



# **The Canadian Association of Financial Institutions in Insurance**

Request for Proposal – Deloitte Response

March 28<sup>th</sup>, 2019

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# Summary of RFP Requirements

Initiative	Description	RFP Reference	Proposal Reference	Met
<b>Comparative International Research</b>	Compare Canada to Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions?; are those concerns the same here in Canada?; and what is different here in Canada?	Page 11	Slide 19	✓
<b>Benchmarking</b>	Aggregate CAFII Member-supplied data into anonymized metrics across a series of dimensions (loss ratios, claims payout percentages, complaints data, cancellation levels, premiums collected, etc.)	Page 11	Slide 20	✓
<b>Fact Pack</b>	Develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work	Page 11	Slide 19	✓
<b>Value Propositions</b>	Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers; and of its shortcomings	Page 11	Slide 19	✓
<b>Strategy Options, Industry and Proprietary</b>	Develop a list of what industry-level and individual company proprietary-level enhancements and adjustments could be made to possibly enhance the value proposition of the CCBPI product	Page 11	Slide 21	✓
<b>Strategy Recommendations</b>	Develop specific, actionable recommendations on industry-level and individual company proprietary-level changes that could be implemented	Page 11	Slide 23	✓
<b>Business Modeling</b>	Identify different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. Then model how those changes could be implemented in an institution	Page 11	Slide 23	✓
<b>Project Management</b>	Business consultancy firm develops overall project management plan	Page 12	Slides 25 - 29	✓
<b>Proprietary Presentations</b>	As part of this RFP, CAFII is requesting that the business consultancy firm join the law firm for 12 one-hour, internal presentations within our Member institutions, to present the findings of this research effort and the strategy recommendations	Page 12	Slide 23	✓
<b>Research Effort and Price Ranges</b>	As part of the proposal to CAFII, please indicate your expectations around remuneration (portion paid up front and remainder paid upon completion etc.)	Page 12	Slides 24, 31	✓

# Our Understanding

# Our Understanding (1/2)

CAFII is seeking to conduct an international market research project for CCBPI, to enhance the understanding of leading practices across different jurisdictions, and propose enhancements to address the concerns of regulators and advocacy groups

## Background

***The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit industry association dedicated to the development of an open and flexible marketplace in the Canadian insurance industry***

- CAFII represents a **group of member institutions consisting of financial institutions** involved in selling insurance in Canada through various distribution channels
- Members typically offer a **wide range of bank-distributed insurance products**, including travel, life and health, property and casualty, and creditor insurance
- Recently, financial institutions have been subject to **increased media presence and scrutiny** on Credit Card Balance Protection Insurance ("CCBPI") products, that has prompted the attention of regulators, including the Financial Consumer Agency of Canada ("FCAC")
- Despite FCAC finding some evidence of **misleading sales tactics**, none of Canada's financial institutions have been fined
- CAFII intends to play a **leadership role in articulating the benefits of the CCBPI product**, and are seeking an international comparator data (e.g. Canada, Australia, US, UK, and Ireland) to **identify and present factual information of the value CCBPI products provide to consumers**
- CAFII may also engage the services of a consultancy to assist in the **preparation of a benchmarking study** to confidentially and anonymously collect information about CCBPI products across individual CAFII members



# Our Understanding (2/2)

CAFII is requesting support in preparing a number of deliverables related to the CCBPI industry, including a global research perspective, fact pack, value proposition, strategy options and recommendation, and business modelling

## Engagement Deliverables

***As part of the engagement, CAFII will be seeking a consulting firm to assist in the preparation of the following as they relate to the industry only\*:***



**Comparative International Research:** Develop a holistic repository of international product comparator research from Canada, Australia, U.S., U.K. and Ireland that highlights the value proposition of the product, shortcomings, lessons learned and stakeholder feedback (consumers, regulators, competition boards)



**Fact Pack:** Develop a user friendly fact-pack on CCBPI products for CAFII and other relevant stakeholders (regulators, policy makers) to describe the benefits of the CCBPI products



