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The Canadian Association of Financial Institutions in Insurance

Digitization of CPI | Presentation Materials

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The Canadian Association of
Financial Institutions in Insurance

Deloitte.

Objectives and Agenda

Agenda

Section	Timing
Introductions	5 minutes
Report Background, Context & Approach	10 minutes
Deloitte Perspective on Digitizing CPI	30 minutes
Q&A	15 minutes

Deloitte Presenters



Melissa Carruthers

Partner,
Insurance Strategy

Role: Project Leadership



Marc Lewis

Senior Manager,
Insurance Strategy

Role: Research Lead

Context & Objectives

A group of people in a meeting, with a woman in the foreground smiling and looking at documents. The image is overlaid with a dark blue tint.

Background & Context

CAFI has engaged Deloitte to share an independent perspective on what it will take to offer 'best-in-class' digital experiences to CPI consumers in response to the evolving needs and preferences of Canadians

Background

- The Canadian Association of Financial Institutions in Insurance ("CAFI") is a not-for-profit industry association that **represents financial institution distributors and insurance company underwriters** involved in offering insurance in Canada
- CAFI is dedicated to fostering an open and flexible marketplace that is efficient and effective and **allows Canadian consumers an expanded choice** in the purchase of insurance products and services.
- In support of its mission & mandate to advance the interests of financial institutions in insurance and affiliated organizations, **CAFI regularly conducts consumer and market research** relevant to the business & offerings of its members
- Credit protection insurance (**CPI**) is a **primary focus of CAFI** as its members' common ground

Why are we here?

- Across all industries we have experienced an **accelerated shift towards digital** purchasing and servicing following the events of COVID-19, however the **insurance industry has been historically slow** at transforming its traditional business models to be more customer centric
- In March 2021, **CAFI conducted a consumer research report** aimed at understanding the impact to the preferences of Canadians in light of COVID 19 with a specific focus on CPI
- Key insights from the research report research suggests that Canadian consumers have not only become more likely, to use virtual channels for CPI and in turn have **higher expectations of their financial institutions** to provide improved multi-channel experiences
- Given the importance of CPI in providing accessible and affordable protection to Canadians, CAFI engaged Deloitte to develop an **independent research report focused on 'Digitizing CPI'** and what it will take for the CPI industry to offer 'best-in-class' digital experiences for consumers
- The objective of the report is to identify opportunities for the **CPI industry to improve the digital experience offered to CPI consumers** in response to increased expectations and advancements in digital tools and technologies
- The subsequent sections of this document outline Deloitte's research approach and its perspective on the key success factors for Digitizing CPI as a means to **help inform the CPI Industries' digital priorities for the future**

Report Approach & Research Methodology

In order to develop its perspective, Deloitte conducted a combination of primary and secondary research, including engagement with CAFII members across 14 organizations that included both underwriters¹ and distributors of CPI

Deloitte Research and Accelerators

Industry External Research

Secondary research was focused on Global insurance markets to help inform key success factors associated with leading digital insurance organizations, including the capabilities contributing to leading digital client experiences

Deloitte's Digital Maturity Model

Deloitte's Digital Maturity Model defines the key capabilities required for an organization to be digital and was used as an input in identifying the summary of functional capabilities required to enable the digitization of CPI

CAFII Members Surveyed and Interviewed



Survey & Interview Scope

CPI Digital Maturity - Sample Questions



- What does **'Digitizing CPI'** mean to your organization and how important do you believe digitizing CPI is to the **future of CPI**?
- How would you describe the current digital **maturity of the Canadian CPI industry**? How would you rank your maturity relative to your peers & your desired future state?

Challenges & Opportunities in Digitizing CPI - Sample Questions



- What do you believe are the **primary friction points / inefficiencies** that exist within CPI operations?
- Where do you believe digitizing CPI may present an **opportunity to improve** these inefficiencies?
- What do you believe is the **biggest challenge in digitizing CPI**?

