



The Internet of Things

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An Insurance 2025 Study Group (I2SG)
Webinar

22 January 2015



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Insurance-Canada.ca

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The Digital Customer Experience

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www.insurance-canada.ca/2015



Overview

- Introductions
- IoT
- Personal Things IoT & Insurance
- Commercial Things IoT & Insurance
- Insurance Business and IoT
- Discussion



Introducing The I2SG Study Group

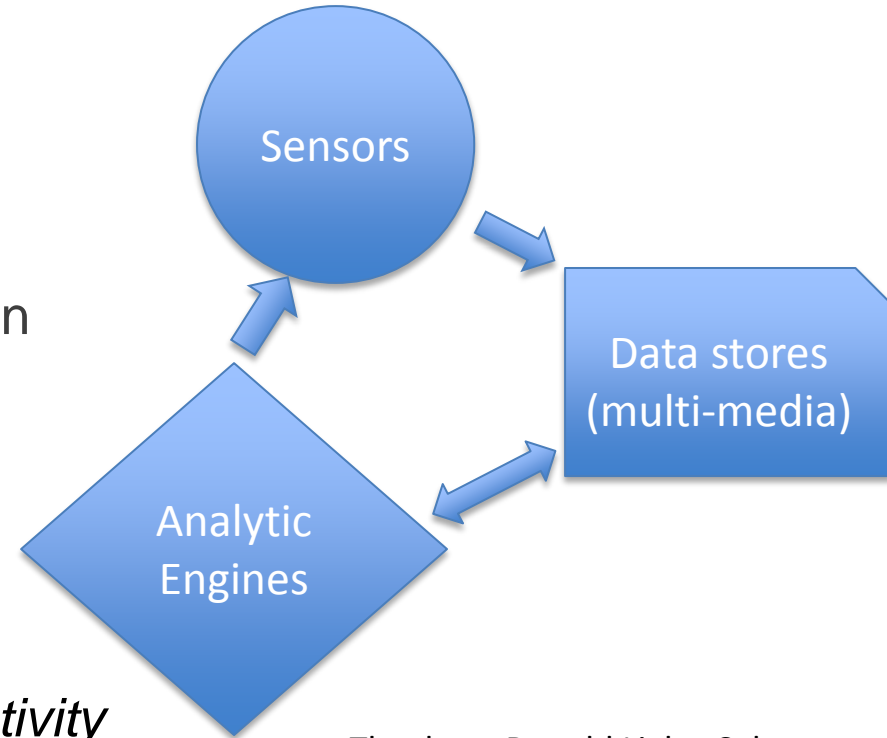
Bryan Bedford, Peel Mutual	Dorothy Josephson, SGI Canada
Blair Currie, IMS	Catherine Kargas, MARCON
Doug Grant, Insurance-Canada.ca	Greg Purdy, Get Clarity
Chris Hill, Erb & Erb	Colin Smith, OPTA
	Patrick Vice, Insurance-Canada.ca



What is the IoT?

- Embedded Sensors sending environmental / activity information to ...
- Data Stores which interact with ...
- Analytic Engines which provide feedback/control to ...
- Sensors

Using standardized internet connectivity



Thanks to Donald Light, Celent



Scope of IoT: Now, and + 5 years

- Gartner
 - 4.9 Bn Connected Things in 2015
 - Growing to 25 Bn by 2020
 - Driving \$263 Bn support service revenues in 2020
- IDC world wide market
 - \$1.9 trillion - 2013
 - \$7.1 trillion – 2020
- Barrons – 2 Trends
 - Democratization of the technology opens the IoT to most commercial entities
 - IoT supports starting small with rapid scaling



IoT can be used with

- Mobile things: Airplanes, Cars, Trucks
- Living things: People, Animals, Plants
- **Physical things Today's topic**



Personal Things

“The greatest competitive opportunities — arise not from simply digitalizing a product or service, but from **creating a new business model and value proposition**”

Steve Prentice, VP and Fellow Gartner



Dumb Things Make Bad Things Happen

- What happens when a serial entrepreneur has an undetected broken water pipe in his cabin for 2 months...
- And gets a bill for \$100K
- And discovers none of his sensors connect together?



He Creates SmartThings

Alex Hawkinson:

“It struck me: I couldn’t believe the house didn’t have a voice.”

-Forbes, August 18, 2014

SmartThings makes hubs to connect home things.

And he’s not the only one



SmartThings CEO Alex Hawkinson at home (CREDIT: Steve Voss)



SmartThings' Hawkinson Talks about Insurance

- “Smart homes **absolutely eviscerate the current system**. Insurance is a tax on society. It should be less.”
- As homes get more connected, the massive amounts of data they produce will reveal the flaws in actuarial tables.
- Generically priced (and sky-high) premiums will no longer make sense.
- *Agree?*



What are the insurers' responses?

- Allstate Canada offering up to 25% discounts for Rogers Smart Home Monitoring
- American Family Insurance partnering with Microsoft
 - Set up 'Accelerator' to focus start ups on home automation
 - Provides equity financing
 - Why? To "make our policyholders' homes and lives safer."
- *What are the implications of this approach?*



Commercial Things...



Commercial Property

- Property managers can get better understanding of use
- Allows better design, lowering maintenance costs
- Hi-tech, pharma development can benefit from improved detection of nano particles and filtration
- Trane: HVAC manufacturer *
 - Identify/Resolve problems 30% faster
 - Reduce risks of fire, water damage
 - Transform business model from product to service

* SMA Research Brief: Internet of Things

What else could we be seeing in Commercial property?



Logistics*

- Larger organizations have biggest benefit from improved integration
- Trade off: Security
- "Organizations must straddle the tension of all the information available from smart things by **balancing their desire to collect and analyze it with the risk of its loss or misuse.**" (Gartner)
- *Could CyberRisk be the trade off for lower premiums?*

* White paper sponsored by FMGlobal



Insurance Organizations



IoT & The Business of Insurance 2025

- Change in risk profiles
 - safer = softer market
 - More cyberrisky = different skills required
- Change in product/organizational profiles
 - IoT dovetails with Alternative Risk Financing
 - UBEverything => fewer underwriters and more quants
- Fundamental change in insurance principles
 - What does “spread of risk” mean grandma?
- *What else?*



What are the insurers' responses?*

- Large Insurers (> US\$1Bn)
 - Few foresee analytics modeling of IoT in next 3 years
 - 60% unsure they will ever have this functionality
 - None of the C-level executives believe this will substantially change business
- Midsize Insurers (US\$500M- US\$1Bn)
 - 20 % had capabilities for non-auto LoB
 - Another 20% said they were on track for having within one year
- *What are the implications here?*
- *Do these reflect Canadian operations*

*Celent survey



Conclusion:

What did we learn today, Dorothy?

Bryan Bedford, Peel Mutual	Dorothy Josephson, SGI Canada
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Open Forum

Comments?

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Thanks for Attending

Physical

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