**Value Proposition:** Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers



**Strategy Options & Recommendations:** Provide detailed and actionable strategic options and actionable recommendations at both the industry and individual-proprietary company level to be implemented to enhance the CCBPI product



**Business Modelling:** Development of a business model for individual company level consideration to stress test product changes and enhancement to product offerings for the CCBPI product



**Benchmarking (Optional):** Aggregation of CAFII member data into a database in order to dashboard metrics on various dimensions (e.g., loss ratios, claims payout, complaints data, cancellations, premiums collected)

# Our Perspective

# Our Perspective | CCBPI Overview

Credit Card Balance Protection Insurance (CCBPI) is considered the primary insurance revenue engine for CAFII's members and is undergoing increasing threat from third-parties



Creditor Insurance (CI) is **highly profitable, but is generally commoditized** across the Banks and faces a number of barriers which impede its potential growth in the market



- **CI is a "sold product" not a "bought product"**
  - ease of sales execution and customer understanding is important to success
- The product offering needs to be enabled with the right advisor guidance, customer advice and marketing tools



- **CI is the main profit engine for the banks**, who are therefore hesitant to adjusting product features that may deter volumes or impact loss ratios
- Banks are looking to balance the changes that they make to their credit portfolio while actively looking to other product alternatives as a means to drive growth



- **There has been increased regulatory scrutiny** on creditor pricing and sales practices, as profitability of this product category is perceived to conflict with consumer protection and advocacy
- Lack of transparency of product coverages and exclusions results in high denial rates and escalations to ombudsman



- **CI is a largely commoditized product** that is undifferentiated from other Bank creditor products and competes with traditional, simple life insurance products
- There is a need to innovate on how this product is manufactured, bundled and sold to better meet the needs of today's consumers



- **CI is highly dependent on product, channel and technology** roadmaps of Retail lending and cards groups
- Enterprise initiatives such as 'digital card activation' can impact stability and composition of a creditor portfolio, requiring close alignment between Bank and Insurance partners



Through this exercise, CAFII has an **opportunity to encourage the fair treatment of CCBPI customers** in Canada while **supporting its members** with strategic options and enhancements for implementation



# Our Perspective | Domestic and International Overview

Across major insurance markets, CCBPI has faced considerably public and regulatory scrutiny in recent years, influenced by evolving market dynamics and regulatory action



## GLOBAL INSIGHTS



### United Kingdom

- Sale of CCBPI products was heavily incentivized by commissions
- Market size declined heavily in the mid-2010s due to new regulations that restrict product sales issued by the FCA



### Australia

- Sold as a bundled or separate insurance product
- Banks and insurers are key players in the market, with some pulling out in recent years due to regulatory scrutiny and public pressures



## NORTH AMERICAN INSIGHTS



### United States

- Average credit life premium rates have declined steadily, while claim costs have remained fairly steady
- While credit-related insurance continues to remain an important part of consumer lending, less companies have been writing these policies
- A few select major insurance companies have dominated the industry in the U.S., rendering it highly consolidated
- Loss ratios have been tightened in several states, putting increased pressure on insurers



## CANADIAN INSIGHTS



### Canada

- Creditor products are considered extremely profitable and typically sold through emotional marketing messages
- Negative sentiment amongst customers exists around buying CCPB
- Offered by major financial institutions and insurers
- Permitted under the Bank Act, but currently subject to considerable scrutiny
- Some evidence of misleading sales tactics have been identified, but no financial institutions have been levied fines to date

# Our Perspective | United Kingdom Insights



UK financial institutions hardly offer CCBPI products due to regulatory constraints and lack of consumer interest

## Key Insights



### Market Overview

- The **sale of CCBPI was incentivized by large commissions**; the financial institution would make more money on the insurance product than interest on the actual loan
- Sales agents often used malicious sales scripts to sway consumers into buying this insurance and were sometimes **accused of telling customers that this product was mandatory**



