

Commercial insurance reimagined

Driving growth through innovation
and resilience in Canada



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Setting the stage:

The evolving commercial P&C landscape

The property and casualty (P&C) commercial insurance segment is a significant part of Canada’s economy, supporting businesses and organizations of all sizes by helping them navigate risks associated with keeping their businesses operational, including risks from property damage, liability and unexpected events. Notably, the commercial automobile and commercial property lines of business alone generated premiums exceeding C\$24b in 2024 and are forecasted to grow significantly in the coming years as demand increases.¹

The convergence of economic pressures, regulatory changes, an evolving competitive landscape and technological advancements is significantly revolutionizing P&C commercial insurance. To stay competitive and continue providing value, insurers must embrace innovation and adapt their strategies to effectively navigate these ongoing and newly emerging challenges.

In this report, we examine the current state of the P&C commercial insurance market in Canada, exploring key external and internal factors shaping the industry and providing strategic recommendations for insurers to adapt to the changing environment. The focus is on actionable insights and leading practices that prompt insurers to reevaluate their business models and optimize operations across the value chain.

Each chapter is structured to provide a view of the implications of various trends on the following key operational domains from an insurer’s perspective:

- DISTRIBUTION

A

Examining changes in insurance distribution channels, including digital transformation and broker partnerships.
- UNDERWRITING AND PRICING

B

Analyzing how insurers can optimize risk assessment and pricing strategies.
- CLAIMS

C

Assessing innovations in claims processing and risk mitigation strategies.
- BACK OFFICE/ENABLEMENT

D

Exploring operational efficiencies and technological advancements to enhance insurer capabilities.

By developing targeted strategies within each of the operational domains, insurers can position themselves for sustainable growth and improved customer engagement in an increasingly complex market landscape.

The insights presented in this paper aim to help industry stakeholders navigate the evolving environment and capitalize on emerging opportunities in the Canadian commercial insurance sector.

Chapter overview

01

CHAPTER ONE

Navigating market uncertainty and evolving risks

02

CHAPTER TWO

Unlocking growth and competitiveness in a shifting insurance landscape

03

CHAPTER THREE

Fuelling technology-driven innovation with humans@centre

Chapter 1

Navigating market uncertainty and evolving risk

Rising economic volatility, emerging risks and shifting regulatory landscapes are reshaping the commercial insurance industry in Canada.

In this chapter, we explore:

- **ECONOMIC UNCERTAINTY AND ITS IMPACT ON INSURERS**
Inflation, interest rate fluctuations, geopolitical tensions and market volatility are reshaping insurers' investment strategies, pricing models, underwriting decisions and overall risk appetite.
- **EVOLVING RISKS DEMAND INNOVATIVE INSURANCE SOLUTIONS**
From climate change and cyber threats to supply chain disruptions and emerging liability risks, insurers must develop adaptive coverage models, advanced risk analytics and tailored solutions to meet evolving client needs.
- **ADAPTING TO A CHANGING COMPLIANCE LANDSCAPE**
Increasing regulatory scrutiny, ESG mandates, data privacy laws and evolving capital requirements compel insurers to strengthen compliance frameworks, enhance transparency and employ technology for regulatory efficiency.

Market conditions are giving way to increased unpredictability, driven by macroeconomic fluctuations, technological advancements and evolving compliance requirements. To remain competitive, insurers must adeptly navigate these complexities, using innovation and data-driven strategies to effectively manage risk while capitalizing on new opportunities.

This means insurers must grapple with:

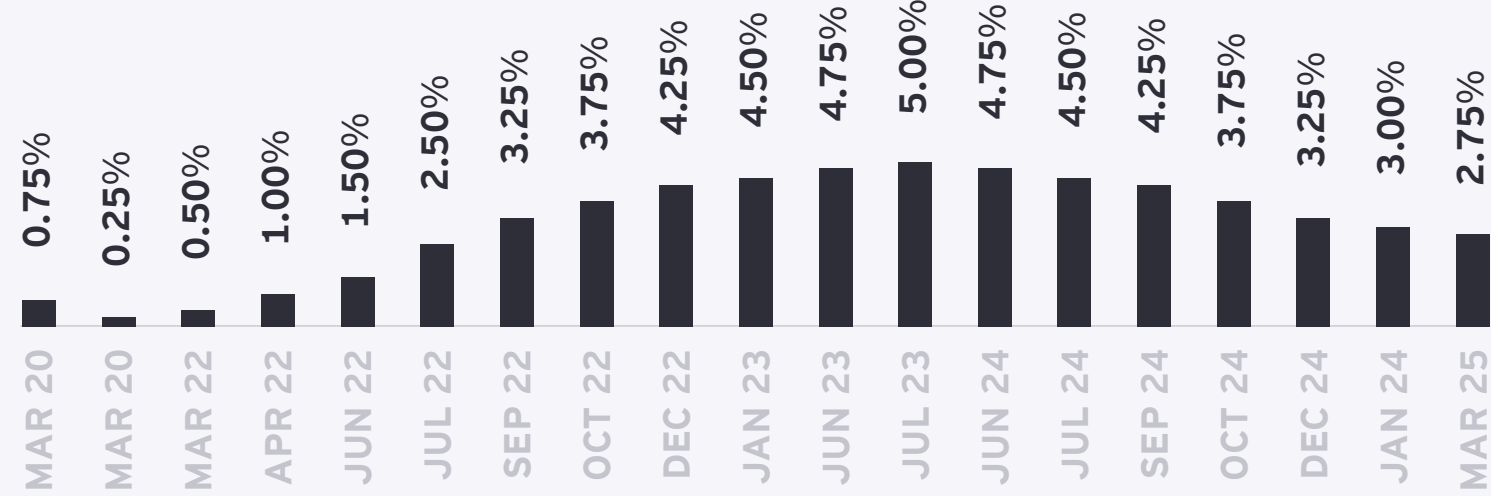
- Macroeconomic headwinds, including fluctuating interest rates, inflation and tariff uncertainty, impacting premium growth, claims costs and overall market stability.
- A rapidly evolving risk landscape, as climate change intensifies natural catastrophe losses, cyber threats become more sophisticated and new market segments – such as digital nomads – emerge with unique insurance needs.
- A shifting regulatory environment where compliance demands are growing, interest rate changes are altering underwriting and investment strategies, and evolving ESG regulations are driving stricter climate risk disclosures and sustainability integration.

Macroeconomic shifts and volatility

The commercial insurance market is deeply influenced by macroeconomic factors such as interest rates, inflation and broader economic trends. These variables shape insurers' investment strategies, underwriting discipline and pricing decisions. In the current environment, where interest rates have been steadily declining over the past year, insurers face increased pressure on investment income.

Compressed yields on fixed-income assets erode portfolio returns, forcing insurers to revisit their asset allocation strategies and tighten underwriting standards to preserve profitability. This prolonged, low-rate environment challenges traditional business models, requiring insurers to explore alternative investment approaches and adopt more agile pricing models to offset diminished income streams. At the same time, inflationary pressures continue to drive up claims costs, further squeezing margins and compelling insurers to strike a delicate balance between competitive pricing and financial resilience.

BANK OF CANADA INTEREST RATE ANNOUNCEMENTS
(2020-2025).²



In 2023, in the face of prolonged inflationary pressures, the Bank of Canada raised its policy interest rate to 5%, impacting insurers' long-term investments in bonds and other fixed-income assets. However, as of March 2025, the rate has declined to 2.75%, which may ease affordability concerns for policyholders but could put pressure on insurers' investment income, necessitating reassessments in pricing models and capital allocation strategies.³

Rising inflation drives up claims costs, particularly in construction (cost to rebuild) and liability lines, where medical expenses impact payouts. This pressures insurers and Managing General Agents (MGAs) to refine rating models and risk appetite, while brokers navigate affordability challenges. This has prompted insurers to focus on cost containment and invest in predictive analytics for better reserving.

66%
A 66% surge in building construction costs – driven by inflation, labour shortages and escalating natural catastrophes – is forcing commercial property insurers to contend with sharply rising rebuilding expenses and a growing volume of high-cost claims.⁴

In 2024, construction material costs in Canada rose by 3.0%, led by steel deck (+11.1%) and concrete block (+8.6%), while labour costs surged by 4.5%, driving up property insurance claim payouts. In the second quarter of 2025, the cost of plumbing materials in Canada's construction sector rose by 3.7%, followed by increases in HVAC supplies (+3.0%), utilities (+2.9%), and structural steel framing (+2.7%).⁵

During periods of growth, business expansion drives higher demand for coverage, leading to increased premium volumes. In contrast, economic downturns pose challenges for commercial insurers, as reduced business activity lowers premium revenue. Struggling businesses may cut coverage or self-insure, while rising insolvencies can drive up claims in areas like professional liability and trade credit insurance, putting pressure on loss ratios. During downturns, brokers may also face slower new business growth but a greater demand for advisory services (such as risk mitigation strategies and policy selection as clients seek financial protection in uncertain times).

The Canadian economy grew by 1.5% in 2024, but business bankruptcies increased by 29%, posing challenges for insurers managing commercial policy risks.⁶

GDP GROWTH RATE

3.3%	1.5%	1.1%*
CAGR (2020-24)	2024	2025 (Projected)

INFLATION

4.1%	2.4%	3.4%
CAGR (2020-24)	2024	2025 (Projected)

INTEREST RATE

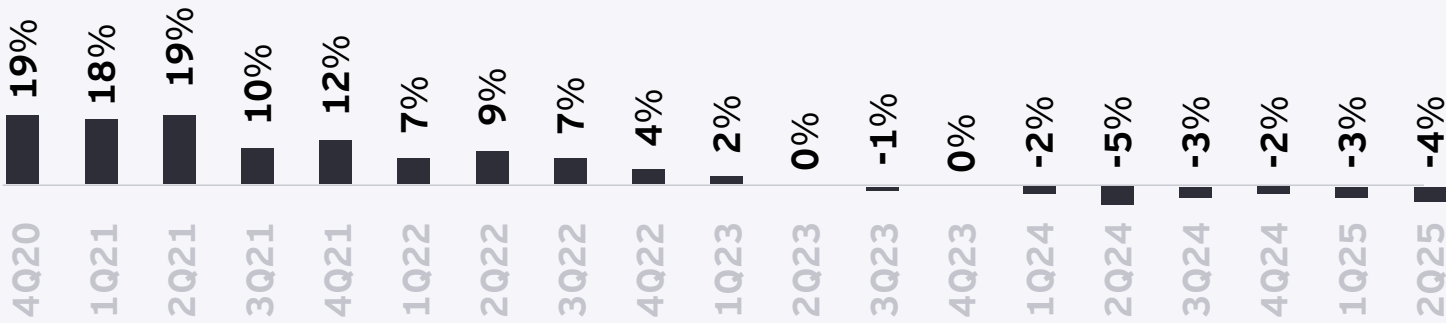
0.6%	4.5%	2.8%
CAGR (2020-24)	2024	2025 (Projected)

*This figure is subject to change, as the Canadian economy is projected to contract in the second quarter of 2025, with the extent of the impact largely depending on the duration of the tariffs.⁷

RESILIENCE OR RETREAT: IS THE HARD MARKET AT A TURNING POINT?

The Canadian commercial insurance market has been entrenched in a prolonged hard market over the past few years, characterized by sustained rate increases, stricter underwriting practices and reduced capacity in high-risk sectors. What’s driving this challenging environment? Primarily escalating catastrophic losses, inflationary pressures and rising reinsurance costs. Insurers have had to navigate these headwinds by refining risk selection, adjusting pricing models and maintaining strict underwriting discipline to preserve profitability.

CANADA COMMERCIAL COMPOSITE INSURANCE RATE CHANGE (4Q20-2Q25; YOY)⁸



From 2020 through early 2023, the market saw significant rate hikes, peaking in 2020 and 2021, before stabilizing in early 2023. By mid-2023, rates had turned negative, and this downward trend continued through 2024, signalling the emergence of a soft market. While pricing remains firm in certain segments, broader conditions are easing.

However, the recent rate declines could face counteracting forces. Extreme weather events, reinsurance capacity constraints and economic uncertainty could create volatility. Catastrophe-related claims remain a major concern, with 2024 marking Canada’s worst year for insured losses at C\$8.5b.⁹ This was driven by wildfires and severe hailstorms in Alberta as well as flooding events in Québec and other parts of the country. The rising frequency of such disasters has led to stricter underwriting and higher premiums, particularly in high-risk regions.

COMMERCIAL INSURANCE PRICING TRENDS: BREAKDOWN BY LINE OF BUSINESS¹⁰

LINE OF BUSINESS	CURRENT SCENARIO	FUTURE OUTLOOK	TREND
Property	Rates decreased by 3% year-over-year (YoY) in 4Q24, driven by ample market capacity and increased insurer competition.	Potential increases may be on the horizon due to record natural catastrophe losses in 2024 and the impact of recent US tariffs on steel and aluminum, which could drive up rebuilding costs and claims severity.	Trend indicator
Cyber	Cyber insurance rates decreased by 3% in 4Q24, due to increased market capacity and reductions in excess layer premiums.	Cyber insurance rates are expected to remain stable in the near term, but rising AI-driven cyber threats and increasing claims could drive future adjustments.	
Casualty	Casualty rates fell 2% in 4Q24 amid strong competition and insurer appetite for growth.	The market is expected to remain stable to softening, with competition driving rate reductions for well-managed accounts. However, rising repair and liability costs in commercial auto, along with concerns over reserve adequacy, may put upward pressure on future pricing.	
Financial and professional lines	Rates fell 3% in 4Q24, driven by increased capacity from new entrants and competitive market conditions.	Rates are expected to stay competitive, with D&O seeing continued rate improvements and excess capacity keeping overall costs down, though rising oppression remedy claims may pressure certain segments.	

Trend indicator

Potential price decrease

Potential price increase

Reinsurance costs have also played a critical role. As losses have mounted, reinsurers have increasingly raised prices and pushed more risk onto primary insurers. While some stabilization is expected as inflation eases – especially with the Bank of Canada working to maintain its 2% target over the next two years– past rate hikes continue to influence pricing strategies.¹¹

At the same time, moral hazard is a concern. Businesses may skip regular maintenance or delay investments, expecting insurance to cover the damage. This can lead to additional business interruption claims. Global issues, like US tariffs on steel and aluminum, are making things worse by disrupting supply chains, leading to more contingent business interruption losses and higher operating costs.

The potential for Bank of Canada interest rate cuts could further impact insurers. Lower rates may boost business liquidity and economic expansion, driving demand for property and construction-related insurance. However, they may also adversely impact insurers’ investment income, adding pressure on underwriting profitability.

Insurers will need to refine risk models and adjust capital allocation strategies and expectations as they navigate these shifting dynamics.

Looking ahead, while some signs of stabilization are emerging, a continuation of the hard market for commercial lines in Canada remains uncertain, with opposing forces at play. The lingering impact of past rate hikes, persistent catastrophe risks and economic uncertainties suggest firm pricing and disciplined underwriting will continue. However, as inflation moderates, reinsurance markets stabilize and interest rates potentially decline, difficult market conditions may gradually ease beyond 2025. The pace of this transition will depend on how insurers balance risk management with new market opportunities.

TARIFF VOLATILITY TO DISRUPT INSURERS’ RISK STRATEGIES

The unpredictability of trade tariffs poses another challenge for commercial insurers. While tariffs may not directly impact insurance pricing, they can disrupt supply chains, increase material costs and affect business operations, leading to fluctuations in risk exposure.

To address this, insurers and reinsurers must integrate economic trend analysis into their risk modelling frameworks, ensuring they adapt to shifting market conditions.

At the same time, brokers play a critical role in this environment – not only by helping clients identify and close potential coverage gaps caused by supply chain disruptions, but also by advising on appropriate coverage levels. As rebuilding costs rise due to tariffs, businesses that haven’t reassessed their limits risk becoming underinsured, potentially facing significant shortfalls in the event of a loss.

From a product innovation standpoint, insurers are increasingly seeking adaptable coverage solutions in response to shifting market conditions – something we’ve seen play out in past periods of volatility.

