2015
Global insurance outlook
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Major themes for global insurance in 2015
Common themes for the Asia-Pacific, Canada, Europe, Latin America and US life-annuity and property-casualty markets:

► **Pinpointing growth:** Opportunities exist to improve competitive standing by providing products to underserved consumer markets, the expanding middle class and the high-net-worth population.

► **Technology:** As the world returns to more stable economic conditions, the global insurance industry is investing in technology and digital platforms to build and strengthen customer relationships across all product classifications and geographies.
Major themes for global insurance in 2015

► **Customer focus:** A common goal is to empower businesses and consumers to better shop for insurance, making products more transparent and easier to understand and compare.

► **Transformation:** To attain the speed and agility demanded by competitive pressures and customer preferences, insurers look to simplify systems, processes and structures and enhance operational efficiency, cost management and enterprise data excellence strategies.

► **Regulation and compliance:** In today’s demanding regulatory environment, insurers will increasingly need global enterprise risk management capabilities and improved risk analyses.
Asia-Pacific
Technology is accelerating mobile and web-based opportunities
Asia-Pacific

- Growth prospects remain favorable for life and non-life insurance products, with GDP projected to be 5.5%.
- The expanding middle class and high-net-worth population present opportunities for insurers to increase sales of personal and commercial lines and health insurance.
- Prospects for commercial lines remain strong, given the region’s elevated catastrophe risk, the rise in infrastructure and home building across much of Asia-Pacific, and a low insurance penetration rate.
- Rising real estate and financial asset values are enabling insurers to produce higher premium volume from the increased protection levels.
Insurers are challenged to invest in data analytics and modeling capabilities, as well as internet and mobile digital sales, distribution and customer service solutions, given an increasingly technologically sophisticated population.

Regulations addressing insurer solvency, capital and risk management are moving to the front burner, as are consumer protections in the areas of data privacy and security.
Canada life-annuity
Entering a new era
Canada life-annuity

- After several years of constrained growth of life-annuities, opportunities exist to improve competitive standing by providing products to underserved consumer markets.
- To boost sales revenue, life insurance and annuity providers in Canada must streamline the transaction process and make their products easier to understand and compare, while streamlining the transaction process.
- A key challenge for insurers in 2015 is the need to develop more robust mobile digital technologies, data analytics and social media strategies to address growing consumer expectations of more refined product sales and distribution.
To enhance the customer experience, life insurers must consider the value of a digital platform to share information with and among brokers and consumers.

A key opportunity is to develop solutions absorbing the longevity risks of pension plan de-risking actions, which are driven by improvements in life expectancy and the low interest rate environment.

Regulatory pressures continue to intensify, putting the onus on life insurers to improve compliance and control functions and implement more robust governance programs that address key business risks.
Canada property-casualty
Improving the level of consumer trust
Profit margins are challenged by continuing low interest rates and GDP growth, a volatile investment climate and expense increases from needed infrastructure improvements.

A major competitive opportunity for insurers is to strengthen their relationships with customers while digitally empowering them to better shop for and compare insurance products.

A key challenge in 2015 is to improve the industry’s low level of consumer trust by integrating distribution and communication channels and providing more transparent information.
Building an enterprise data excellence infrastructure via more robust data analytics and predictive modeling will help insurers pinpoint new growth opportunities, optimize claims outcomes, reduce the incidence of claims fraud and mitigate bottom-line risks.

Improve customer connectivity by expanding distribution and customer service, transforming operations, and investing in technologies such as cloud computing, mobile solutions and business collaboration software.

Regulatory pressures include demands for insurers to become more disciplined in their risk management, capital planning and operational oversight.
Europe
Product innovation ahead
Europe

► European insurers will continue to be challenged on both sides of the balance sheet in 2015, as economic recovery throughout the region is overshadowed by low business investment rates, slower global growth and heightened competition in many classes of business.

► Insurance companies have greater responsibility to interact with the customer, provide a range of digital communication channels, encourage loyalty and brand awareness, and tailor products to individual needs.

► Insurers are scaling up their analytical capabilities to be in a better position to use data in a more connected way.
Meaningful insights can be drawn at virtually every stage of the insurance life cycle, from customer targeting to product design and pricing, underwriting, claims and reporting.

Regulatory initiatives will require greater transparency regarding the information provided to customers, revisions to relationships with distributors and greater governance and oversight over new and existing products.

Finance is under pressure to show it can be a better business partner in planning, budgeting and forecasting, adding more value while also responding to regulatory requirements and tax challenges.
Latin America
Expanding complexity in maturing and developing markets
Latin America

- Growth prospects are generally favorable, although market demand for insurance products is evolving at different rates, given disparate economic factors across the region.

- Maturing markets increase demand for efficiency and quality services, a demand that is met by pursuing economies of scale and deploying robust technology infrastructures.

- As competition throughout Latin America intensifies, insurers are leveraging data analytics and predictive modeling techniques to improve their underwriting and management of risks.
A key challenge for many insurers in 2015 is the need to modernize their operations and distribution models to adapt to rising business and consumer expectations of digital, mobile and internet interactions, particularly for commercial lines of insurance where intermediaries retain control.

Global regulatory standards for capital solvency and risk management are on different timetables, putting the onus on insurers to continually monitor and evaluate these developments to exploit a competitive advantage.
US life-annuity
Sales benefit from consumer confidence and personal wealth
US life-annuity

► Growth prospects are promising as the overall economy improves, consumer wealth increases and interest rates creep higher.

► Key challenges include growing competition, especially from new capital entrants seeking to disrupt traditional market positions with new models and market approaches aligning with rising customer expectations.

► Insurers must expand their digital capabilities with new internet, social media and mobile tools that empower customers and distributors with self-service features, while also making insurance products easier to understand, compare and buy.
US life-annuity

► A major opportunity to widen margins exists for insurers that leverage big data and the cloud to transform back-office systems and processes.

► Insurers can expect to build upon recent improvements in annuity sales, as credit rates continue to increase and customers return to simplified, tax-deferred products.

► There are opportunities to develop online advice and transactional models to compete with online banking and investment services.

► Providers continue to be challenged as they navigate the complex capital solvency and risk management regulations enacted in the aftermath of the financial crisis.
US property-casualty
On its way to a second year in a row of strong performance
US property-casualty

- Despite slow-to-rebound interest rates, US property-casualty insurers expect strong performance, with combined ratios returning to pre-financial crisis years.

- A key challenge includes low premium growth, which continues to be inhibited by rising competition, an overabundance of capital, and inexpensive reinsurance, the latter a consequence of low insured catastrophe losses the last two years.

- Soft pricing is constraining profit margins, compelling insurers to focus on expense management and operational efficiency, reducing costs through technology upgrades, process optimization and selective offshoring.
Market-leading performance is being driven by investments in technology, distribution and risk management systems.

On the distribution front, insurers will optimize the channel mix, adding distribution outlets and expanding aggregator and direct-to-consumer models, while providing consumers with enhanced product price transparency and real-time support and service.

To address evolving regulation and increased compliance, insurers will need to invest in more skilled management and data analytics resources in 2015.
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