### Market Size

- CCBPI was **widely sold in the United Kingdom before 2013/2014**
- The creditor insurance industry in the UK has **suffered from the payment protection insurance (PPI) mis-selling scandal**
- Gross written premiums expected to decrease at a CAGR of -6.62%, from ~£500M in 2013 to below ~£300M in 2018
- The scandal revealed dishonest sales strategies and elicited compensations claims worth billions of pounds, resulting in the **plummet of the creditor insurance market in 2009 – 2013, and again in 2014**



### Key Players

- Though the **market is a shell of what it was pre-regulation**
- **Key players include:** Allianz, Aviva, Axa, Genworth Financial Inc., Legal & General Group, Lloyds Banking Group, Pinnacle Insurance, Royal & Sun Alliance Insurance



### Regulatory

- Consumer groups and regulators uncovered that **CCBPI was often “mis-sold” and experienced systematic mismanagement** around the handling of claims
- The Financial Conduct Authority, UK’S financial regulatory body, **fined several financial institutions for their malpractice** with this insurance product (e.g., Clydesdale Bank, Capital One, HFC and Egg)
- New **regulations now restrict UK banks from selling CCBPI**, and include restrictions such as being unable to sell the insurance at the same time as the credit card

# Our Perspective | Australian Insights



Australia is similar to Canada in that most of their financial institutions continue to widely offer CCBPI

## Key Insights



### Market Overview

- Can be bought as a **“bundle” insurance product or purchased separately**; most often sold with credit cards, as well as on loan and mortgages
- Products are typically structured as **life insurance or a hybrid of life and general insurance**, including accident, sickness and involuntary unemployment



### Market Size

- Of the total risk-based product market of **~\$16.3B annual in-force premiums**, CCBPI market comprises approximately **\$400M (2.3%)**
- Of all consumer credit insurance benefits written under General Insurance licenses, **CCBPI comprised the smallest category**
- **CCBPI market has been decreasing in recent years**, largely due to increased regulatory scrutiny and increased awareness of international issues



### Key Players

- Key players include the **banks** (i.e., CBA, Westpac, NAB, ANZ, Suncorp, etc.) **as well as insurers** (e.g., Allianz)
- In recent years, there has been a shift in market players with some **banks withdrawing completely and other large scale remediation programs taking place due to increased regulatory scrutiny and public pressures**



### Regulatory

- There has been substantial **regulatory scrutiny surrounding CCBPI**, specifically with regard to the **customer value proposition and sales tactics being employed**
- In September 2016, the Australian Regulator (ASIC) issued Report 256 (REP256), setting out **10 recommendations to raise industry standards** and ensure consumers are confident and informed, reducing the risk that the CCBPI product is mis-sold
- In 2018, two investigations were conducted, and though the findings are preliminary, some **banks have begun implementing remediation processes** due to the issues identified, with a **number of financial institutions publically pulling out of the market** (e.g., CBA, Westpac and Latitude Financial)

# Our Perspective | North American Insights



Companies are beginning to leave the credit insurance industry due to changing regulatory requirements combined with Consumer Financial Protection Bureau (CFPB) oversight

## Key Insights



### Market Overview

- Average credit life premium rates have leveled off in recent years after declining steadily since 1995 (dropping from \$0.54 / \$100 coverage / year to \$0.49 in 2016)
- The countrywide average claim cost for credit life insurance from 2012 – 2017 was **\$0.22/\$100 coverage/year; remaining fairly constant over the last 20 years**



### Market Size

- Countrywide premiums for credit-related insurance decreased in 2017, with **credit life insurance NWP decreasing by 6.9% in 2017** and **credit disability NWP decreasing by 2.1%**
- At the end of 2017, there were **16.2 million credit life contracts in force**; average **face amount was \$6,600**
- As NWP has declined, the number of **companies writing credit-related insurance has been trending steadily downward**
- Credit-related insurance **continues to remain an important component of consumer lending**, with Federal Reserve Board studies consistently finding strong satisfaction amongst purchasers



