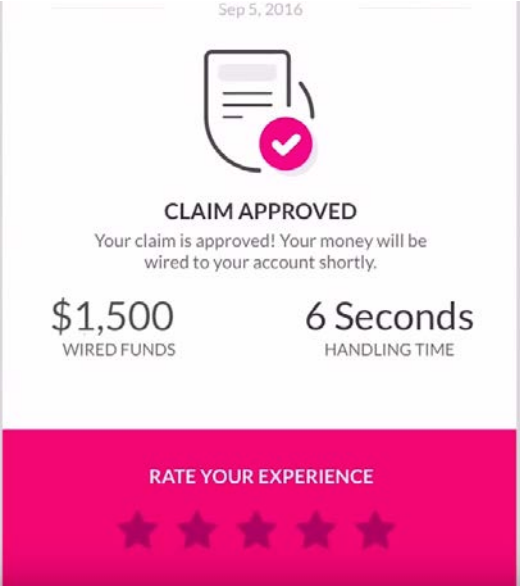
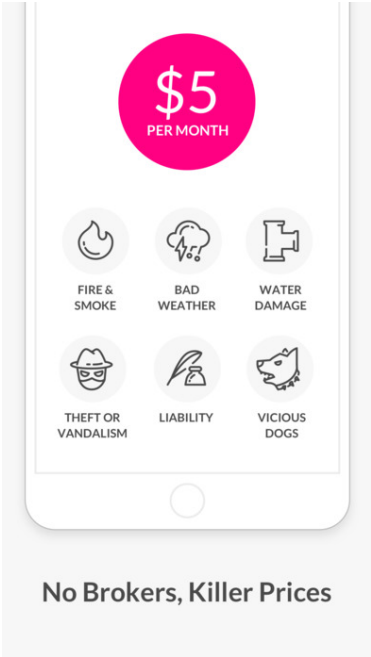
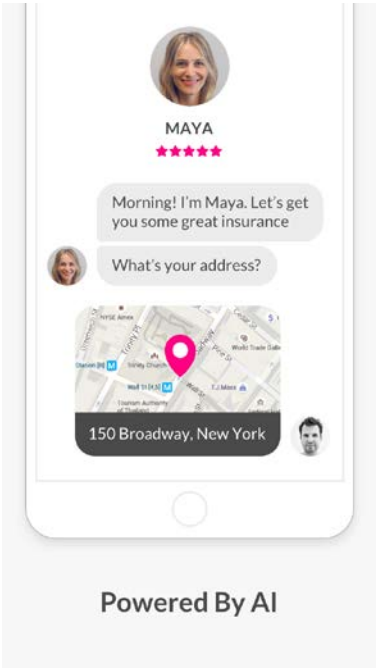
Sonnet: simple, fast, affordable – home + auto insurance direct to customer



6 TYPES:



Lemonade: Customer first, technology enabled insurance for a fraction of the price