For example, during the COVID-19 pandemic, some insurers introduced flexible premium policies that allowed coverage to adjust in line with fluctuating revenues – offering clients greater adaptability in uncertain times. Similar approaches could prove valuable in today’s tariff-driven environment, where insured values and exposures may shift rapidly over the course of a policy term.

For example, the US government imposed new import tariffs in April 2025 on certain materials – such as steel and aluminum, ending exemptions for trading partners such as Canada and the EU. This policy change and the domino effect of retaliatory tariffs that it may create will significantly increase the direct costs for industries reliant on these materials, such as construction and automotive, creating heightened claims risks and altering pricing models within commercial insurance. Many insurers have proactively engaged cross-functional teams to review policy wording, identifying potential vulnerabilities related to the new tariffs and aligning coverage terms with the evolving risk landscape.



Tariff considerations for future insurers

CLAIM COSTS EXPECTED TO RISE

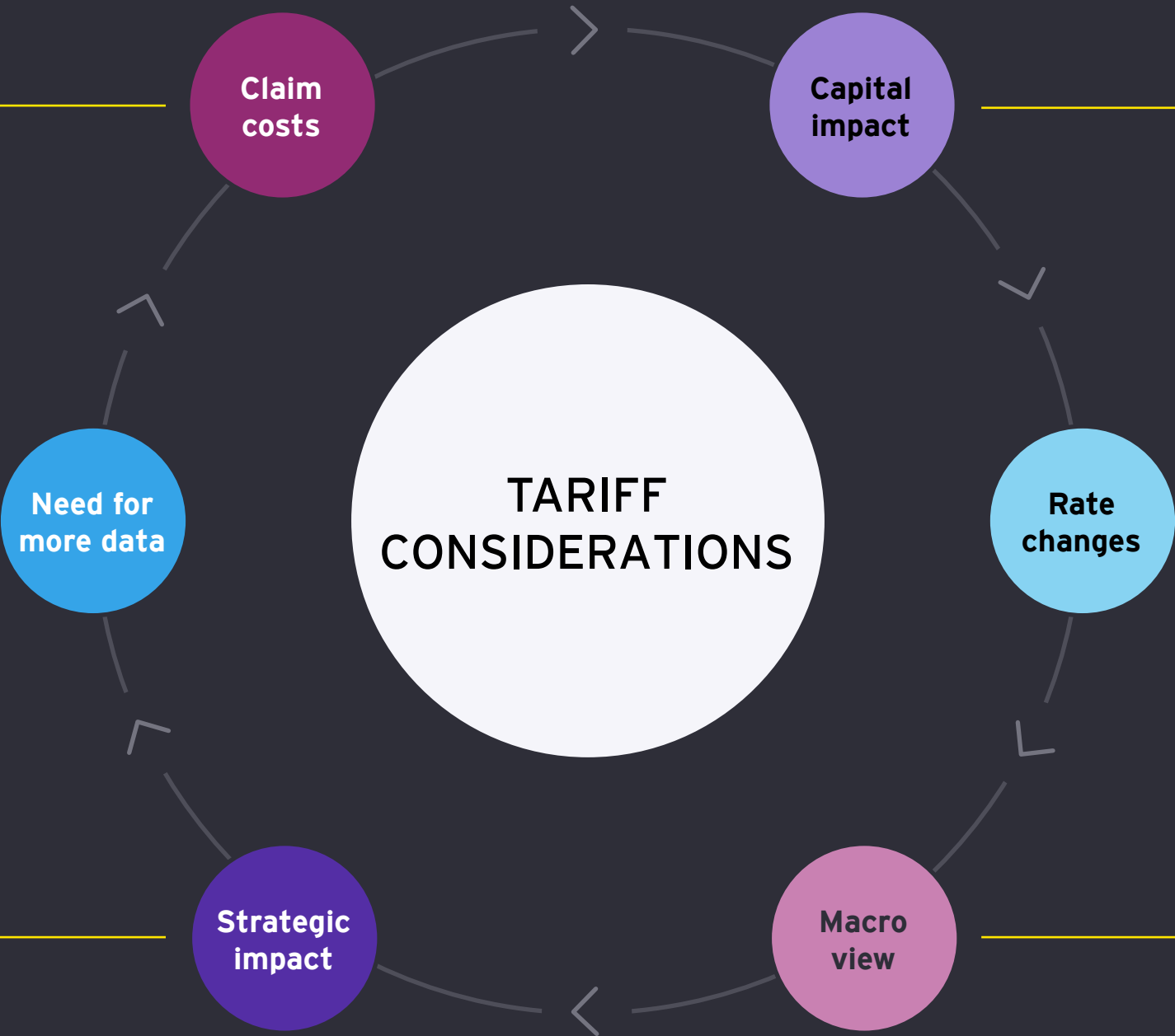
Tariffs are expected to increase the claim costs for P&C and health insurers. The most significant lines expected to be impacted are auto, home/property, and health care costs driven by an increase in costs on source materials (e.g., auto parts, lumber, medicine)

NEED FOR MORE DATA

While each insurer can estimate their direct costs, the indirect costs are the most uncertain. Having better industry data and models would help insurers quantify the expected impact. E.g., What is the bond market exposure and expected impact from interest rate changes due to market volatility?

HARD TO MAKE STRATEGIC DECISIONS WITH SO MUCH UNCERTAINTY

Every dollar spent on claims and expenses is one dollar less that can be spent on strategic initiatives. It's harder to justify strategic decisions with so much uncertainty.



CAPITAL IMPACT FROM MARKET VOLATILITY

Market declines are expected over the near term. Fair value declines on investments have a direct impact on available capital, impacting capital returns. Capital relief over short-term market swings may be required to weather the current market conditions.

RATE CHANGES MAY BE REQUIRED

With costs increasing, premium rate increases may be required. With LOBs in rate-regulated provinces this may require time to implement. Communication will be important to ensure customers can see the link between tariffs and premiums (i.e., its not just insurers taking an opportunity to make more money).

BE UPDATED WITH REGULATIONS

Industry will need to stay close to responses from regulators and governments. Opportunities from e.g., investment in domestic production and local supply chains, increased immigration of scientists and health care professionals. Communication strategies with stakeholders will need to evolve (brokers, investors, customers).

M&A ACTIVITY UNDERSCORES STRATEGIC ADAPTATION
TO VOLATILITY

Amid economic headwinds and shifting capital costs, M&A activity in Canada’s P&C insurance sector has proven notably resilient – particularly within the brokerage segment. While the total transactions declined from 116 in 2023 to 82 in 2024, volume remains above pre-pandemic norms. This signals a continued appetite for consolidation despite broader market uncertainty.¹²

In March 2025, BrokerLink expanded its presence in Alberta and Atlantic Canada by acquiring Bankers and Traders Insurance in Edmonton, Aspen Insurance Brokers Ltd. in Calgary and SeaLand Insurance Corp. in St. John’s.¹³

Advisory firms like Smythe LLP note that, despite inflation and fluctuating interest rates, high-quality brokerage valuations and strong fundamentals are expected to sustain deal momentum into 2025. The first half of 2024 saw a spike in transactions driven by anticipated changes to the capital gains tax, while inflation led buyers to intensify due diligence and apply greater scrutiny to valuations. Even during periods of elevated interest rates, brokerage deals maintained strong acquisition multiples, particularly for targets offering scale, commercial strength or operational agility.

Consolidation is also extending into the mutual insurance space, with notable activity reflecting both cross-border expansion and domestic alignment.

In February 2025, Farmers Mutual Hail Insurance Company of Iowa (FMH) acquired Saskatchewan-based Palliser Insurance, a crop hail insurer with Western Canadian roots. This marked FMH’s first international acquisition and underscored a longstanding partnership between the two mutuals.¹⁴

In Ontario, three mutuals – Caradoc Townsend, Grenville and Lambton – announced a pre-amalgamation agreement aimed at enhancing service offerings while preserving local connections.¹⁵

In January 2025, Canadian mutual insurers Beneva and Gore Mutual announced plans to merge under the Beneva brand, aiming to strengthen their national presence, enhance the customer experience and combine their expertise to offer more innovative and competitive insurance solutions across Canada.¹⁶

These moves illustrate how mutuals are using M&A not only for scale and efficiency, but also to strengthen regional expertise, modernize operations and reinforce policyholder value in an increasingly competitive environment.

If interest rates continue to ease and insurers face mounting profitability and capital adequacy pressures, from rising operating costs to premium recalibrations, M&A will remain a strategic lever for growth, modernization and long-term competitiveness in a rapidly evolving commercial insurance landscape.

Evolving risk profiles

As the commercial insurance landscape evolves, emerging risks are reshaping underwriting, pricing and risk management strategies. Climate change is driving record insured losses, cyber threats are escalating and new market segments like digital nomads are creating fresh opportunities and challenges. Insurers, MGAs and reinsurers must adapt by employing advanced analytics, innovative coverage solutions and tailored policies to navigate this dynamic environment.

CLIMATE CHANGE AND NATURAL DISASTERS

The increasing frequency and severity of extreme weather events have significantly impacted Canada’s commercial insurance sector. Rising claims from wildfires, flooding and storms are driving up reinsurance costs, forcing insurers, MGAs and reinsurers to rethink their underwriting and pricing strategies.

C\$8.5b

Canada’s highest-ever annual insured losses from natural disasters in 2024.¹⁷

50%

CROs globally believe environmental risk will be the most important risk for their organization over the next three years.¹⁸

In 2023, the Canadian reinsurance market underwent a sharp correction, with reinsurers withdrawing capacity – particularly for secondary perils such as floods and wildfires – and demanding higher attachment points, tighter terms and increased pricing. This shift led to primary insurers retaining a larger share of catastrophe risk, up from 40% to 50%.¹⁹

While 2024 was another year of substantial losses, early indicators for the 2025 renewal season suggest a more measured approach from reinsurers. Rather than a blanket correction, reinsurers are expected to take a differentiated, case-by-case view based on each insurer’s exposure and loss experience. Pricing and risk selection will remain under scrutiny, but the structural changes introduced in 2023 are likely to hold steady.

To adapt, insurers are leaning into advanced risk assessment tools, predictive modelling and innovative coverage strategies. They’re also reassessing capital allocation, portfolio diversification and retention strategies to achieve long-term resilience in a climate-impacted landscape.

PRODUCT INNOVATION

Insurers are developing parametric insurance solutions that offer rapid payouts for climate-related events, reducing claims processing time and enhancing liquidity for policyholders.

Munich Re and Aviva Canada have introduced parametric insurance solutions in Canada, offering automated payouts based on predefined weather conditions to help businesses manage financial losses swiftly and transparently.²⁰

RISK MITIGATION

The integration of advanced predictive analytics and climate modelling is helping insurers, MGAs and reinsurers improve risk assessment, underwriting and pricing.

The Office of the Superintendent of Financial Institutions (OSFI) has recommended that insurers incorporate climate risk data into underwriting decisions to better anticipate and manage losses.²¹

CYBER SECURITY AND DATA PRIVACY RISKS

With businesses increasingly dependent on digital infrastructure, cyber threats have become a top concern for commercial insurers. The surge in ransomware attacks, data breaches and operational disruptions is reshaping the cyber insurance landscape, requiring insurers to refine policy terms and coverage limits. While brokers and MGAs must guide businesses through complex cyber liability needs, reinsurers must reassess aggregate risk exposures to achieve sustainable risk management.

68%
CROs globally believe cybersecurity will be the most important risk for their organization over the next three years.²²

30x
Cyber insurance premiums have surged 30-fold over the past decade, signifying the exponential rise in demand.²³ Regulatory compliance: Stricter data protection regulations are reshaping cyber insurance requirements, compelling insurers to enhance coverage terms and risk evaluation frameworks.

Canada’s Digital Privacy Act mandates stronger data protection measures, driving demand for more comprehensive cyber liability coverage.²⁴

EVOLVING POLICIES

Insurers are developing specialized cybersecurity policies tailored to emerging threats, including business interruption and ransomware-related losses.

Companies like Chubb and Lloyd’s of London have expanded their cyber insurance offerings to address ransomware and business interruption risks.²⁵
Parametrix, backed by Lloyd’s syndicates, launched a parametric cyber insurance solution for digital system interruptions, ensuring rapid payouts for IT failures.²⁶

EMERGING MARKET SEGMENTS

As the insurance landscape evolves, new market segments are emerging, driving the need for insurers to innovate and adapt. Two key trends reshaping the industry are the rise of digital nomads and the rapid adoption of embedded insurance solutions.

Digital nomads: The rise of remote work has created demand for specialized insurance policies that provide businesses with cross-border health, liability and risk coverage for their mobile employees operating across multiple jurisdictions.

Insurers such as Cigna Global offer comprehensive business health plans for companies with remote and mobile employees, ensuring cross-border medical and liability coverage.²⁷

Companies like Sonnet Insurance and Zensurance have partnered with digital platforms to embed commercial insurance products in online services, making coverage more accessible and seamless for businesses.²⁸

EMBEDDED INSURANCE

The growing trend of integrating insurance in digital transactions, such as ride-sharing and ecommerce platforms, presents new opportunities for insurers to expand their reach and enhance customer accessibility.



Select initiatives gaining momentum:

How are insurers responding to current market dynamics

1

MODULAR POLICIES

An increasing number of carriers are adopting modular policies, allowing them to bundle various coverages into a cohesive enterprise risk solution that offers greater flexibility.

2

REAL-TIME RISK DATA

The use of nontraditional risk data, particularly from Internet of Things (IoT) sources, is becoming more prevalent in underwriting, enabling insurers to make informed decisions in real time.

3

GROWTH OF PARAMETRIC INSURANCE

Parametric insurance is on the rise, expanding its applications beyond traditional weather events to include scenarios like business interruptions and cloud service outages.

4

SIMPLIFIED LANGUAGE

Shift towards simplifying policy language where it makes sense, which not only enhances customer comprehension but also helps mitigate reputational risks associated with non-coverage issues.



5

DIGITAL HARMONY

Insurers are increasingly prioritizing cost-reduction initiatives and self-service capabilities as part of their broader technology transformation strategies.

6

IMPROVING DIGITAL INTERACTIONS

Enhancements in digital workflows between brokers and insurers, along with the integration of open application programming interfaces (APIs), are becoming critical for fostering better engagement and collaboration.

7

ADVANCEMENTS IN CORE PLATFORMS

There is a growing emphasis on refining core platforms, focusing on modular product designs and automated pricing mechanisms to improve operational efficiency.

8

DYNAMIC PRICING STRATEGIES

Insurers are evolving their rating capabilities by implementing dynamic pricing strategies that involve “what if” analyses to respond to changing market conditions.

Regulatory outlook

Canada’s insurance industry is navigating a dynamic regulatory landscape shaped by new and updated guidelines from the various provincial and federal regulatory bodies. These changes not only introduce stricter compliance requirements but also present an opportunity for insurers to strengthen their risk management, financial reporting and governance practices.

KEY REGULATORY UPDATES INCLUDE:

- Capital adequacy and solvency requirements to ensure insurers maintain sufficient capital buffers, aligning with risk profiles and regulatory thresholds.
- Large insurance exposures and investment concentration limits to mitigate financial risks and nonfinancial risks, including restrictions on net retention, reinsurance exposure, asset diversification and geographic and third-party dependency.
- Reinsurance risk management standards requiring insurers to set concentration limits, conduct due diligence and establish clear contract terms.
- Climate risk management guidelines mandating enhanced disclosure of climate-related financial risks and integration of sustainability standards. Evolving financial reporting requirements, including the adoption of IFRS 17, aimed at standardizing accounting practices and enhancing transparency.
- Third-party risk management guidelines to ensure appropriate assessment and governance across suppliers, including expectations around broader definition of third-party relationship types.
- Evolving requirements around operational resilience and the continuity of critical business processes and services.

In the face of these evolving regulatory requirements, recent legal action involving TruStar Underwriting has ignited discussion in the industry regarding the need for more robust regulation of Managing General Agents (MGAs). As the industry grapples with the implications of this case, it becomes increasingly clear that further regulatory reforms are gaining momentum and could be on the way. These regulatory shifts bring heightened compliance demands, requiring insurers to enhance reporting mechanisms, invest in technology and expertise, and implement stronger governance structures to mitigate operational and financial risks.²⁹

57%

P&C insurers globally cite compliance, the regulatory environment and risk management as top business priorities for 2025.³⁰

ESG regulations: compliance burden or catalyst for competitiveness?