### Key Players

- Credit Insurance, including Life, Disability, and IUI, has historically been **dominated by a few major insurance companies; Assurant is the biggest player** in this space, with **26.7% market share in 2017** based on direct written premiums
- The **top 20 companies write about 95% of business**, with the **top 38 companies writing virtually all** of the credit-related insurance business



### Regulatory

- **The Consumer Credit Insurance Association (CCIA) is the lobbying body for credit insurance products**, meeting quarterly to discuss relevant market trends
- Over the past few years, **loss ratios have been tightened** by various states, causing insurers to **find ways to increase premiums without increasing losses** (e.g., creating add-on benefits, such as terminal illness), to increase overall premiums

# Our Perspective | Canadian Insights



Creditor insurance is highly profitable, with a favorable growth outlook; however, the risk of greater scrutiny and regulation has led banks to increase their focus on creditor products

## Key Insights



### Market Overview

- Creditor products are **extremely profitable** due to low loss ratios compared to other insurance products
- The evolution of mortgage distribution and the **reduction of in-person contact with mortgage buyers** is expected to negatively impact the ability to cross-sell CI
- Most financial institutions market this insurance using **emotional marketing messages** (e.g., family hardships and anecdotes about overcoming unexpected events)



### Market Size

- The Canadian **balance protection market is estimated at \$1.1B**, with future growth expected to be fueled by rising household consumer debt
- There is **negative sentiment around buying CCBPI** due to low balance protection coverage, insurance overlap, high price, extensive exclusions, lack of transparency and unethical sales practices



### Key Players

- **Most major Canadian financial institutions** (e.g., 'Big 6' Banks, Credit Unions, Insurance Carriers, etc.) **offer CCBPI** in addition to their credit card products
- As of 2016, the market share of outstanding Visa & MasterCard was **led by TD with 20.6%**, following by RBC, CIBC, Desjardins, and BMO



### Regulatory

- Under the Bank Act (Section 416), **Banks are permitted to sell, offer advice on, and promote certain insurance products** within their branches, which are closely related to lending
- The Financial Consumer Agency of Canada (FCAC) conducted a **six-month review of sales practices inside the big banks** — an investigation prompted after more than 3,000 current and former employees from all the major banks wrote to CBC's Go Public about the pressure to push products to meet sales targets
- Despite FCAC finding some evidence of misleading sales tactics, **none of Canada's financial institutions have been fined**



# Our Perspective | Strategic Considerations

Across mature insurance markets globally, the sustainability of CCBPI in its current state is threatened, leading to the strategic imperative to identify opportunities for enhancement

## Strategic Considerations



### Channels

- **New Channel Strategy:** Online purchases and prompts within online banking for those showing signs of need
- **Review Sales Practices:** Standardized sales training programs for advisors and brokers, stricter licensing and examination processes
- **Advice Tools:** Develop advice tools that actually identify when someone is not in need of this product and recommend more appropriate product lines
- **Digital:** CCBPI products will need to be digitized driven by the digitization of the underlying lending products



### Products

- **Simplified Offerings:** Unbundle products and policy wording such that consumers understand coverages, eligibility, and exclusions upfront
- **Product Modularity:** Look to the use of modular versus bundled product offerings
- **Coverage Details:** Offer new coverages beyond life and morbidity that resonate with a new segment of the market
- **Pricing:** Adjust pricing to target loss ratios with other comparable products
- **Claims:** Reduce the number of claim denials, looking at automated and proactive claims processes taken on by other insurance lines, to change the stigma behind insurers; leverage banking and third-party data to proactively pay claims