Digitizing Canadian CPI – Key Takeaways

The need to digitize and improve the end-to-end CPI client experience is becoming an imperative for CPI underwriters and distributors in order to keep pace with consumer expectations and the accelerating move to digital lending

Overall Takeaways

- 1 Digitizing CPI is a **strategic priority for Canadian financial institutions**
- 2 Relative to other insurance industries, **Canadian CPI has unique challenges with regards to its digitization**, accentuated by the multiple stakeholders involved
- 3 **The CPI digital experience** offered is **highly dependent** upon the **lending journey** (i.e., mortgages, lines of credit)
- 4 **The regulatory environment** surrounding CPI can be **perceived difficult to navigate digitally**, especially for national organizations offering CPI across provinces
- 5 **Several CPI distributors and Underwriters** have taken a **leadership position by relatively investing more in digital** over the past years
- 6 **Adoption** from representatives as well as clients **in digital experiences continues to be an inhibitor to realizing the benefits of digital investments**
- 7 **Successful digitization of CPI extends beyond client-facing experiences**, and includes back / mid-office operations
- 8 Digital experiences enabled by **automation across the value chain with partners** (e.g., underwriting, claims) were the **most cited friction points**
- 9 **Collaboration** across **Distributors, Underwriters and Regulators** will be key to **delivering “Best-in-Class” experiences**

Survey Highlights

- 100%** *Of Underwriters and Distributors indicated digitizing CPI as a strategic priority*
- 43%** *Of members surveyed believe that up to 40% of applications will be fully digital by 2025*
- 75%** *Of CPI Underwriters and Distributors viewed alignment with lenders as a key opportunity to increase value delivered to customers*
- 80%** *Of Underwriters identified multiple stakeholders owning various aspects of the CPI experience was the greatest challenge to digitizing CPI*
- 57%** *Of Distributors ranked their current digital maturity as being ‘somewhat behind’*
- 67%** *Of respondents indicated that most back / mid-office processes remain manual despite investments*
- 86%** *Of Distributors have indicated that cross-channel integration is key for successful digital CPI experiences*

‘Being’ a Digital Insurer



Factors Driving Digital in Insurance

Digital is at the heart of the insurance industry's most prominent and disruptive trends, enabling the industry to respond with new and innovative business models, offerings and experiences



Heightened Customer Expectations

Driven by experiences offered by other industries, consumers are expecting seamless, convenient and more personalized digital experiences from their insurers



Pressure on Back-office Operational Efficiency

Rising margin compression has insurers actively looking to implement automation and digitization to improve productivity and efficiency across their operations



Increasingly Competitive Landscape

New & non-traditional entrants with tech-enabled business models are driving new competition in the industry forcing incumbents to rethink their traditional business models