The regulatory landscape for Canadian insurers is undergoing a significant shift with new ESG requirements. OSFI introduced Guideline B-15, mandating climate risk disclosures, while global frameworks such as the International Sustainability Standards Board (ISSB) and the European Union’s Corporate Sustainability Reporting Directive (CSRD) are adding to compliance pressures. These regulations aim to enhance transparency and accountability, but they also pose operational challenges and strategic implications for insurers.

What does this mean for insurers?

Insurers had to disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 2024, with Scope 3 and insurance-related emissions required by 2025. This places significant demands on data collection, risk assessment and reporting infrastructure.

Adding to these compliance pressures, insurers must also navigate significant tax policy changes. Canada has implemented a global minimum tax of 15% for large multinational enterprise (MNE) groups, alongside a digital services tax (DST) aimed at taxing revenue from large digital platforms. Additional tax reforms, including excessive interest and financing expense limitation rules (EIFEL), enhanced mandatory disclosure requirements and the denial of dividend-received deductions for financial institutions, are further altering the financial landscape for insurers, impacting profitability, reporting obligations and strategic planning.

While OSFI’s guidelines align with IFRS S2, Canadian insurers with international operations must also comply with diverse regulatory regimes, such as the EU’s CSRD and the US SEC’s climate disclosure rules. Additionally, insurers are now required to embed climate risks into governance and strategy, ensuring that sustainability considerations align with risk appetite and long-term financial stability.

The strategic implications of these regulations cannot be overlooked. Insurers need to invest in ESG reporting capabilities by strengthening data infrastructure and disclosure frameworks. Embedding ESG into corporate strategy will not only meet compliance demands but also enhance brand reputation, customer trust and long-term resilience. Collaborating with regulators, industry peers and technology providers will be key to developing leading practices and effectively addressing compliance challenges.

Given the evolving ESG regulations, insurers are increasingly integrating ESG criteria into their investment strategies, recognizing sustainability as a key driver of long-term risk management and value creation. This shift influences product offerings, with insurers embedding ESG-linked incentives into policies, such as premium discounts for sustainable business practices.

53%

Share of Co-operators' assets are allocated to impact and climate transition investments.³¹

Definity Financial Corporation has developed climate-related offerings to help clients mitigate the effects of climate change. These include eco-friendly products like Sonnet Shift – a usage-based insurance product that rewards fuel-efficient driving habits and donates 1% of premiums to local green infrastructure charities.³²

This shift extends to stress testing, where traditional models must evolve to incorporate climate risks, regulatory pressures and social governance concerns. Future stress testing frameworks will need to account for more dynamic climate scenarios, transition risks tied to decarbonization policies and potential market disruptions from ESG-driven regulations.

Advanced modelling techniques, including AI-driven analytics and climate risk simulations, will become critical in assessing emerging vulnerabilities. As ESG considerations reshape the industry, insurers must refine their stress testing methodologies to enhance resilience, ensure regulatory compliance and maintain financial stability in an increasingly uncertain landscape.

Key takeaways

Building resilient strategies



IMPACT ON INSURERS' KEY OPERATIONAL DOMAIN

This assessment reflects anticipated impacts over a medium-term horizon of one to three years.

OPERATIONAL DOMAIN	MACROENOMIC SHIFT AND VOLATILITY	EVOLVING RISK PROFILES	REGULATORY OUTLOOK
DISTRIBUTION A	High Economic uncertainty drives shifts in preferred distribution channels and digital adoption.	Medium Emerging risks require brokers and insurers to adapt advisory roles.	Medium Compliance changes may impact sales processes, particularly for MGAs.
UNDERWRITING AND PRICING B	High Inflation, interest rates and market volatility directly influence risk appetite and pricing models.	High New risks (cyber, climate, supply chain) demand enhanced underwriting models.	Medium Regulatory changes (e.g., capital requirements, ESG mandates) reshape pricing considerations
CLAIMS C	High Economic pressures (tariffs) result in increased fraud and claims costs.	High Complex risks (e.g., climate change, cyber threats) require advanced claims handling and risk engineering.	Medium Regulatory shifts (e.g., disclosure requirements, AI in claims handling) influence claims management.
BACK OFFICE/ENABLEMENT D	Low Economic volatility has a limited direct effect on core operational processes.	Medium Need for advanced data analytics and automation to address evolving risks.	Medium Regulatory compliance, data governance and reporting mandates drive back-office transformation.

In light of the evolving economic landscape, leading insurers are looking to cultivate resilience to effectively navigate financial volatility, emerging risks and regulatory complexities.

This strategic approach involves deploying data analytics for precise underwriting, embracing digital transformation and fortifying capital reserves to withstand economic shocks.

What actions can commercial insurers consider?



Navigate financial volatility with dynamic pricing and capital strategies:

- **Action:** Use predictive analytics, economic scenario modelling and real-time market signals to calibrate pricing models and capital reserves.
- **Potential outcome:** Greater agility in navigating inflationary pressures, interest rate swings and investment volatility – building margin protection and long-term solvency.



Proactively manage emerging risks through enhanced risk intelligence:

- **Action:** Integrate climate models, cyber risk scoring and geopolitical forecasting into underwriting and portfolio risk assessment.
- **Potential outcome:** More accurate risk selection and pricing, enabling insurers to stay ahead of rapidly shifting risk landscapes.



Enhance broker and MGA roles as strategic risk advisors:

- **Action:** Equip distribution partners with tools and insights to offer tailored coverage, risk mitigation plans and claims preparedness guidance.
- **Potential outcome:** Elevated customer experience and stronger policyholder trust, driven by advisory-led, solution-oriented engagement.



Futureproof compliance and reporting amid regulatory shifts:

- **Action:** Streamline financial and actuarial reporting through automation, ensure IFRS 17 alignment and monitor tax/regulatory developments in real time.
- **Potential outcome:** Lower compliance risk and improved governance, allowing insurers to scale operations without compromising control.



Build operational resilience through digital infrastructure and cybersecurity:

- **Action:** Invest in cloud-based infrastructure, AI-driven underwriting and claims processing and robust cybersecurity measures to enhance operational resilience and manage digital disruptions.
- **Potential outcome:** Improved operational efficiency and security, allowing insurers to respond effectively to digital threats and maintain service continuity.

Chapter 2

Unlocking growth and competitiveness in a shifting insurance landscape

The commercial insurance industry is undergoing a significant transformation, driven by the evolution of distribution models that reshape engagement. Brokers and MGAs are increasingly positioning themselves as strategic advisors and alternative risk solutions are gaining prominence, offering innovative approaches to risk management. This dynamic environment is further influenced by strategic partnerships that are redefining underwriting practices, optimizing risk management strategies and enhancing market competitiveness.

In this chapter, we explore:

- **FUTURE BUSINESS MODELS AND PRODUCTS REDEFINING INDUSTRY DYNAMICS**
Hybrid distribution, advisory-driven broker roles and usage-based insurance are reshaping customer engagement and coverage delivery.
- **ALTERNATIVE RISK TRANSFER (ART) SOLUTIONS RESHAPING THE MARKET**
Captives, self-insurance and innovative risk transfer solutions are gaining traction, pushing insurers to adapt.
- **STRENGTHENING CAPABILITIES VIA ECOSYSTEMS AND STRATEGIC ALLIANCES**
Insurers are leveraging partnerships, advanced technology and data-driven ecosystems to enhance risk management and efficiency.

Traditional approaches are giving way to flexible, data-driven strategies that emphasize digital integration, advisory-driven broker relationships and customized coverage structures. At the same time, insurers are strengthening capabilities through strategic alliances, advanced technology and data-driven ecosystems.

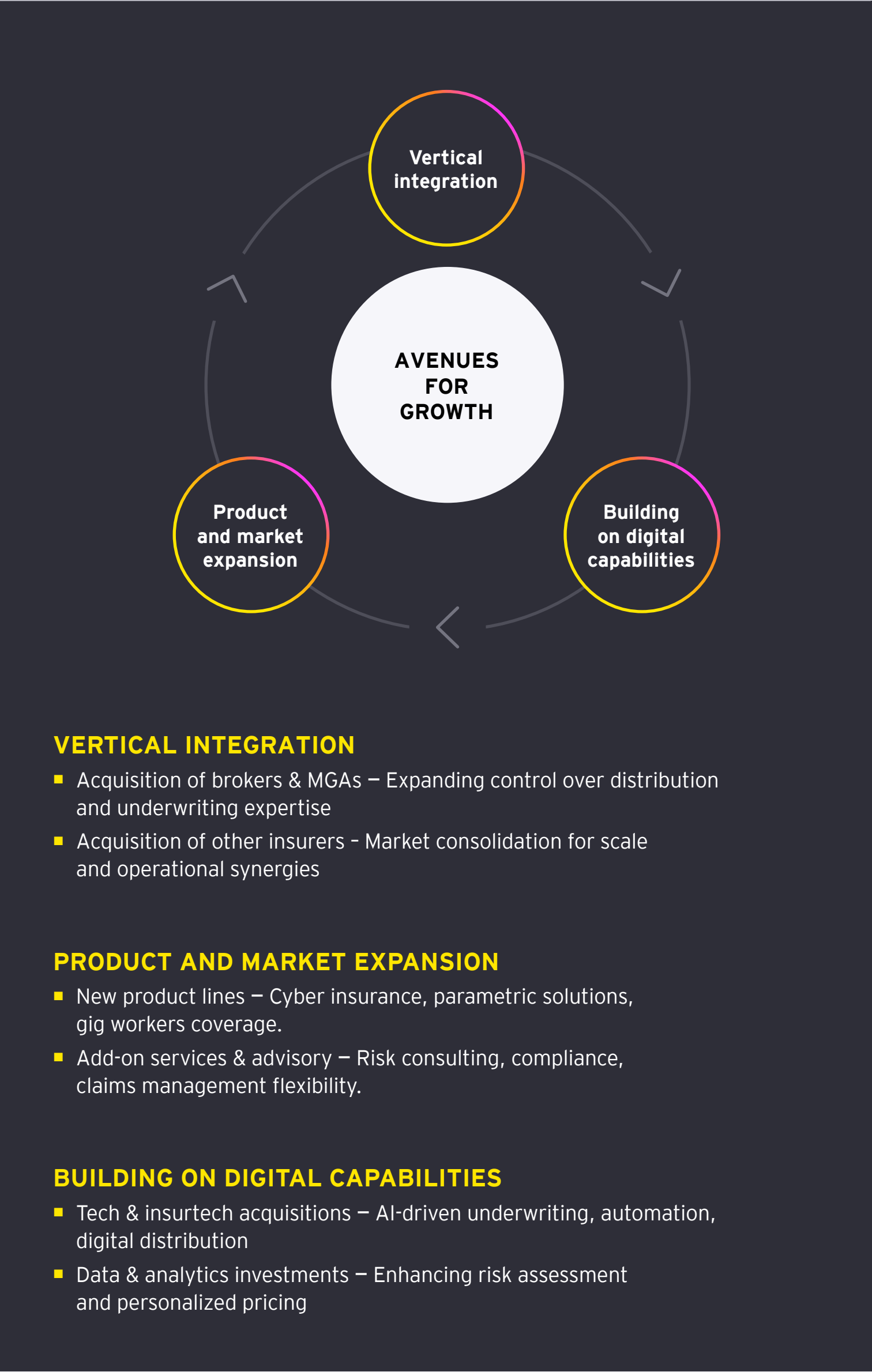
KEY INDUSTRY SHIFTS INCLUDE:

- Future business models are redefining industry dynamics as hybrid distribution models, the reinforced role of brokers as strategic advisors, and the rise of usage-based insurance reshape customer engagement and coverage delivery.
- Alternative risk transfer strategies are redefining the market, as captives and self-insurance solutions gain traction, prompting insurers to adapt their offerings.
- Strengthening capabilities through ecosystems and strategic alliances is becoming essential, as insurers engage specialty expertise and deploy advanced technology and insurtech partnerships to enhance risk management and operational efficiency.

Insurers that proactively adapt to these changes will be well positioned to drive growth and remain competitive in an increasingly complex market.

Future business models

The commercial insurance landscape in Canada is undergoing a significant transformation. Historically reliant on established distribution networks and broker-driven models, the industry is now being reshaped by evolving customer expectations. Businesses are demanding seamless digital experiences, greater flexibility and innovative products tailored to their evolving risks. In response, insurers are reimagining engagement through enhanced distribution strategies, new product offerings and technology-driven solutions.



Digital-first insurers like TruShield are reshaping distribution by offering direct, online purchasing for micro and small businesses. This approach is streamlining access for those who prefer self-service. However, broker expertise remains essential. Hybrid models that combine digital efficiency with human insight have become the preferred approach, especially for Small-Medium Businesses (SMBs) navigating nuanced coverage needs.

The pandemic underscored the value that brokers bring, as many businesses relied on their guidance to secure coverage in a difficult market. Rather than replacing brokers, insurers are investing in digital tools that simplify quoting and binding – reducing delays and freeing brokers to focus even more on advisory roles and client relationships. Meanwhile, MGAs are also modernizing, with some launching branded portals that connect customers to brokers, while others – for example, Apollo Insurance – offer direct-to-consumer platforms for niche commercial coverage, enabling fast, online purchasing.

Insurance Business launched a unique online platform, IB Markets Canada, which connects brokers with underwriters and provides access to specialty insurance coverage through a network of MGAs.³³

41%
P&C insurers globally are prioritizing the digital empowerment of agents and brokers by equipping them with digital tools.³⁴

However, brokers still face operational challenges. These include manually inputting data across different insurer portals.

To address this inefficiency, industry organizations like the Centre for Study of Insurance Operations (CSIO) are developing standardized codes and APIs that streamline digital quoting and improve workflow integration.

Canadian brokers themselves are also increasingly adopting digital platforms to strengthen client relationships and enhance engagement. Many are building mobile-friendly websites with quote request features, educational content and client portals that allow 24/7 access to policy information, documents and claims updates. These digital touchpoints are helping brokers remain relevant and responsive in a market where customers expect on-demand service and tailored communication.

Brokerages such as Westland Insurance have gone a step further by developing fully digital experiences – from quoting to policy issuance – while still offering access to licensed advisors when needed. This hybrid model caters to both digitally savvy customers and those who value human guidance.

IN WHAT WAYS ARE BROKERS DEEPENING THEIR STRATEGIC ROLE IN THE EVOLVING DISTRIBUTION AND PRODUCT LANDSCAPE?

The role of commercial brokers is evolving beyond policy placement. As insurers prioritize “best-in-class” risks, brokers are stepping up as risk advisors – helping clients strengthen loss control, navigate emerging threats and secure competitive coverage in a challenging market.

79%
Brokers say proactively informing clients about emerging risks and exposures is key to maintaining their status as trusted advisors.³⁶

Rather than simply procuring insurance, brokers continue to engage in proactive risk education. They work closely with clients to implement leading practices, improve risk profiles and position businesses more favourably with underwriters. This shift is particularly evident in areas like cyber risk, property valuations and supply chain vulnerabilities, where businesses need tailored guidance.

Brokerage marketplaces are also gaining traction. These platforms aggregate multiple insurer offerings, allowing businesses to compare policies in real time. Brokers using digital marketplaces can enhance client experiences by providing broader, more competitive coverage options while maintaining their advisory role.

Digital brokerage marketplaces like **Quotey** provide brokers with efficient market access, enabling them to compare multiple policies quickly and secure the most suitable coverage for their clients.³⁵

Technology is also reshaping the broker landscape. Data analytics, digital tools and insurer platforms are enhancing brokers’ ability to deliver insights, streamline risk assessments and provide more consultative services. Instead of focusing solely on transactions, brokers are using analytics and strategic partnerships to offer deeper value.

Fuse Insurance enhanced commercial brokerage operations by automating workflows, integrating API-driven quoting and streamlining document management to significantly reduce manual processes and improve efficiency.³⁷

At the same time, the broker-client relationship is becoming more collaborative. Businesses increasingly expect advisors who not only understand policy wording but also provide industry insights, regulatory guidance and forward-looking risk management strategies. Brokers who embrace this advisory role are strengthening client trust, driving business retention and positioning themselves as indispensable partners in risk mitigation.