7 TYPES:





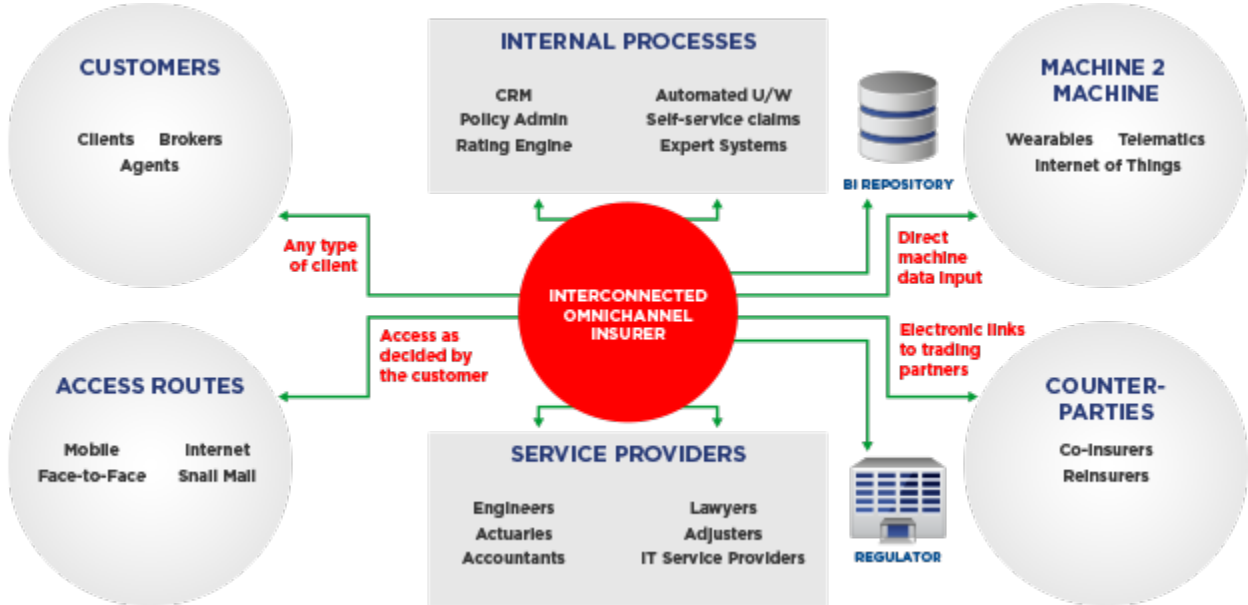
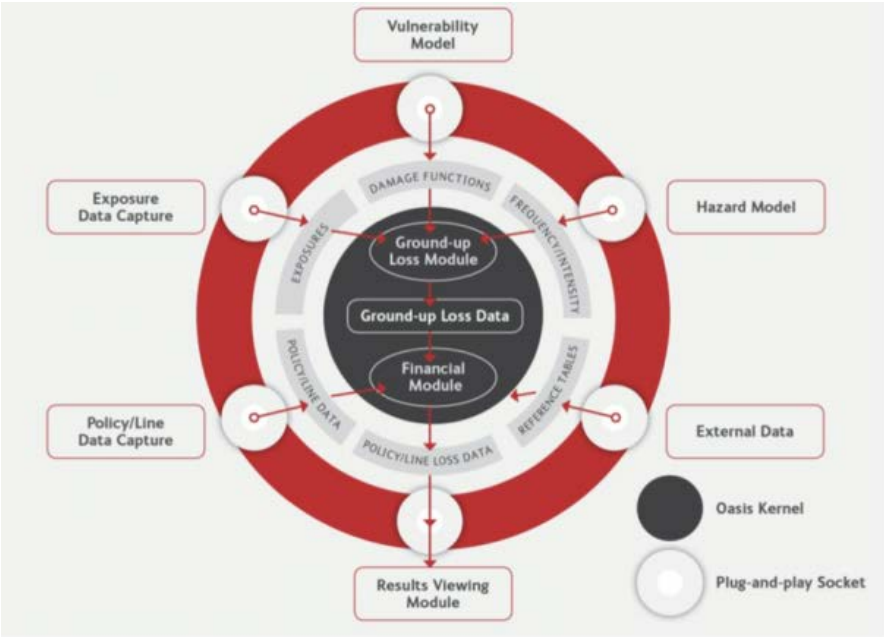
Keep Your Team **All In**

We drive engagement by empowering employees to live happier, healthier lives. How? Through a personalized health and wellness experience.

7 TYPES:



Oasis Loss Modeling Framework set to transform catastrophic risk modeling and more...



8 TYPES:



Digital is enabling new approaches for innovation



Platform-centric innovation

Reinvent or recombine offerings to *create* value



Business model-centric innovation

Configure assets differently to *capture* value



Experience-centric innovation

Engage customers differently to *deliver* value



Unlocking the flexible organization

Organizational design for an uncertain future

01 Protect the core & disrupt at the edge
Find the areas of the organization that require agility and disrupt them with new ways of working

03 Adopt a collaborative systems mindset
Shift mindset away from static 'boxes and wires' and embrace the transformative power of systems thinking



02 Unleash the networked teams
Realign select existing structures into self-managed, networked teams focused on a specific outcome

04 Create conditions for flexible design
Create an ecosystem of open talent with a fail-fast perspective and harness social technology as a mechanism to keep the organization connected

Let's continue the conversation

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