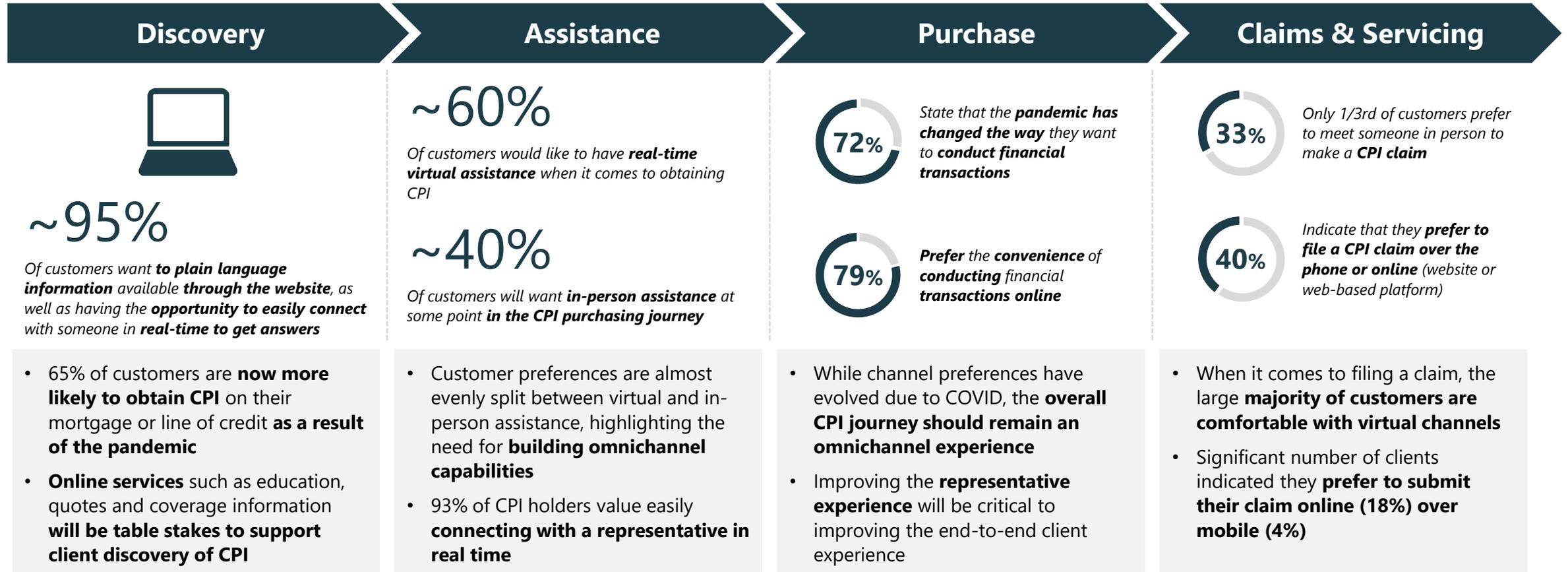
Availability and Ability to Activate Data

The increased availability of data and the use of advanced analytics to derive greater insight provides insurers an opportunity to better assess and manage personalized risks

These trends are causing insurers to **rethink and transform their experiences, offerings, operations, distribution, and enabling technologies** – all in ways that are **truly more digital and deliver more value to customers**

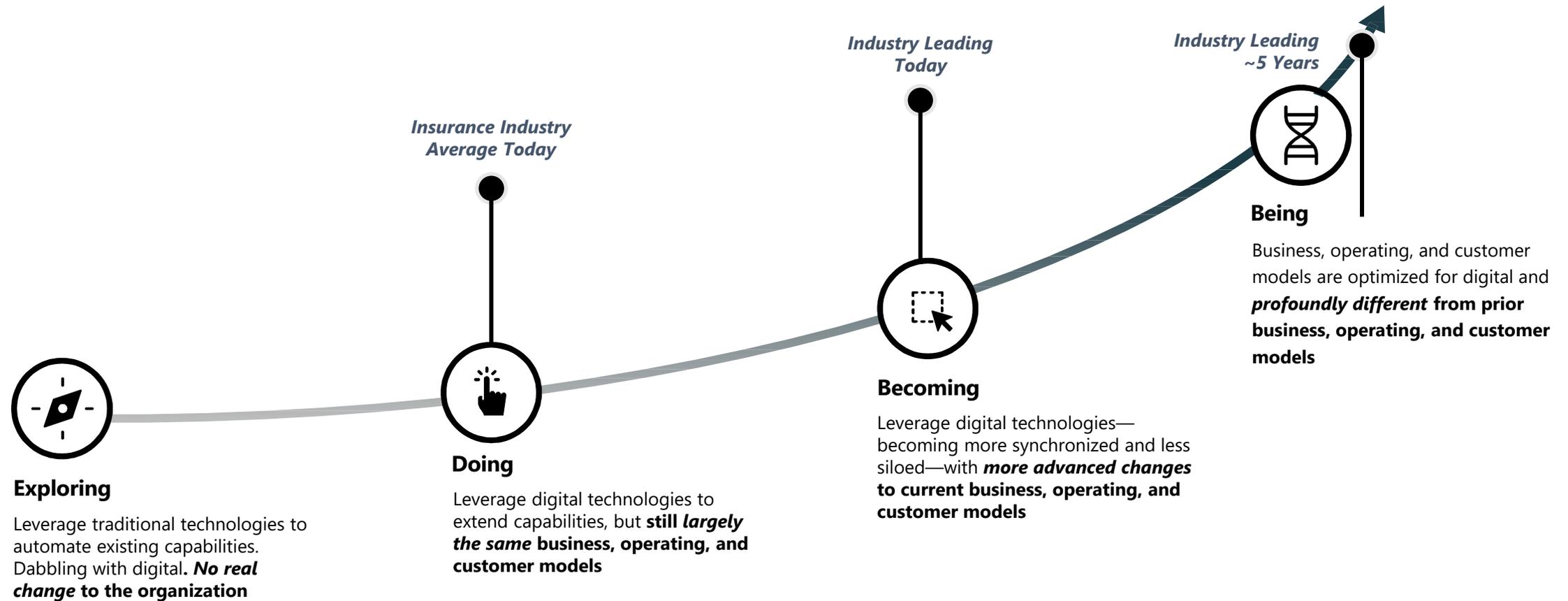
Insights From Previous CAFII Consumer Research