THE RISE OF USAGE-BASED AND ON-DEMAND INSURANCE MODELS

As business needs evolve, insurers are shifting toward flexible, usage-based and on-demand insurance models that offer greater customization. These innovations cater to businesses with fluctuating risk exposures, seasonal operations and participation in the gig economy.

Insurers are deploying IoT, telematics and analytics driven by AI to adjust pricing based on real-time risk exposure. This is particularly valuable in fleet and transportation insurance, where mileage, driving behaviour and operational data directly influence premium calculations.

Intact Insurance's fleet telematics program provides commercial vehicle operators with customized premiums based on driving habits, helping businesses optimize insurance costs.³⁸

Businesses exposed to unpredictable risks – such as extreme weather events or supply chain disruptions – are adopting parametric insurance models for faster, predefined payouts.

AXA XL offers parametric solutions tailored to industries like agriculture and logistics, where coverage is triggered automatically by real-time data such as weather patterns.³⁹

Meanwhile, on-demand coverage is gaining traction among gig workers, temporary operations and event-based businesses, offering flexible activation and deactivation of policies as needed.

50%
Gig workers in Canada who rely solely on gig income lack insurance coverage.⁴⁰

Slice Insurance provides on-demand liability insurance for freelancers and gig workers, allowing them to activate coverage only when working, reducing unnecessary costs.⁴¹

The table below highlights some of the other emerging product trends that align with evolving customer demands.

PRODUCT	MARKET OPPORTUNITY	KEY DRIVERS	EXAMPLES
Commercial caregiver insurance	Liability and business protection for home health care agencies, nursing homes, and caregiver staffing firms	Aging population, expansion of home health care services	Coverage for professional liability, abuse and neglect claims, workers' compensation and business interruption
Cyber insurance	High demand for cyber liability and ransomware protection	Increasing cyber threats, regulatory requirements	Policies covering ransomware, business interruption and data breaches
Coverage for gig economy workers	Need for flexible coverage for freelancers and contractors	Growth of independent work, lack of employer-sponsored benefits	On-demand liability and income protection for gig workers
Coverage with dynamic pricing structures	Businesses seeking flexible premium structures	Advanced risk modelling, AI-driven pricing	Real-time pricing models based on usage and behaviour

Today's businesses expect greater convenience, flexibility and tailored coverage solutions, pushing insurers to evolve rapidly. While digital platforms improve accessibility, brokers continue to play a crucial role in managing complex risks and delivering expert advisory services.

To remain competitive, insurers must:

- Embrace hybrid distribution by integrating digital tools with broker expertise.
- Innovate product offerings, including usage-based and parametric insurance models.
- Strengthen broker partnerships to enhance advisory capabilities and improve efficiency.

Alternative risk transfer solutions

As Canada's commercial insurance landscape evolves, businesses are looking for new ways to manage rising costs and secure better coverage. Many are turning to alternative risk transfer (ART) solutions, which provide greater control and flexibility than traditional insurance. Industries like energy, manufacturing and real estate – where companies often face high premiums, stricter underwriting and limited capacity – are leading this shift.

Among these solutions, captive insurance is emerging as a preferred risk-financing strategy. A captive is a wholly owned insurance subsidiary that allows businesses to insure themselves rather than relying solely on commercial insurers. By incorporating captives into their risk management approach, companies can gain several advantages: lower costs relative to their actual loss experience, greater flexibility in structuring insurance programs and direct access to global reinsurance markets to expand coverage capacity.

Captives offer coverage for both traditional risks – such as general liability, workers' compensation, auto liability and property insurance – as well as hard-to-place exposures like cyber threats and environmental risks. Unlike commercial insurance, where premiums are often influenced by global industry trends, captives are priced based on the company's specific risk profile.

This means that a Canadian business with strong risk management practices and a low claims history can avoid the volatility of market-driven rate increases. For example, property insurance premiums in Canada have risen in recent years due to global natural catastrophe losses, like hurricanes in Florida, even for businesses with no direct exposure to such events. A well-managed captive allows organizations to retain more control over pricing and, in profitable years, reinvest surplus funds back into the parent company rather than contributing to an insurer’s bottom line.

In 2023, Aon helped set up five new captives for Canadian businesses, with two domiciled in Vermont, two in Alberta and one in Bermuda. This reflects a growing trend among companies looking for long-term stability in their risk management strategies.⁴²

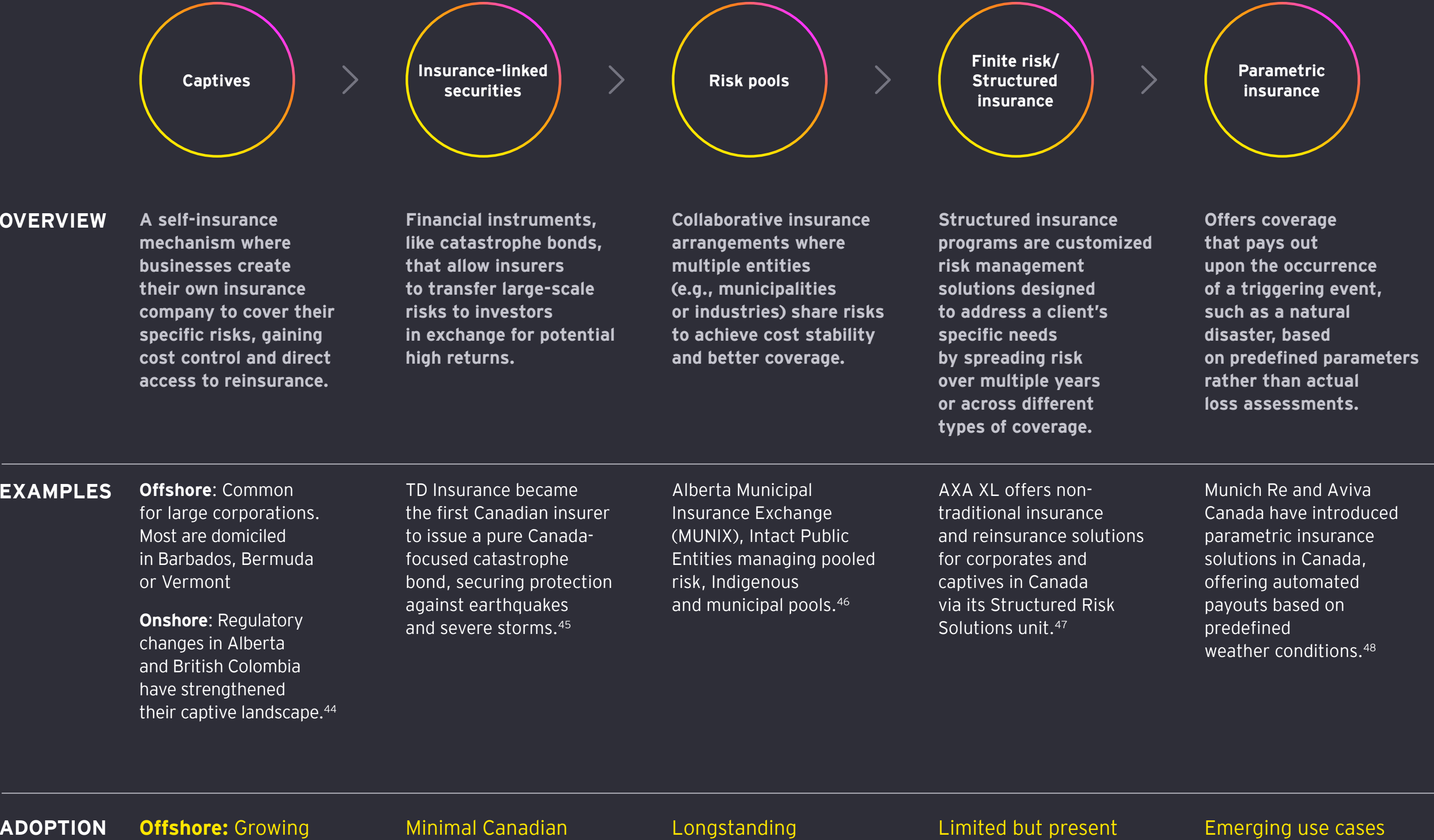
Regulatory developments have also played a role in fostering captive growth. Provinces like British Columbia and Alberta have been exploring regulatory frameworks to accommodate captive formations, while companies traditionally domiciling captives offshore – for example, Bermuda or Vermont – are reassessing the benefits of onshore solutions. The demand for regulatory clarity is growing, as businesses seek to optimize tax efficiencies while complying with evolving risk governance standards.

Beyond captives, insurance-linked securities such as catastrophe bonds have become an attractive option for businesses exposed to large-scale risks, particularly those tied to natural disasters. These instruments transfer risk from insurers to capital markets, offering a valuable alternative for businesses in sectors such as real estate, infrastructure and energy. Given Canada’s exposure to catastrophic events like wildfires, floods and earthquakes, the use of these bonds has been increasing.

TD Insurance became the first Canadian insurer to issue a purely Canada-focused catastrophe bond, MMIFS Re Ltd. (Series 2025-1), securing C\$150m in protection against earthquakes and severe storms.⁴³

Other solutions such as risk pools, insurers are using parametric insurance and structured risk financing as companies seek alternatives to traditional coverage.

Trends in the adoption of alternative risk transfer solutions



Commercial insurance carriers play a critical role in facilitating these alternative solutions, positioning themselves as partners rather than just providers. By offering advisory services, risk analytics fronting, claims management services, and access to global reinsurance markets, insurers can help businesses structure captives and other self-insurance mechanisms more effectively. Many insurers are also developing hybrid models that blend traditional coverage with alternative structures so clients can balance risk retention with transfer.

Zurich Canada offers comprehensive captive services and ART solutions, helping businesses optimize risk management, enable regulatory compliance and enhance financial resilience through tailored captive programs.⁴⁹

Technology and data-driven insights further enhance the value insurers bring to alternative risk transfer solutions. Advanced risk modelling, AI-driven underwriting and predictive analytics allow insurers to provide deeper insights into loss trends, helping businesses design more effective captive programs. Additionally, insurers that embrace digital platforms can streamline policy administration, claims processing and regulatory compliance for captive owners, making self-insurance a more accessible and efficient option.

As the insurance market continues to evolve, the role of captives and other innovative solutions is expected to expand. Businesses seeking stability in an unpredictable risk environment are likely to push for more tailored, flexible insurance options. For insurers, the ability to support these alternative models – whether through expertise, risk-sharing mechanisms or reinsurance partnerships – will be key to staying competitive in this shifting commercial insurance landscape.

Strategic alliances and ecosystems

As discussed in the previous chapter, the increasing complexity of risks and evolving customer expectations are prompting commercial insurers in Canada to rethink their approach to underwriting, risk management and claims handling.

At the heart of this transformation is a fundamental shift: insurers are no longer operating in silos but are instead working in ecosystems and strategic alliances to build new capabilities. These collaborations enable insurers to enhance their offerings, access specialized expertise and harness advanced technologies. Whether partnering with insurtechs, cybersecurity firms, telematics data providers or AI-driven claims platforms, insurers are finding innovative ways to strengthen risk assessment, streamline processes and unlock growth opportunities.

EXPANDING SERVICES BEYOND TRADITIONAL COVERAGE

The complexity of modern commercial risks – ranging from cyber threats and climate-related disasters to supply chain disruptions and rising fraud – requires insurers to go beyond traditional business models. To address these challenges, insurers worldwide are forming alliances with AI-driven analytics firms, cybersecurity specialists and data providers to gain deeper insights and create more responsive insurance solutions.

Through strategic partnerships, insurers are expanding their services beyond traditional coverage by offering value-added solutions such as legal assistance, risk prevention tools and real-time advisory support. These services help businesses proactively manage risks rather than simply respond to claims.

Aviva Canada partnered with ARAG Legal Solutions to provide enterprise commercial P&C business customers with access to legal helplines and risk management support.⁵⁰

For example, with cyber incidents on the rise, insurers are shifting their approach from merely offering financial protection to proactively mitigating cyber risks. By collaborating with cybersecurity firms, they provide businesses – especially small enterprises that lack dedicated security teams – with tools and guidance to prevent breaches before they occur.

BOXX Insurance, a firm specializing in coverage against cyber threats, partnered with AXA to develop an innovative cyber risk mitigation solution tailored for small businesses.⁵¹



STRENGTHENING INSURANCE SERVICES THROUGH TECHNOLOGY PARTNERSHIPS

Insurers are also enhancing their core services through technology-driven partnerships. By integrating innovative AI and predictive analytics solutions, they are improving efficiency across risk assessment, policy issuance and claims handling. Many insurers are embedding cloud-based policy management solutions into their platforms, automating back-end operations and improving the customer experience. These collaborations enable faster, more personalized, data-driven insurance solutions tailored to the evolving needs of commercial clients.

Additionally, insurers are forming alliances with IoT solution providers and technology firms to integrate real-time data from connected devices into their risk assessment processes. By collaborating with IoT platform providers, insurers are also advancing the adoption of usage-based and parametric insurance models, making coverage more precise, data driven and cost effective.

Definity partnered with advanced telematics company The Floow and Munich Re Global Consulting to launch a new usage-based insurance product, extracting real-time driving data for personalized premiums and enhanced risk assessment.⁵⁷

Insurance management solution providers are also playing a crucial role in strengthening the ecosystem. These firms, which develop and manage policy administration, claims processing and underwriting software, are increasingly partnering with data providers, cloud technology firms and AI solution providers. By integrating real-time data analytics tools, they help insurers improve operational efficiency and decision-making.

Vertafore Canada partnered with Trufla, an AI and customer management solutions provider, to integrate AI-driven customer insights and analytics into its broker management systems, enhancing brokers' ability to understand client needs and improve service efficiency.⁵⁸

Insurers are strengthening capabilities through strategic alliances across the value chain					
	1	2	3	4	5
	PRODUCT DEVELOPMENT	SALES AND DISTRIBUTION	UNDERWRITING	POLICY ADMINISTRATION	CLAIMS AND BENEFITS
OVERVIEW	Insurers are collaborating with insurtech firms and data analytics providers to co-develop innovative insurance products, such as cyber risk solutions and parametric coverage.	Insurers are forming alliances with digital platforms and broker management systems to enhance omnichannel distribution and streamline broker-client interactions.	Strategic partnerships with AI companies are helping insurers automate risk assessment, improve pricing models, and enhance underwriting efficiency.	Insurers are migrating to cloud-based policy administration systems through collaborations with technology providers like Guidewire to improve scalability and operational agility.	Insurers are integrating AI-driven claims automation solutions through partnerships with insurtechs to accelerate claims processing and fraud detection.
ADOPTION	Coalition partnered with HDI Global Specialty SE to enhance its cyber insurance offerings in Canada, with HDI participating in a quota share arrangement across all Coalition cyber insurance products. ⁵²	Coalition partnered with Quotey to expand the digital distribution of its cyber insurance products, enabling brokers to access and quote policies more efficiently through Quotey's online marketplace. ⁵³	Wawanesa expanded its partnership with Applied Systems to automate commercial lines quoting, enhancing efficiency and broker experience. ⁵⁴	WSIB migrated its policy administration, underwriting, and billing operations onto Guidewire Cloud to modernize core systems and enhance service efficiency. ⁵⁵	Aviva Canada partnered with Verisk to enhance property claims efficiency by gleaning data-driven insights for faster and more accurate claims resolution. ⁵⁶

As commercial insurance continues to evolve, insurers that actively invest in strategic alliances and ecosystem partnerships will gain a competitive edge. By integrating advanced technology, enhancing risk assessment and improving efficiency, they will be better positioned to navigate the complexities of modern risk. Those that embrace AI, IoT, embedded insurance and data-driven partnerships will unlock new growth opportunities and deliver greater value to clients in an increasingly dynamic insurance landscape.



IS INSURTECH’S DATA REVOLUTION A GAME-CHANGER FOR COMMERCIAL INSURERS?

Insurtechs worldwide are rapidly strengthening their data capabilities through strategic technology partnerships. These collaborations are driving the integration of aerial imagery, real-time catastrophe insights and driver risk data to transform the way insurers assess and price risk. By drawing from external data sources and advanced analytics, insurtechs are enhancing underwriting precision and equipping insurers with smarter decision-making tools.

What does this mean for insurers?

For commercial insurers, insurtech-driven data capabilities present both opportunities and challenges. On one hand, enriched datasets allow for improved risk selection, more competitive pricing and proactive risk mitigation. Access to high-resolution aerial imagery, satellite-based catastrophe tracking and telematics-driven underwriting helps insurers refine coverage models and enhance claims efficiency.

On the other hand, integrating these innovations requires investment in modern data infrastructure. Legacy systems may struggle to process and analyze real-time geospatial, telematics and catastrophe data, necessitating upgrades to cloud-based analytics and API-driven platforms. Additionally, insurers must navigate regulatory and privacy considerations when incorporating third-party data into underwriting and claims decisions.

Ultimately, insurtech partnerships offer a pathway to smarter risk assessment and more resilient insurance offerings. Insurers that embrace these advances will be better positioned to navigate emerging risks, optimize coverage and drive long-term growth in an increasingly digital insurance landscape.



1

INFRASTRUCTURE-RELATED DATA

Data collected through satellite imagery to assess the condition of properties

Betterview is enhancing its property intelligence platform by integrating EagleView’s extensive aerial imagery. This integration helps insurers better assess property risks.⁵⁹

2

WEATHER-RELATED DATA

Data from sensors or satellites used to monitor climate conditions

Insurity partnered with ICEYE to provide real-time catastrophe insights to P&C insurance customers using satellite-based disaster management.⁶⁰

3

TELEMATICS DATA

Data captured through video-telematics and in-vehicle cameras to monitor driver behaviour

Cytora partnered with SambaSafety to integrate driver risk data into its digital risk processing platform, enabling insurers to better assess business risks associated with driving safety records.⁶¹

Key takeaways

Adapting to evolving customer and market dynamics



IMPACT ON INSURERS' KEY OPERATIONAL DOMAIN

This assessment reflects anticipated impacts over a medium-term horizon of one to three years.

OPERATIONAL DOMAIN	FUTURE BUSINESS MODELS	ART SOLUTIONS	STRATEGIC ALLIANCES AND ECOSYSTEMS
<div>DISTRIBUTION</div> <div>A</div>	<div>High</div> <div>Digital platforms, embedded insurance and brokers as strategic advisors reshape distribution.</div>	<div>High</div> <div>New ART solutions introduce specialized products.</div>	<div>High</div> <div>Partnerships with insurtechs, platforms and ecosystems enhance distribution.</div>
<div>UNDERWRITING AND PRICING</div> <div>B</div>	<div>Medium</div> <div>Usage-based and real-time underwriting models are emerging and evolving.</div>	<div>Medium</div> <div>ART solutions reshape risk assessment.</div>	<div>High</div> <div>Data partnerships improve pricing accuracy and underwriting efficiency.</div>
<div>CLAIMS</div> <div>C</div>	<div>Low</div> <div>Business model shifts have limited direct impact on claims.</div>	<div>High</div> <div>Parametric triggers and AI automation streamline claims processing.</div>	<div>Medium</div> <div>Insurtech partnerships can be beneficial at every stage of the claims value chain, from validation to fraud prevention.</div>
<div>BACK OFFICE/ENABLEMENT</div> <div>D</div>	<div>Medium</div> <div>AI, automation and cloud streamline operations for large/complex portfolios and enable scalable, cost-efficient servicing for small business segments.</div>	<div>Medium</div> <div>Complex ART models require enhanced risk tracking and reporting.</div>	<div>Medium</div> <div>Insurers use partnerships for tech-driven process optimization.</div>



To remain competitive in a changing landscape, insurers, MGAs and brokers must evolve their strategies, enhance digital capabilities and build stronger partnerships to deliver value-driven solutions.

What actions can commercial insurers consider?

1

Improve operational agility through technology:

- **Action:** Invest in modernizing core systems and adopting cloud-based solutions to enhance operational agility, enabling insurers to respond quickly to market changes and customer demands.
- **Potential outcome:** Improved efficiency in underwriting and claims processing, leading to faster service delivery and better customer experiences.

2

Innovate product offerings:

- **Action:** Develop usage-based and on-demand insurance products that cater to the evolving needs of businesses, employing IoT and telematics for real-time data integration.
- **Potential outcome:** More tailored insurance solutions that align with specific risk profiles, enhancing customer satisfaction and loyalty.

3

Strengthen broker and MGA partnerships:

- **Action:** Collaborate closely with brokers and MGAs to enhance advisory capabilities and improve the efficiency of coverage delivery.
- **Potential outcome:** A more effective distribution network that leverages broker expertise, leading to better risk management and customer engagement.

4

Explore alternative risk transfer solutions:

- **Action:** Develop and offer alternative risk transfer solutions – such as risk pools, insurance-linked securities and structured risk financing – while providing advisory services to support clients in establishing and managing captive insurance programs.
- **Potential outcome:** Enhanced flexibility and cost effectiveness for businesses, allowing them to tailor their insurance solutions to their specific needs.

5

Build strategic alliances:

- **Action:** Form strategic partnerships with technology providers, insurtechs and other industry stakeholders to enhance operational capabilities and access specialized expertise.
- **Potential outcome:** Improved risk assessment, streamlined processes and the ability to offer innovative insurance products that meet the demands of a changing market.

Chapter 3

Fuelling technology-driven innovation with humans@centre

The commercial insurance industry is being reshaped by digital transformation, modernization of core systems and a competitive talent landscape.

In this chapter, we explore:

- **CORE SYSTEM MODERNIZATION AS THE KEY TO OPERATIONAL AGILITY**
Insurers will be well -positioned to upgrade outdated core systems to enhance operational agility, improve data-driven decision-making and better integrate emerging technologies.
- **TECHNOLOGY RESHAPING BUSINESS PRACTICES AND STRATEGY**
AI, automation, IoT and dynamic pricing models are revolutionizing underwriting, claims processing and risk assessment, enabling insurers to offer more personalized and efficient solutions.
- **WAYS TO BRIDGE THE TALENT GAP**
Addressing workforce challenges through upskilling, mentorship and modern talent strategies is critical to sustaining industry expertise and innovation.

Insurers are rethinking business models, deploying AI and automation and integrating advanced analytics to enhance agility and deliver value-driven solutions. As underwriting and claims functions become more data-centric, human expertise remains critical to interpreting insights, mitigating risks and strengthening customer trust. To remain competitive, insurers must balance technological advancements with human-centric strategies.

KEY INDUSTRY SHIFTS INCLUDE:

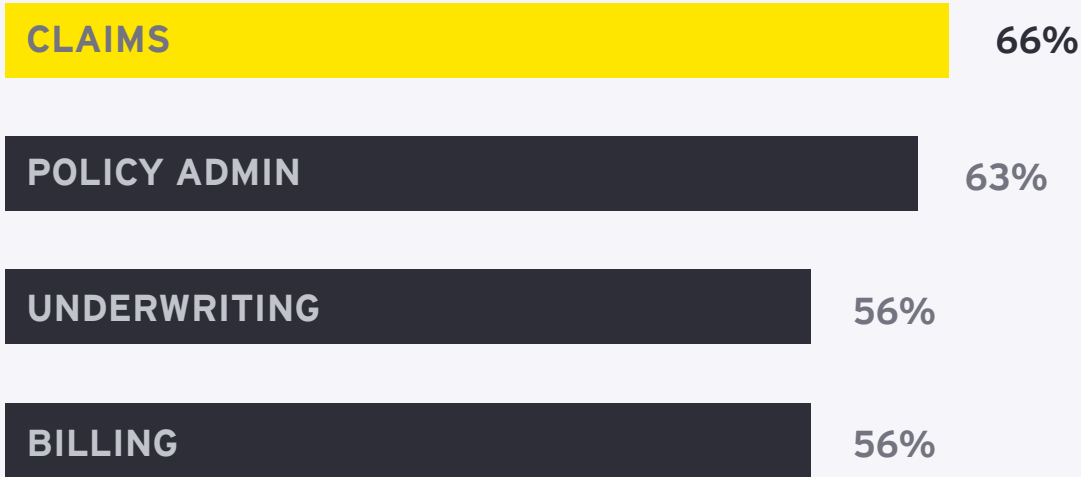
- Core system modernization – crucial for operational agility – is accelerating across the industry, with commercial lines carriers increasingly closing the gap with personal lines by transitioning from legacy systems and integrating APIs for enhanced connectivity and flexibility.
- Technology’s ability to reshape business practices. For example, AI, IoT, telematics and drones are transforming underwriting, claims processing and risk assessment. Data-driven decision-making, dynamic pricing models and digital platforms are enhancing efficiency, reducing costs and enabling more accurate risk evaluation.
- The intensifying war for talent, as firms navigate retention challenges, evolving skillset demands and a competitive labour market.

Insurers that successfully integrate advanced technologies while fostering human expertise will be well positioned to drive innovation, optimize risk management and sustain long-term growth in an increasingly complex landscape.

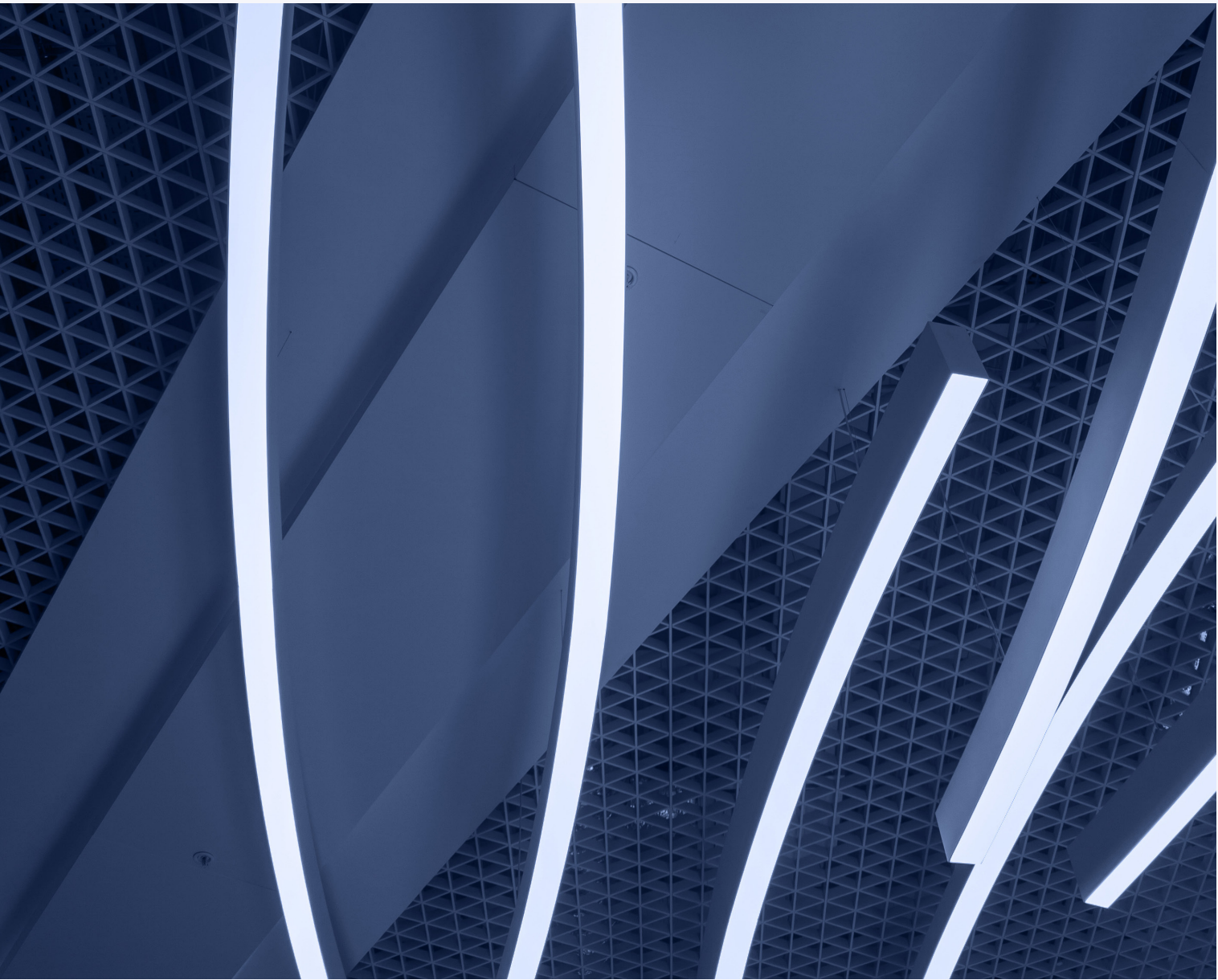
Legacy system modernization

Many commercial insurers in Canada are struggling with aging policy and claims systems, some of which have been in place for over 25 years and rely on outdated programming languages. These legacy systems present a range of challenges: limited flexibility, high maintenance costs, poor data integration and cybersecurity vulnerabilities. Above all, they hinder insurers’ ability to respond swiftly to evolving market demands. As the industry shifts toward more customer-centric product offerings, faster time to market and integrated digital experiences, insurers are increasingly faced with the urgent need to modernize or replace their core systems.

P&C INSURERS INVESTING IN MODERNIZING THEIR CORE SYSTEMS* IN NORTH AMERICA.⁶²




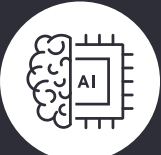
*It encompasses systems that have been recently replaced, are in the process of being replaced, are starting replacement or have undergone significant enhancements across the broader P&C insurance sector, not limited to commercial lines.





Need for core modernization

External causes

- 


Customer shift to digital channels, with expectations for real time user experience
- 


New capabilities linked to radical technological evolution
- 

Regulatory and industry movements
- 


Competition and the rise of insurtechs, coupled with revenue pressure

Internal causes

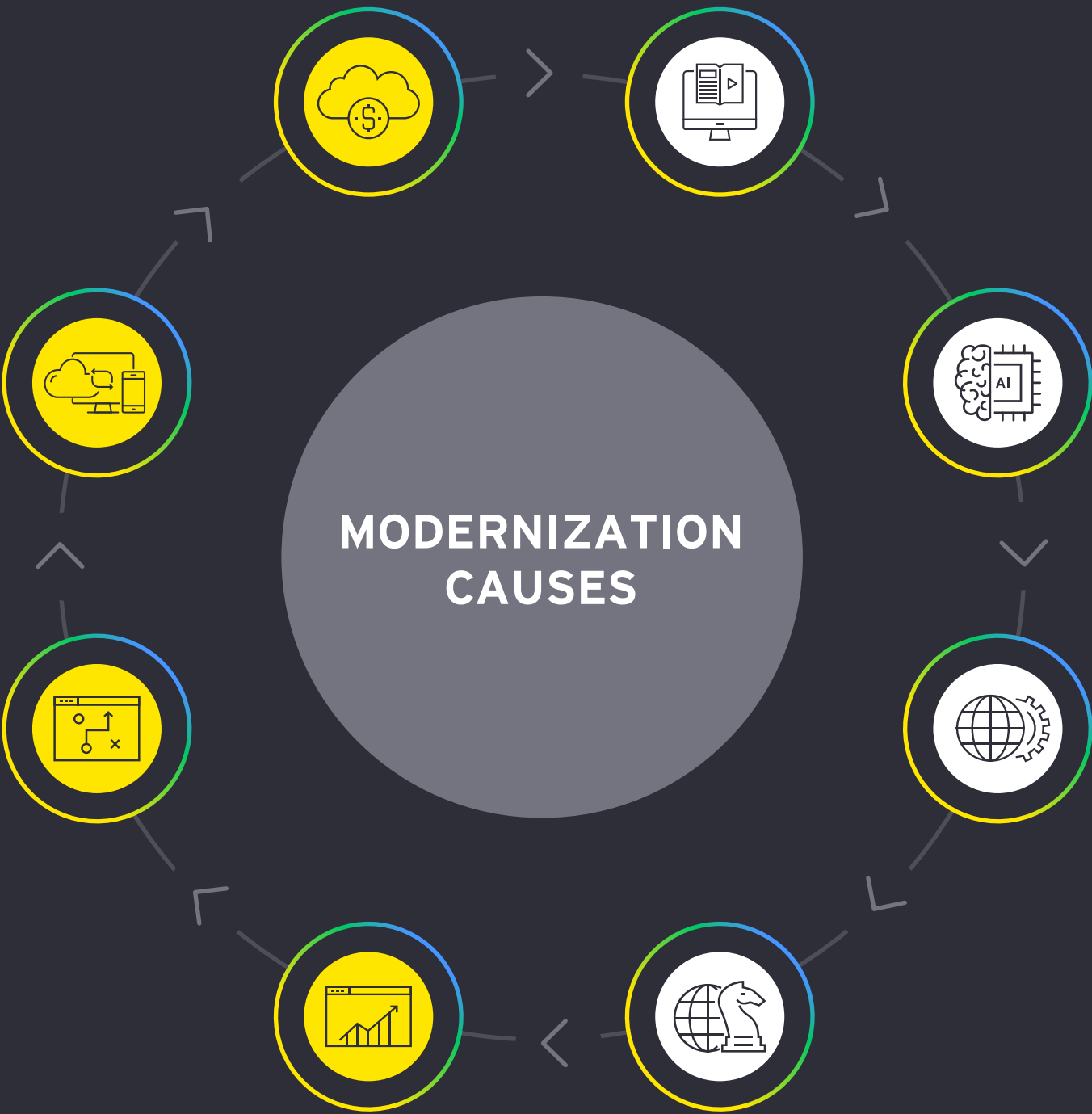
- 

Fragmentation of IT, generating integration complexity and costs
- 

Duplication of applications and business rules, creating maintenance nightmare
- 

Aging application landscape and technological debt
- 

Inflation of IT costs linked to increased usage and mainframe pricing



Operational inefficiency is a big concern with legacy systems.