CAFII previously conducted consumer research in order to identify the post-COVID-19 implications to how CPI clients needs & preferences for across the journey have evolved to inform the development of a customer-centric future journey



Going From ‘Doing’ digital to ‘Being’ Digital

As a result of COVID-19, the degree of digital transformation will see a rapid acceleration across all global markets and lines of business in order to play ‘catch-up’ with other industries and better meet consumer preferences for digital experiences



Why Now?

Consumer expectations for digitally-enabled experiences, coupled with the turbulence associated with COVID-19 have presented a **turning point for accelerating digital maturity** in the industry

6 Key Attributes of 'Being' a Digital Insurer

Through our research & experience, we've observed that leading digital insurance organizations exhibit the following 6 attributes and respective underlying capabilities which contribute to offering leading digital experiences



Articulated Strategy & Digital Ambition

High performing digital organizations have a well articulated business and supporting digital strategy with clarity on the supporting customer, product and channel strategy



Sophisticated Data, Analytics & Insights

Inform business priorities, product development, and customer experiences all based on data-driven insights - allowing for hyper personalization of experiences, features, pricing and risk assessment



User Centric Digital Experiences

Highly customer-oriented in how they do business and take a human centered design approach to designing their end-to-end user journey allowing for seamless and highly personalized digital experiences



Scalable Technology Architecture

Utilize modern (e.g., cloud based, APIs) technology architecture to support flexibility, modularity and speed to market allowing for seamless integration with ecosystem partners through APIs



Hyper Focused on Operational Efficiency

Digital-enabled insurers have a commitment to relentless expense efficiency, optimizing investments in technology & data through process automation and digitization and business model innovation



Digital Talent & Culture

Digital culture, skills and ways of working (e.g., agile) are embedded throughout the organization driving a holistic culture of innovation and moving away from isolating digital as a standalone team

These **6 foundational attributes** are core to Deloitte's Framework for **'Being' Digital In Insurance** & will serve as the **basis for which we will identify the requirements to be a digital CPI leader in Canada**

Digitizing CPI - Research Insights

A monochromatic blue-tinted photograph of three people sitting on concrete steps outdoors. On the left, a woman with long hair is seen from the side, holding a laptop. In the center, a woman with glasses and long hair is smiling and looking at her smartphone. On the right, a man with glasses is sitting with his hand to his chin, appearing to be in deep thought or listening intently. The background shows a building with a grid-like facade.

Unique Considerations for Digitizing CPI

Our analysis suggests that Credit Protection Insurance has unique characteristics and an ecosystem that increase the complexity in offering a seamless digital client experience relative to other lines of insurance

What makes digitizing CPI uniquely challenging?