Many were designed for batch processing rather than real-time transactions, resulting in slow underwriting, claims processing and policy management. This inefficiency extends to higher maintenance costs, as insurers must invest heavily in keeping these systems functional. The reliance on older programming languages, such as COBOL, exacerbates the issue, as the number of professionals with the necessary expertise is shrinking, driving up costs.

Limited flexibility is another major issue.

Legacy systems were built to support internal workflows rather than broker and customer-facing applications. This makes integration with modern digital solutions, such as AI-driven underwriting, telematics or real-time risk assessment, difficult and expensive. Many legacy systems lack compatibility with cloud computing or API-driven platforms, creating friction when attempting to enhance broker communication, introduce self-service capabilities or develop new insurance products. With the increasing adoption of on-demand and usage-based insurance models, insurers require agile systems that can accommodate real-time pricing and adjust to dynamic risk factors – something that legacy systems were not designed to support.

Cybersecurity risks are also a growing concern. Many older systems lack modern security protocols, making them vulnerable to cyberattacks, such as ransomware and data breaches. As the insurance sector faces heightened threats, insurers must invest in upgrading security frameworks. Legacy systems often do not support multi-factor authentication, real-time threat detection or encryption standards required by today’s security landscape, exposing insurers to regulatory fines and reputational damage. Additionally, compliance with Canadian data protection laws, such as the federal Personal Information Protection and Electronic Documents Act (PIPEDA) and provincial privacy regulations, is becoming more complex as these aging systems struggle to meet modern data governance requirements.

Brokers also experience inefficiencies due to legacy systems. Many insurers still rely on manual processes that slow down quoting, policy binding and renewals, making it difficult to operate efficiently. Brokers prefer to work with insurers that offer streamlined, automated processes. However, many legacy systems require brokers to manually enter data, increasing the risk of errors, delays and frustration. From the customer perspective, outdated systems hinder insurers’ ability to provide well-integrated digital experiences. Many insurers still rely on paper-based or email-heavy workflows, while customers expect self-service portals, instant quotes and mobile accessibility. Without these digital capabilities, insurers risk losing business to more technologically advanced competitors.

Data silos present another major challenge. Many insurers operate multiple legacy systems for different lines of business, each with its own database. This fragmentation makes it difficult to consolidate customer data, leading to inefficiencies in underwriting, risk assessment and claims processing. Without a unified data strategy, insurers struggle to extract value from advanced analytics and AI-driven insights that could improve decision-making and loss prevention.

In response, many insurers in Canada are modernizing their core systems to enhance agility, reduce costs and improve the overall policyholder experience. By adopting cloud-based solutions, employing API-driven architectures and implementing automation, they aim to create a more flexible and scalable infrastructure that supports future innovation. Some leading insurers have already started integrating advanced digital platforms to enable integrated underwriting, claims processing and broker interactions.

60%

P&C insurers globally are prioritizing “rebuilding and rearchitecting legacy systems” in a cloud-native environment.⁶³

Wawanesa Mutual Insurance Company transitioned from a self-managed, on-premises system to Guidewire Cloud to enhance services, strengthen core operations and simplify IT functions for brokers and members.⁶⁴

WSIB migrated policy administration, underwriting and billing operations to Guidewire Cloud to enhance efficiency, scalability and service delivery.⁶⁵

ADVANCED AND CONNECTED ECOSYSTEMS
WITH LEADING INSURTECHS

As insurers modernize core systems, they are increasingly building advanced, connected ecosystems by integrating with leading insurtechs, as discussed in the previous chapter. These collaborations enable them to harness real-time data, enhance risk assessment and streamline claims processes, leading to better decision-making and improved customer experiences. By embedding insurtech capabilities directly into policy administration and claims systems, insurers can enhance operational efficiency and competitiveness.

Global use-cases

EMBEDDING REAL-TIME RISK
SCORES INTO POLICY
ADMINISTRATION SYSTEMS

Insurers are leveraging insurtech partnerships to integrate wildfire and earthquake risk scores directly into underwriting workflows.

Zesty.ai provides AI-driven property risk analytics, including Z-FIRE, a wildfire risk model that uses high-resolution satellite imagery, historical fire data, and machine learning to assess risk at the individual property level.

Farmers Insurance partnered with Zesty.ai to enhance its wildfire risk assessment capabilities, enabling more accurate underwriting and pricing.⁶⁶

USING LIVE MAPS AND SPATIAL
SEARCH TO MANAGE
RISK ACCUMULATION

Insurers are deploying advanced geospatial analytics to optimize risk selection and accumulation management.

EagleView provides high-resolution aerial imagery and geospatial data to help insurers assess property risks remotely.

Nationwide integrated EagleView’s aerial imagery solutions into its underwriting and claims processes, allowing for real-time property risk evaluation and proactive exposure management.⁶⁷

STRAIGHT-THROUGH PROCESSING
(STP) FOR SPECIFIC CLAIMS

AI-powered claims automation is revolutionizing how insurers process simple claims.

Tractable analyzes images of vehicle damage and provides instant repair estimates, reducing claims processing time from days to minutes and significantly improving customer experience.

Aviva partnered with Tractable to improve the accuracy and efficiency of automobile claims by using artificial intelligence.⁶⁸

APIs: THE BACKBONE OF A CONNECTED INSURANCE ECOSYSTEM

A critical enabler of these modern ecosystems is API integration, which allows insurers to connect their systems with innovative digital solutions, unlocking new capabilities without requiring a full system overhaul.

APIs facilitate data exchange between different platforms, enabling insurers to introduce new functionalities such as:

- **Real-time pricing and automated underwriting:** Using third-party data sources like motor vehicle records, property risk assessments and IoT sensor data to improve risk evaluation and pricing accuracy.
- **Enhanced broker and customer experiences:** Providing self-service portals, automated policy management and seamless claims processing.
- **Embedded insurance and new distribution models:** Integrating with digital marketplaces and insurtech partners to offer personalized, on-demand insurance products.

APIs also help insurers break down data silos by enabling interoperability between multiple platforms. The resulting improved data flow empowers underwriters, brokers and claims adjusters with real-time access to critical information, improving collaboration and decision-making.

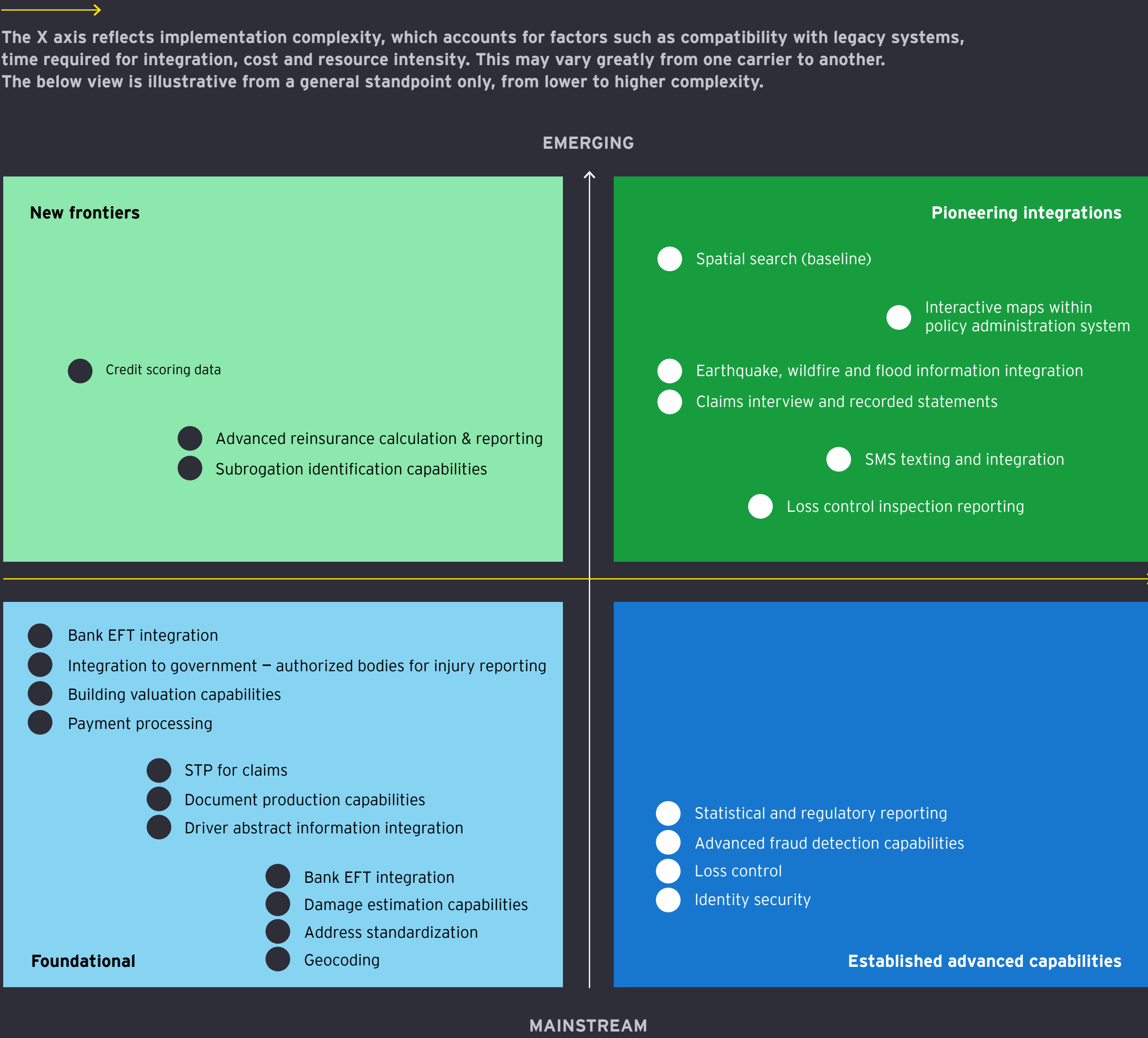
40% – 50%

APIs could reduce the effort required for brokers to process policy changes by 40% to 50%.⁶⁹

The Centre for Study of Insurance Operations (CSIO) developed a JSON API implementation guide, aiming to standardize data exchange between insurers and brokers for improved efficiency and connectivity in the Canadian insurance industry.⁷⁰

Exploring the integration ecosystem:

EY'S ILLUSTRATIVE VIEW OF CAPABILITIES' MARKET PREVALENCE AND IMPLEMENTATION COMPLEXITY



The Y axis represents market prevalence, indicating how commonly each API capability is adopted across the industry, from emerging to mainstream.

The decision to modernize or replace legacy systems is not without risks. Full system replacements are expensive, complex and often fall short of delivering the anticipated benefits. Common issues include cost overruns, implementation delays, integration challenges, employee resistance and service disruptions that impact brokers and customers.

To mitigate these risks, insurers can take a phased approach, gradually introducing modern components while maintaining legacy systems. For example, implementing API wrappers around existing systems can enable web-based functionalities, allowing insurers to provide digital services without a complete overhaul. This incremental strategy reduces risk, improves operational efficiency and delivers early wins that can build momentum for broader modernization efforts.

Insurers that proactively invest in modernization will be better positioned to enhance efficiency, improve risk assessment and meet the evolving needs of brokers and policyholders. Those that delay risk falling behind in an increasingly competitive and digital-driven market.



Outcomes of a successful core system transformation



- | | | | | |
|--|---|---|--|--|
| 1 | 2 | 3 | 4 | 5 |
| IMPROVED
EFFICIENCY
AND AGILITY | DATA-DRIVEN
DECISION-MAKING | ENHANCED
CUSTOMER
EXPERIENCE | COST SAVINGS
AND RISK
MITIGATION | SCALABILITY
AND INNOVATION |
| <ul style="list-style-type: none">Streamlined processes lead to optimized workflows and reduced manual tasksThe organization can quickly respond to market changes and customer demands | <ul style="list-style-type: none">Access to accurate, real-time data for informed decision-makingUses predictive analytics to anticipate trends and customer behaviour | <ul style="list-style-type: none">Enables better customer data utilization for tailored servicesProvides omnichannel integration, delivering services across various touchpoints for a consistent experience | <ul style="list-style-type: none">Streamlined systems resulting in lower operational expensesEnhanced safeguards against data breaches and regulatory risks | <ul style="list-style-type: none">Enables the organization to adapt to emerging technologiesCreates an environment that encourages experimentation and innovation |

Business transformation as the catalyst for technological advancement

Technology is transforming business practices and strategies in commercial insurance, pushing the industry toward more agile and data-driven decision-making. By integrating AI, IoT, telematics and dynamic pricing models, insurers are not only improving operational efficiency but also reshaping risk assessment, underwriting and claims management. To stay competitive in this evolving landscape, insurers are adopting advanced technologies to optimize workflows, enhance accuracy and deliver more personalized solutions.