Evolving & Regional Regulation	Differences in the regulatory and legislative policies across provinces increase complexity related to delivering consistent and seamless experiences at scale across Canada
Group Underwriting	As CPI needs to be group underwritten, there are limitations to the ability to provide personalization in pricing, product design, and assistance relative to other individual insurance products
Strong Ties to Lending	CPI is highly connected to the lending journey, which are increasingly moving towards digital and human-assisted channels; strong collaboration is required with lending partners
Multiple Stakeholders	The client journey is owned by multiple stakeholders at varying stages of the policy lifecycle and requires significant alignment on roles, priorities and capabilities amongst underwriters & distributors
Eligibility Practices	Distributors must ensure that a customer purchasing a CPI product goes through a specific eligibility and exclusion assessment, adding steps to the purchasing journey to ensure value is delivered

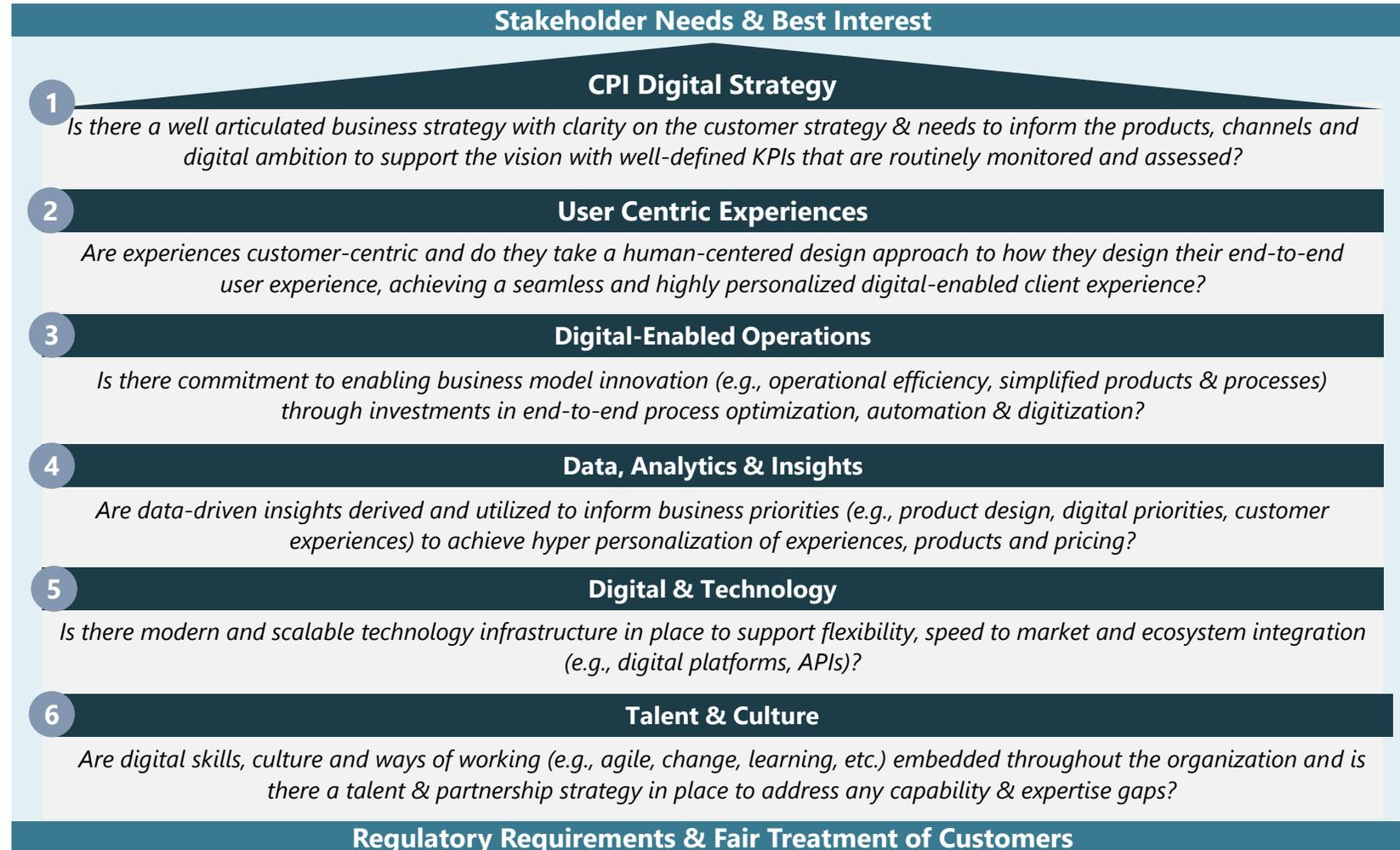
“Finding the right approach to mirror a face-to-face experience into digital channels is and will remain our biggest challenge”
- Distributor