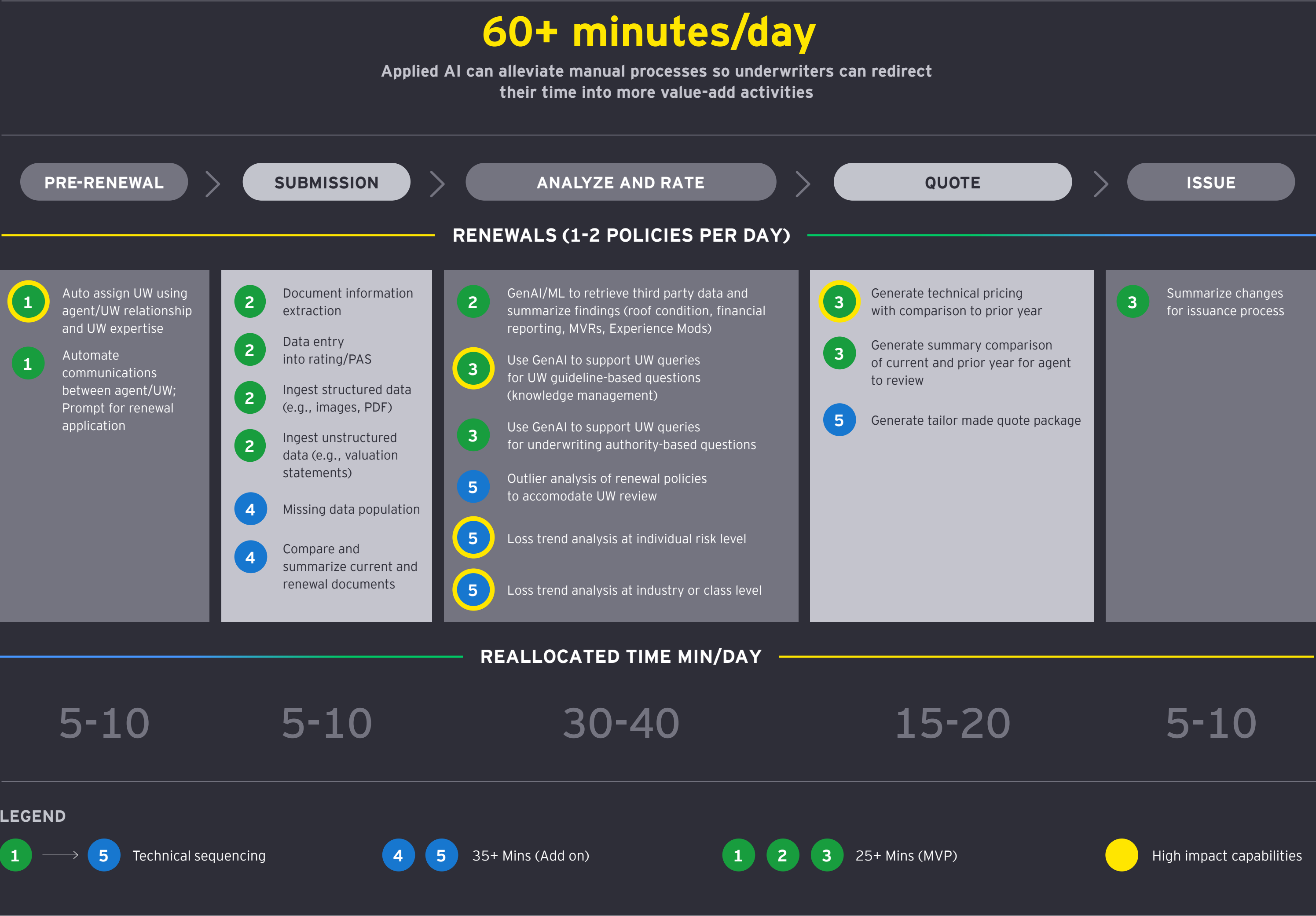
AI is transforming underwriting by automating complex workflows, reducing manual effort and enhancing decision-making. Insurers are deploying AI and generative AI to streamline actuarial modelling and compliance reviews, significantly improving operational efficiency. In risk assessment, computer vision is revolutionizing damage evaluation in property and motor insurance, with AI-powered dashcams enabling faster and more precise assessments. AI is also playing a crucial role in fraud prevention, with machine learning algorithms detecting anomalies and suspicious patterns early in the underwriting process, reducing the likelihood of fraudulent claims.

58%

Commercial P&C carriers globally are using AI to automate underwriting processes.⁷¹

Hiscox launched a gen AI-enhanced underwriting model powered by Google Cloud. The model uses Google Cloud’s Gemini large language model and Hiscox AI Laboratories (Hailo) to automate and expedite the quote process for sabotage and terrorism insurance.⁷²

How AI can significantly alleviate manual processes in the underwriting workflow



A key innovation in this space is the use of underwriting workbenches – advanced platforms that unify disparate data systems into a single, integrated workspace. These platforms automate rules management, improve data integration and enhance overall productivity by streamlining pre-bind underwriting activities such as risk assessment, decision support and workflow automation. Underwriting workbenches are designed to enhance underwriting precision and efficiency before a policy is issued.

For insurers, choosing the right approach – whether implementing a new policy administration system (PAS), integrating an underwriting workbench with an existing PAS or developing a bespoke solution – depends on the business’s maturity, operational needs and technological capabilities. A mature insurer may benefit from layering an underwriting workbench over an established PAS to optimize underwriting efficiency while drawing from existing policy lifecycle management capabilities. Conversely, for early-stage or cost-conscious businesses, subscribing to both solutions may be financially prohibitive.

Underwriting workbenches are often modular and can be tailored to fill operational gaps by integrating with PAS providers’ ecosystem services, offering integrated connectivity through APIs and microservices. For insurers with unique market needs or technology-driven MGAs, a bespoke workflow management solution could provide a competitive edge by incorporating both pre- and post-bind functionalities. However, this approach demands significant in-house expertise in technology, compliance and underwriting regulations.

Ultimately, underwriting workbenches play a crucial role in enhancing operational agility, improving collaboration and enabling data-driven underwriting decisions, empowering insurers and reinsurers to respond more effectively to evolving risk landscapes.

As AI-driven automation continues to enhance underwriting efficiency, the role of underwriters is evolving from manual risk assessment to strategic decision-making. Rather than focusing on routine data analysis, underwriters will draw from AI-powered insights to refine risk selection, develop tailored coverage solutions and engage in more advisory-driven interactions with brokers and clients. This shift positions underwriters as high-value specialists who combine technological expertise with deep industry knowledge.

Markel achieves 100%+ productivity uplift from cytora’s digital risk flows⁷³



Markel is a global specialty (re) insurer. The company identified that an opportunity to make its underwriting processes more efficient would grow the business further and continue to improve its customer service. Markel wanted to:

- **Transform its underwriting process into digital risk flows**, using AI to automate pre-underwriting activities, evaluate risks upfront and eliminate rekeying of data.
- **Decouple the link between premium growth and expense** growth, focusing its underwriting teams on the risks most likely to be quoted and bound.
- **Deepen broker relationships** by providing the best possible quality of service through faster turnaround times.

Markel partnered with Cytora to adapt its underwriting workflow and automate previously manual processes.

Markel had identified three limitations in its existing processes. Before Cytora, Markel’s **skilled employees were deployed on routine activities**.

- The most senior underwriter on each team had to triage every incoming submission, assessing its fit against Markel’s appetite and either declining the submission or routing it to the appropriate underwriter.
- Declining submissions was taking too long, preventing senior underwriters from working on the most complex risks or managing broker relationships.

Overall, **underwriters were spending 30%+ of their time on low-skill/low-value tasks**. Once an underwriter received a submission, they still had to rekey the risk data into their customer relationship management and policy administration systems and manually extract third-party data.

Markel partnered with Cytora to modernize its underwriting process. Using Cytora’s platform, they aimed to boost efficiency and scale operations by:

- Eliminating low-value tasks from underwriters’ workflows
- Digitizing and enriching risk information upfront with external data sources
- Automatically triaging and routing risks to the appropriate underwriter
- Delivering decision-ready risks to underwriters’ workbenches within minutes
- Streamlining data flow into downstream systems

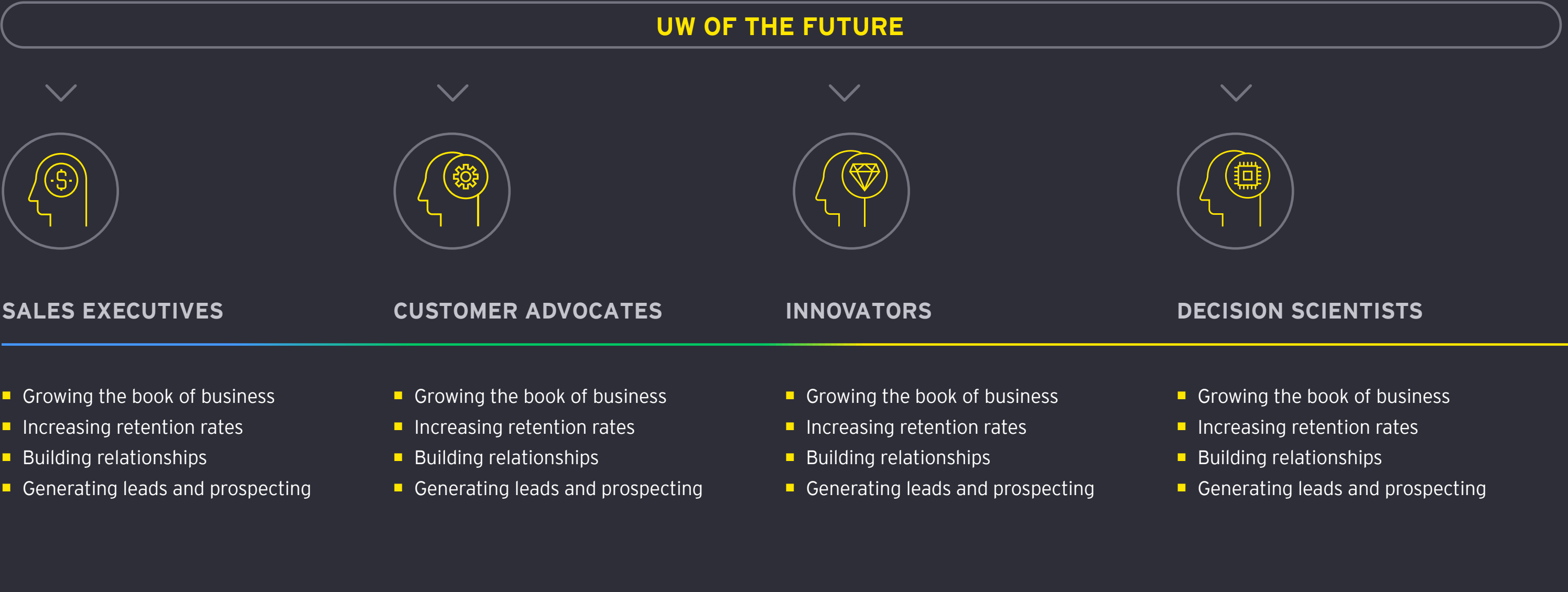
The goal: respond to brokers faster, quote and bind more risks with the same team, and automate system updates.

After implementing Cytora’s digital risk flows, **Markel measured an uplift of 113% in productivity in its underwriting teams**, measured in gross written premium per fulltime equivalent.

Markel’s turnaround time reduced from 24 hours to 2 hours on average for its strategic broker partners.

UW of the future

Underwriters are no longer just risk assessors. They must now wear multiple hats, acting as sales executives to **drive business growth**, decision scientists **using data analytics for precision**, customer advocates **advising on tailored coverage solutions** and innovators **embracing technology to streamline processes**.



On the claims side, automation is helping insurers optimize processing times by handling repetitive tasks such as data entry and customer support. AI-powered claims adjudication platforms analyze claims data, prioritize cases and accelerate settlements, giving policyholders faster and more accurate payouts. Fraud detection has also seen significant advancements, with insurers using machine learning models to identify irregularities in claims data, allowing them to detect fraudulent claims early and safeguard against financial losses.

54%

Commercial P&C carriers globally are using AI to automate claim processes.⁷⁴

GEICO is using AI by employing computer vision and machine learning algorithms to improve efficiency in claims processing and deep learning algorithms to detect and prevent fraud, enhancing fraud prediction accuracy and streamlining processing for better policyholder experiences.⁷⁵

Beyond AI, commercial insurers are harnessing IoT, telematics and drones to enhance risk assessment and loss prevention. Geospatial data, IoT sensors and predictive models enable insurers to build highly granular risk profiles for assets such as properties, vehicles and businesses. These data assets are integrated into underwriting and pricing systems, allowing insurers to make real-time decisions and offer more tailored insurance solutions.

Telematics is proving particularly valuable in fleet and transportation insurance, where real-time driving behaviour and vehicle condition data help insurers assess risks more accurately and optimize claims processing. Meanwhile, IoT devices provide continuous monitoring of operational activities and property safety, allowing insurers to predict risks proactively and customize coverage based on real-time data.

82%

Commercial auto insurers offer telematics, up from 65% in 2023.⁷⁶

72%

Fleet respondents reported a reduction in crashes and claims by combining telematics with training initiatives.⁷⁷

Additionally, satellite imagery is playing a critical role in risk assessment, particularly for infrastructure, marine operations and agricultural insurance. By offering high-resolution visual data, this technology enhances risk profiling and supports disaster-recovery efforts, enabling insurers to manage catastrophic events more efficiently.

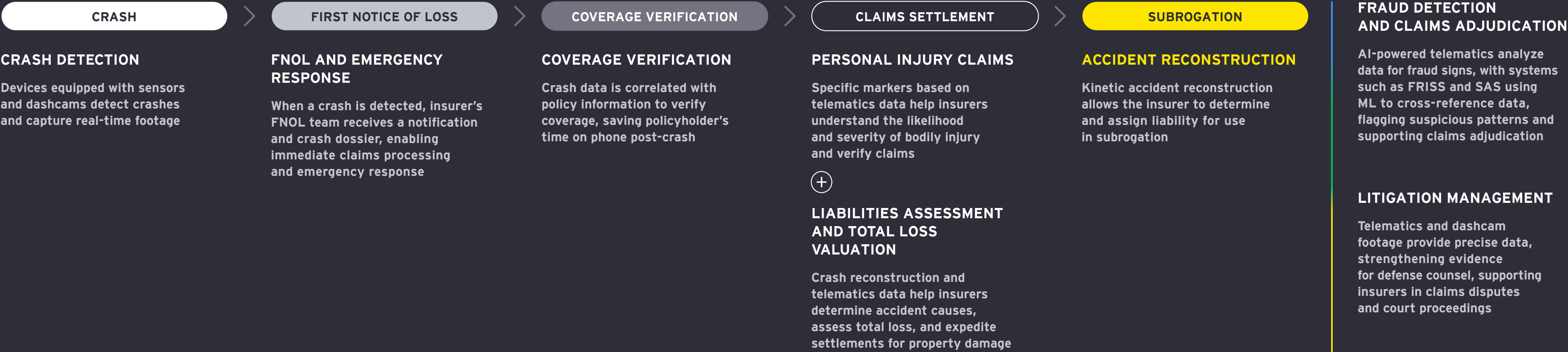
Dynamic pricing is another area where technology is reshaping business strategies. Traditional static pricing models are giving way to real-time, data-driven approaches that allow insurers to adjust premiums dynamically based on evolving risks. The adoption of more sophisticated rating capabilities and ‘what-if’ modellings enabling insurers to refine pricing strategies, offering greater flexibility to policyholders while providing more precise risk segmentation.

Intact Insurance offers a specialized transportation insurance package covering auto, motor truck cargo liability and commercial general liability. The fleet innovation program provides incentives for customers using telematics, offering up to C\$400 per truck.⁷⁸

AXA Global Parametrics employs satellite imagery, weather stations and other data to create customized parametric insurance solutions, helping businesses manage climate risk and enhance resilience through over 40 weather parameters.⁷⁹

Harnessing AI across the claims value chain:

HOW TELEMATICS WORK



In commercial auto insurance, for example, fleet operators with telematics-enabled vehicles can benefit from usage-based pricing that adjusts premiums based on driving behaviour, vehicle condition and route risk levels.

Similarly, in property insurance, IoT-enabled smart buildings with fire-detection sensors and predictive maintenance systems can receive lower premiums based on real-time risk reduction measures.

AI-powered dynamic pricing engines allow insurers to continuously analyze risk factors, external conditions and policyholder behaviours, keeping pricing fair, competitive and reflective of actual exposures.

Akur8 and ICPEI have partnered to enhance insurance pricing models in Canada, with ICPEI deploying Akur8’s RISK and DEMAND modules to improve model development efficiency. This collaboration enables ICPEI to refine its rating plan using ML-driven risk modelling for greater market reactivity and business impact.⁸⁰

As commercial insurers embrace these technological advancements, they are not only improving operational efficiencies but also redefining their approach to risk management and customer engagement. The ability to harness AI, IoT and dynamic pricing models is positioning insurers to offer more proactive, responsive and customized solutions, ultimately shaping a more resilient and competitive industry.

IS AGENTIC AI THE NEXT BIG THING IN COMMERCIAL INSURANCE?

Agentic AI – AI systems capable of autonomous decision-making, adaptive learning and proactive task execution – is emerging as a game-changer in commercial insurance. Unlike traditional AI, which follows predefined rules, agentic AI can independently analyze complex risks, adjust underwriting parameters and optimize claims management in real time.

Currently, AI assists brokers and insurers by suggesting email responses, auto-filling policy details and flagging potential risks, but the final decision remains with the user. The next evolution, as industry experts predict, is agentic AI that not only suggests actions but executes them autonomously. This means AI could identify potential customers based on risk profiles, reach out via email and even begin underwriting policies – all without direct human intervention.

In underwriting, agentic AI will continuously ingest external and internal data, such as market trends, climate risks and business financials, to refine risk assessments and adjust coverage recommendations dynamically. It can automatically update underwriting rules in response to economic shifts or regulatory changes, enabling insurers to act proactively rather than reactively.

In claims processing, agentic AI automates end-to-end workflows, from first notice of loss (FNOL) to settlement. It can draw on satellite imagery and IoT sensor data to assess property damage, recommend loss mitigation steps and even authorize low-risk claims without human input, significantly reducing processing time.

Additionally, it enhances fraud detection by continuously learning from past cases and identifying new fraudulent patterns.

Beyond operations, agentic AI will enhance broker and customer interactions by proactively monitoring policyholder risk exposure and suggesting adjustments. A commercial property insurer, for instance, could use it to warn businesses of upcoming severe weather events and recommend real-time policy endorsements or preventive measures.

Neutrinos, a technology company, launched its AI Agent Composer, enabling insurers to build autonomous AI agents that enhance decision-making, automate workflows and collaborate with human teams.⁸¹

While agentic AI presents opportunities for efficiency, accuracy and cost savings, mainstream adoption is still a few years away. Full-scale deployment requires easy integration with existing systems and governance frameworks to address concerns around data privacy, permissions and human oversight. In the near term, insurers are expected to focus on optimizing existing AI applications, deploying AI responsibly and gradually preparing for the transition toward more autonomous decision-making systems. Those who successfully navigate this shift will gain a significant edge in risk assessment, claims automation and personalized customer engagement.



Bridging the talent gap

Canada’s commercial insurance industry is at a critical juncture, facing a growing talent crisis that threatens long-term stability and competitiveness. The impending retirement of seasoned professionals, coupled with the challenge of attracting younger talent, is creating a widening skills gap. With 8.5% of the insurance workforce expected to retire within five years⁸², insurers must act swiftly to ensure institutional knowledge is not lost.

69%

Brokers say talent acquisition and retention has been the most important challenge they’ve faced over the past five years.⁸³

At the heart of this issue is the fundamental shift in workforce expectations. Millennials and Gen Z professionals have different priorities compared to previous generations. Competitive compensation, career mobility, work-life balance and alignment with personal values now play a crucial role in job selection. Unlike Baby Boomers, who often valued long-term job stability, younger employees see job-hopping as a strategic move for financial security.

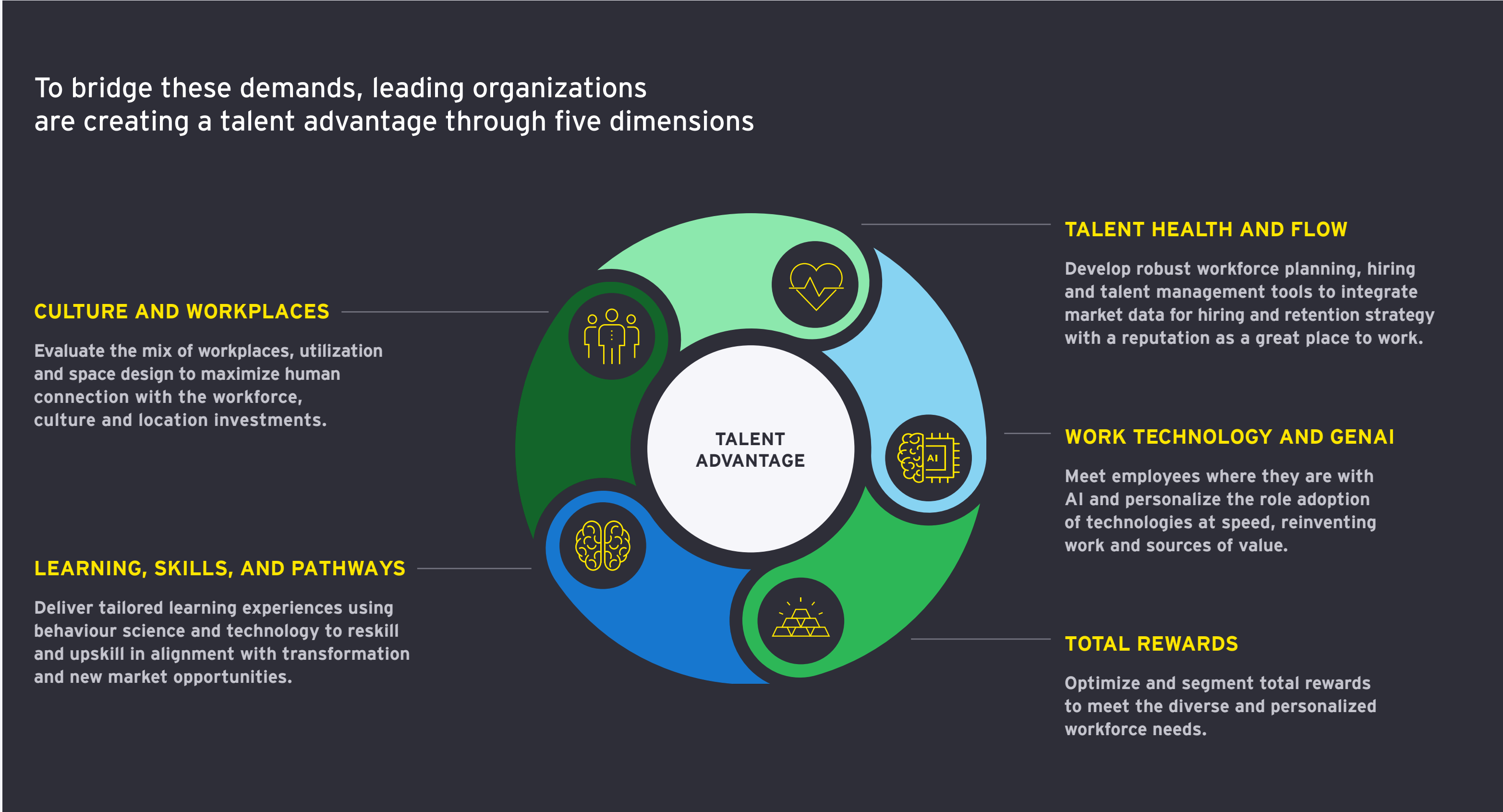
Pay transparency has become non-negotiable, with platforms like Glassdoor and The Hard Market making salary information more accessible than ever. While Canada does not legally mandate pay transparency, insurers must assume compensation data is already public knowledge. Companies that fail to adapt risk losing talent to industries that offer more clarity and fairness in compensation structures.

Beyond financial incentives, younger professionals seek roles that are purpose driven and dynamic. Insurance has traditionally struggled with an outdated perception problem. Many view the industry as bureaucratic and slow moving. In reality, the sector plays a vital role in tackling some of the world’s most pressing challenges, including climate change, cyber risk and financial security. However, the industry has not effectively communicated this narrative to the next generation.

Initiatives like Project Reframe, led by the Insurance Institute of Canada, aim to reshape this perception by launching a digital-first recruitment campaign. By engaging social media influencers, paid video ads and platforms like LinkedIn, Instagram and TikTok, the campaign seeks to attract university graduates, career changers and newcomers to Canada. Additionally, a microsite will serve as a talent pipeline, allowing recruiters to engage with potential hires directly.

“

On the surface, these are simple. But organizations with a talent advantage differentiate across these dimensions. Only **32%** have achieved it today, with just as many, **31%**, with a talent disadvantage.



Underwriting faces the most acute challenges, given the complexity of risk assessment and policy wordings, which take years to master. Without proper succession planning and knowledge transfer, insurers risk mispriced policies, coverage gaps and weakened client trust. The shortage is compounded by the macroeconomic environment, inflationary pressures and rising reinsurance costs, making it even more critical to develop structured training programs.

New underwriters require exposure to industry stakeholders, brokers and clients to build relationships and develop negotiation skills. Virtual meetings and industry conferences provide opportunities for hands-on learning. However, the success of these initiatives depends on the confidence and preparedness of underwriting managers to mentor junior underwriters. Many seasoned professionals, while highly skilled in their domain, may lack the training or bandwidth to provide structured guidance. Insurers must invest in leadership programs that equip underwriting managers with effective coaching skills, ensuring that expertise is effectively transferred to the next generation.

Operations face similar pressures as more industry veterans’ retirements outpace the number of young professionals entering the field. Unlike underwriting or executive roles, operations lack a well-defined career progression, making it a less attractive path. However, it remains a critical function, requiring investment in technical skills such as process improvement, vendor management and change leadership.

The increasing role of third-party vendors means operational teams must develop new capabilities to effectively oversee complex outsourcing arrangements. Rather than relying on rigid, long-term roadmaps, insurers should embrace incremental change – small, ongoing improvements that empower teams and foster a culture of adaptability.

A key aspect of workforce development is reducing administrative burdens through technology. Young professionals expect digital proficiency in their workplace and insurers must ensure that training programs focus on industry-specific technology beyond basic tools like Microsoft Office. Programs like Humber College’s insurance-focused tech training help bridge this gap, making students feel more prepared for industry roles. In underwriting, automation can help streamline paperwork, allowing professionals to focus on higher-value decision-making.

Markel Canada used robotic process automation (RPA) to automate simple administrative tasks, freeing up specialists to engage in more complex underwriting activities.⁸⁴

Insurers are also increasingly using AI tools to accelerate learning and enhance training outcomes. Virtual case scenarios, real-time coaching assistants and personalized learning paths are enabling faster skill development across roles, while reducing reliance on traditional, resource-intensive training formats.

AXA Switzerland launched an AI-powered skills platform that uses machine learning and natural language processing to assess employees’ skills, identify gaps and recommend personalized learning and career development opportunities – resulting in higher employee engagement and reduced attrition.⁸⁵

However, while technology is a powerful enabler, it should not be seen as a differentiator. With open-source AI tools widely available, proprietary AI is no longer a unique advantage. Instead of investing heavily in building in-house gen AI solutions, insurers should focus on strategic outsourcing, freeing up internal resources for other areas of innovation.

At the same time, insurers must ensure their talent strategies remain authentic to their core identity. While technology plays an increasingly important role in insurance, the industry should not position itself as a purely tech sector. Overemphasizing technology at the expense of traditional insurance values – such as expertise, trust and risk management – can dilute the industry’s appeal to both clients and professionals.

The industry must also rethink its approach to knowledge transfer and workforce longevity. With a significant portion of the workforce nearing retirement, insurers should explore flexible post-retirement roles that allow experienced professionals to mentor younger employees. Formal mentorship programs can facilitate the transfer of critical underwriting and operational expertise, preventing a brain drain that could weaken the industry’s ability to assess and price risks effectively.

The industry must also improve its ability to “sell” itself to new talent – highlighting the meaningful, purpose-driven nature of insurance careers. Without a collective effort to modernize talent acquisition and retention strategies, insurers risk falling behind in an increasingly competitive labour market.



Key takeaways

Driving innovation and talent transformation



IMPACT ON INSURERS' KEY OPERATIONAL DOMAIN

This assessment reflects anticipated impacts over a medium-term horizon of one to three years.

OPERATIONAL DOMAIN	LEGACY SYSTEM MODERNIZATION	TECHNOLOGY-LED BUSINESS TRANSFORMATION	BRIDGING THE TALENT GAP
<div>DISTRIBUTION</div> <div>A</div>	<div>Medium</div> <div>Modernizing core systems improves data accessibility for brokers, but front-end innovation is needed for a full transformation.</div>	<div>High</div> <div>Digital platforms, self-service portals and embedded insurance models are reshaping distribution.</div>	<div>High</div> <div>New tech-savvy brokers are needed, but automation reduces reliance on manual processes.</div>
<div>UNDERWRITING AND PRICING</div> <div>B</div>	<div>High</div> <div>Modernized systems improve data integration, AI-driven risk assessment and predictive analytics.</div>	<div>High</div> <div>AI, IoT and real-time data are revolutionizing risk selection and pricing strategies.</div>	<div>High</div> <div>Underwriting is facing a critical talent shortage. Actuaries and data scientists with advanced analytics skills are in high demand to support AI-driven pricing strategies. Tech-enabled training is essential for knowledge transfer.</div>
<div>CLAIMS</div> <div>C</div>	<div>Medium</div> <div>Upgrading claims systems enables automation but needs AI and IoT integration to be fully effective.</div>	<div>High</div> <div>AI, IoT, drones and predictive analytics are transforming claims assessment and risk mitigation.</div>	<div>Medium</div> <div>Talent shortages in claims handling create inefficiencies, but automation helps bridge some gaps.</div>
<div>BACK OFFICE/ENABLEMENT</div> <div>D</div>	<div>High</div> <div>System modernization directly enhances operational efficiency, automation and compliance.</div>	<div>Medium</div> <div>While technology transforms processes, back-office innovation is incremental rather than revolutionary.</div>	<div>Medium</div> <div>Talent shortages in operations need targeted training and succession planning.</div>



To stay competitive in an evolving market, insurers, reinsurers, MGAs and brokers would be well placed to modernize their operations, embrace emerging technologies and address the talent crisis through strategic workforce initiatives.

What actions can commercial insurers consider?



Core system modernization for operational agility:

- **Action:** Prioritize the upgrade of outdated core systems to enhance operational agility, integrating cloud-based solutions and APIs for greater connectivity.
- **Potential outcome:** Improved efficiency in underwriting and claims processing, enabling insurers to respond quickly to market demands and customer needs.



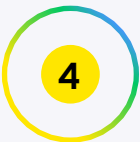
Employ advanced technologies:

- **Action:** Integrate AI, IoT and automation into business practices to enhance risk assessment, underwriting and claims management processes.
- **Potential outcome:** More accurate risk evaluations and streamlined operations, leading to faster service delivery and improved customer satisfaction.



Foster humans@centre alongside technology:

- **Action:** Invest in upskilling and mentorship programs to bridge the talent gap, ensuring that employees can effectively interpret data insights and maintain strong client relationships.
- **Potential outcome:** A skilled workforce that combines technological proficiency with industry knowledge, enhancing the insurer's ability to navigate complex risks.



Implement dynamic pricing models:

- **Action:** Adopt dynamic pricing strategies that use real-time data to adjust premiums based on evolving risk factors and market conditions.
- **Potential outcome:** More competitive pricing structures that reflect actual risk exposures, improving alignment with customer expectations.



Enhance cybersecurity and operational resilience:

- **Action:** Invest in robust cybersecurity measures and cloud-based infrastructure to protect against digital threats and enhance operational resilience.
- **Potential outcome:** Increased security and reliability of operations, allowing insurers to manage digital disruptions effectively and maintain service continuity.

Charting the path forward

Embracing innovation and resilience in commercial insurance

The Canadian commercial insurance landscape is undergoing a profound transformation, driven by technological advancements, evolving economic pressures and shifting regulatory requirements. The industry's future will depend on insurers' ability to innovate and adapt to these dynamic forces while maintaining resilience and customer-centricity.

Insurers must navigate an increasingly complex environment where emerging risks such as climate change, cyber threats and supply chain disruptions demand new and adaptive solutions.

Additionally, economic factors like inflation and market volatility continue to shape pricing, underwriting and risk appetite, further reinforcing the need for agile, forward-thinking strategies.

The reimagining of commercial insurance in Canada hinges on embracing digital transformation, exploring alternative risk transfer solutions and building strategic partnerships. Modernizing core systems, integrating AI and IoT as well as adopting dynamic pricing models will be critical in enabling insurers to streamline operations, enhance decision-making and provide more personalized services.

Moreover, insurers must focus on bridging the talent gap by fostering a workforce that is skilled, adaptable and ready to lead the next phase of innovation in the industry.

The future of the Canadian commercial insurance sector offers exciting opportunities for those who can harness the power of technology, adapt to shifting market demands and operate within a framework of resilience. By doing so, insurers can unlock new growth avenues, enhance customer engagement and strengthen their competitive position in an ever-evolving market.

The road ahead may present challenges. But it also offers the potential for unprecedented progress. Commercial insurers that are proactive in embracing change, using advanced technologies and enhancing operational capabilities will be positioned to thrive in this rapidly reimagined landscape.

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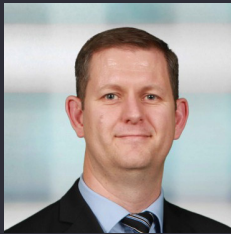
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