“Traditionally products were standardized, now to meet expectations we need to be customer centric and offer a personalized experience with the best options for the customer”
- Underwriter

“In order to offer seamless experiences that don't rely on phone interactions, we need to integrate with the unique Loan Origination System (LOS) of all partners”
- Underwriter

Deloitte's Framework for Digitizing CPI

Utilizing the 6 attributes for 'Being' a digital insurer and our analysis on the Canadian CPI industry, we have defined a framework outlining our perspective on what it will take to Digitize CPI and assess the industry's current digital maturity



Key considerations across each of the **6 layers in Deloitte's Digital CPI framework** to inform a set of **distinct capabilities** that apply to CPI distributors and underwriters to deliver leading digital experiences

Decisions across layers must be **anchored in regulatory requirements** and **focus on delivering on stakeholders needs and fair treatment of customers**

Future Best in Class CPI Experience

A man and a woman are sitting on a couch, looking at a laptop screen. The woman is on the left, wearing a patterned shirt and a headscarf. The man is on the right, wearing a patterned shirt. They are both smiling and appear to be engaged in a conversation. The background shows a window with plants and a lamp.

Illustrative Future Digital CPI Customer Journey

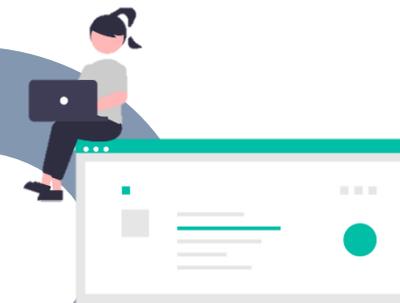
Sam is a 33-year-old Teacher looking to purchase her first home; She goes online to complete an online mortgage pre-approval and was provided relevant information for 'first time home buyers' with an option to virtually connect with Blair, a certified lending representative

1 Discovery



While completing the online mortgage application, Sam is notified she's eligible for Credit Protection and is provided with relevant 'what if' scenarios that demonstrate the value of having protection in the event something unexpected happens, along with the estimated additional cost of adding the coverage.

2 Quoting



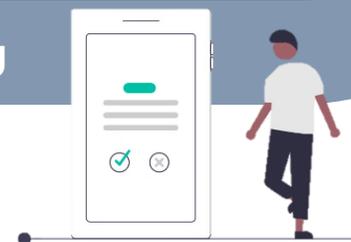
6 months later Sam and her partner are expecting a baby and want to revisit the impact of job loss or going on disability leave. Blair is notified through the representative portal that Sam wishes to discuss coverage changes

Before confirming her mortgage rate & coverage, Sam schedules a video call with Blair who is able to address her questions and shares a link for Sam to securely complete her health questionnaire online; Blair is automatically notified that Sam has completed her application and its ready for review

4 Servicing



3 Purchasing



5 Claims



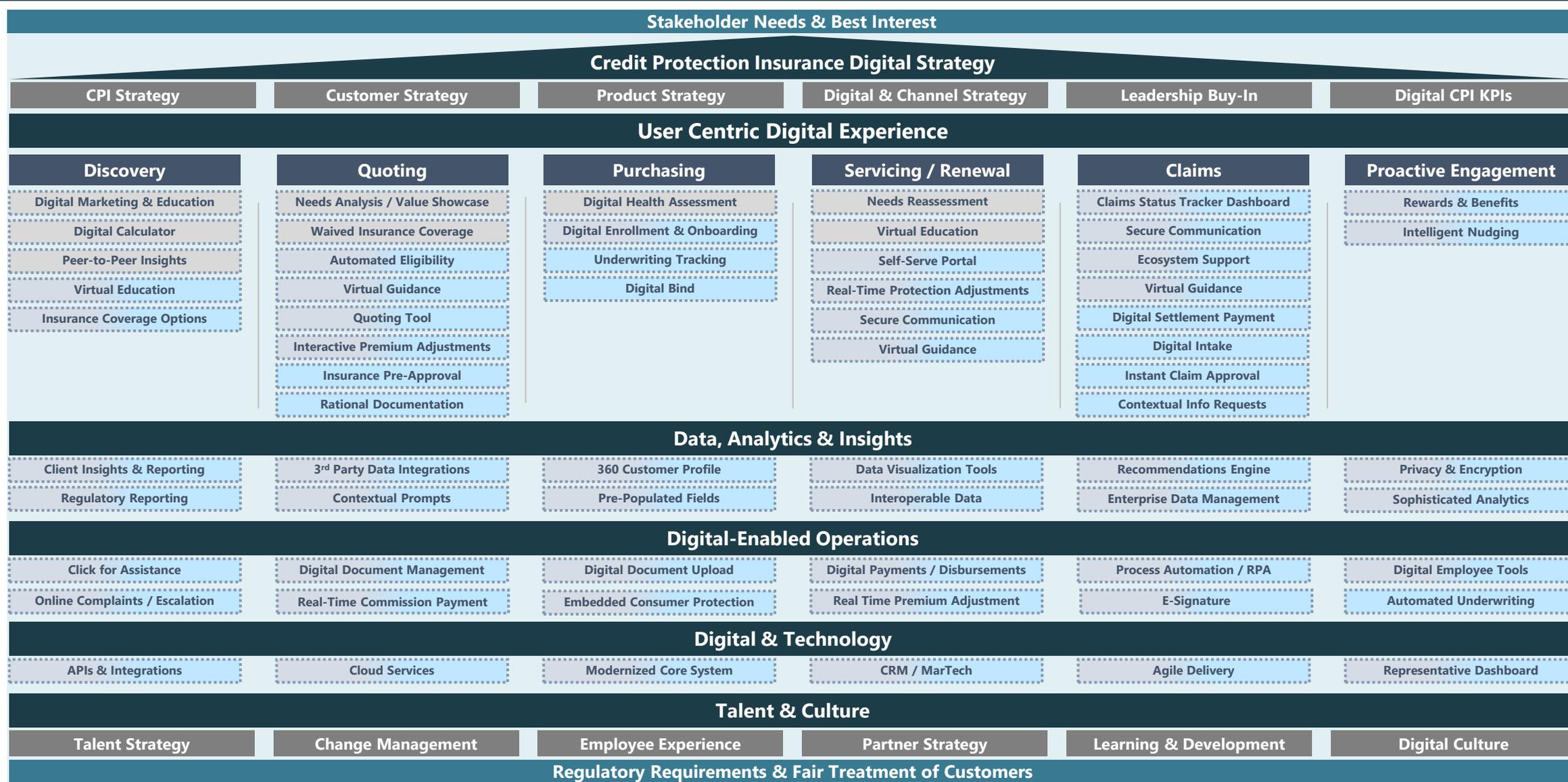
Sam is unfortunately involved in a car accident and will be unable to work for an extended period. Sam goes into her online banking to view her coverage and is able to submit her claim and upload the required documentation securely online

6 Proactive Engagement



Sam purchases a new vehicle with the use of a personal loan, and is notified of the option to add-on the same protection that is present on their mortgage on the personal loan which she selects easily online

Deloitte Digital CPI Experience Capability Model – Illustrative



LEGEND

- Key Success Factor
- Distributor Capability
- Underwriter Capability
- Joint Capability



Thank You

**Any
Questions?**



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