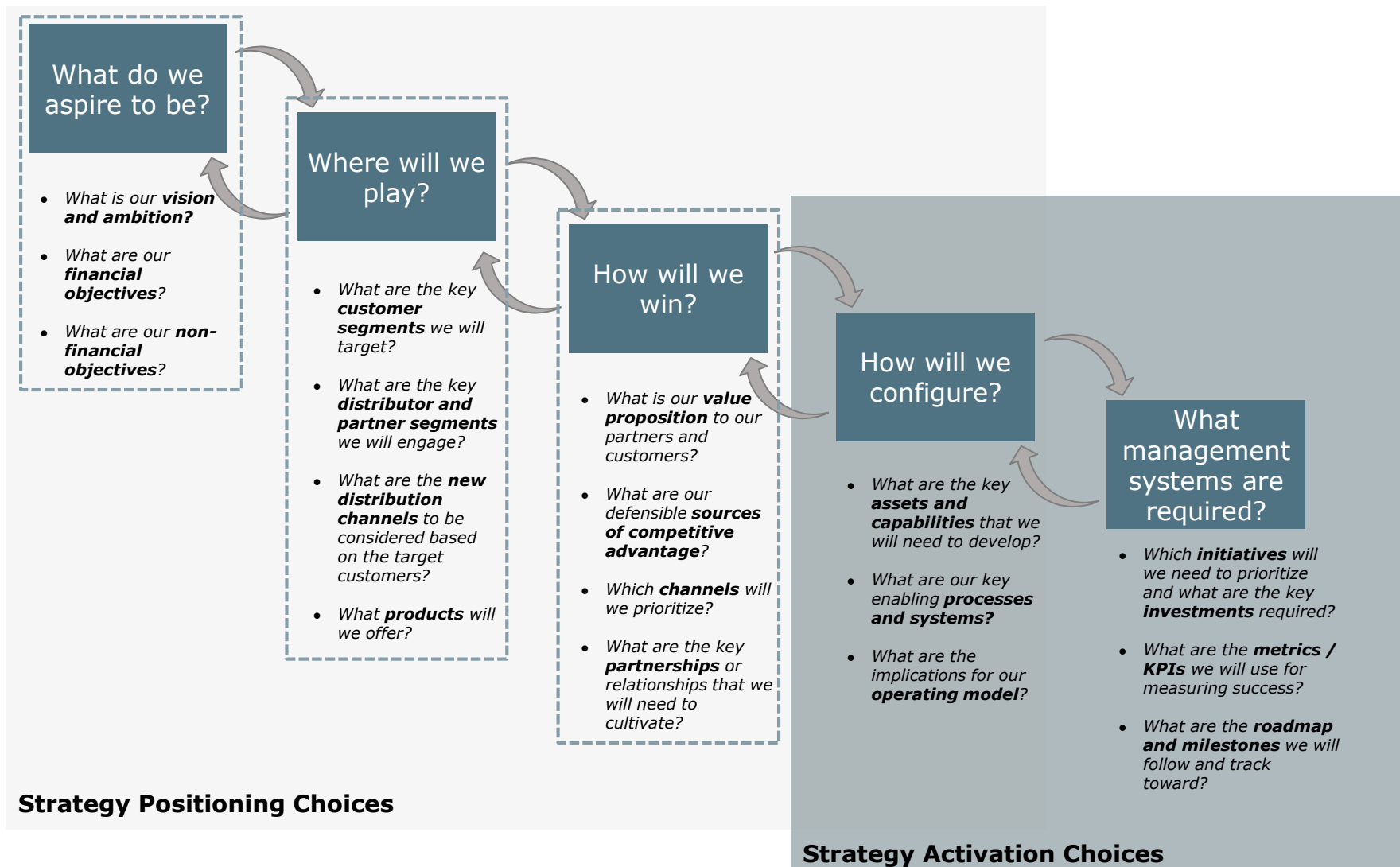
### Segments

- **Expand Target Segment:** Meet the needs of today's mass consumer by adjusting product offering to target a wider segment of the market
- **Customer Education:** Provide enhanced understanding of the CCBPI product and education to prospective customers, including what is covered and fit for needs
- **Brand Awareness:** Increased marketing driving more awareness and consideration for CCBPI products in order to compete against similar life insurance products (e.g., Term)

# **Project Approach, Deliverables and Timeline**

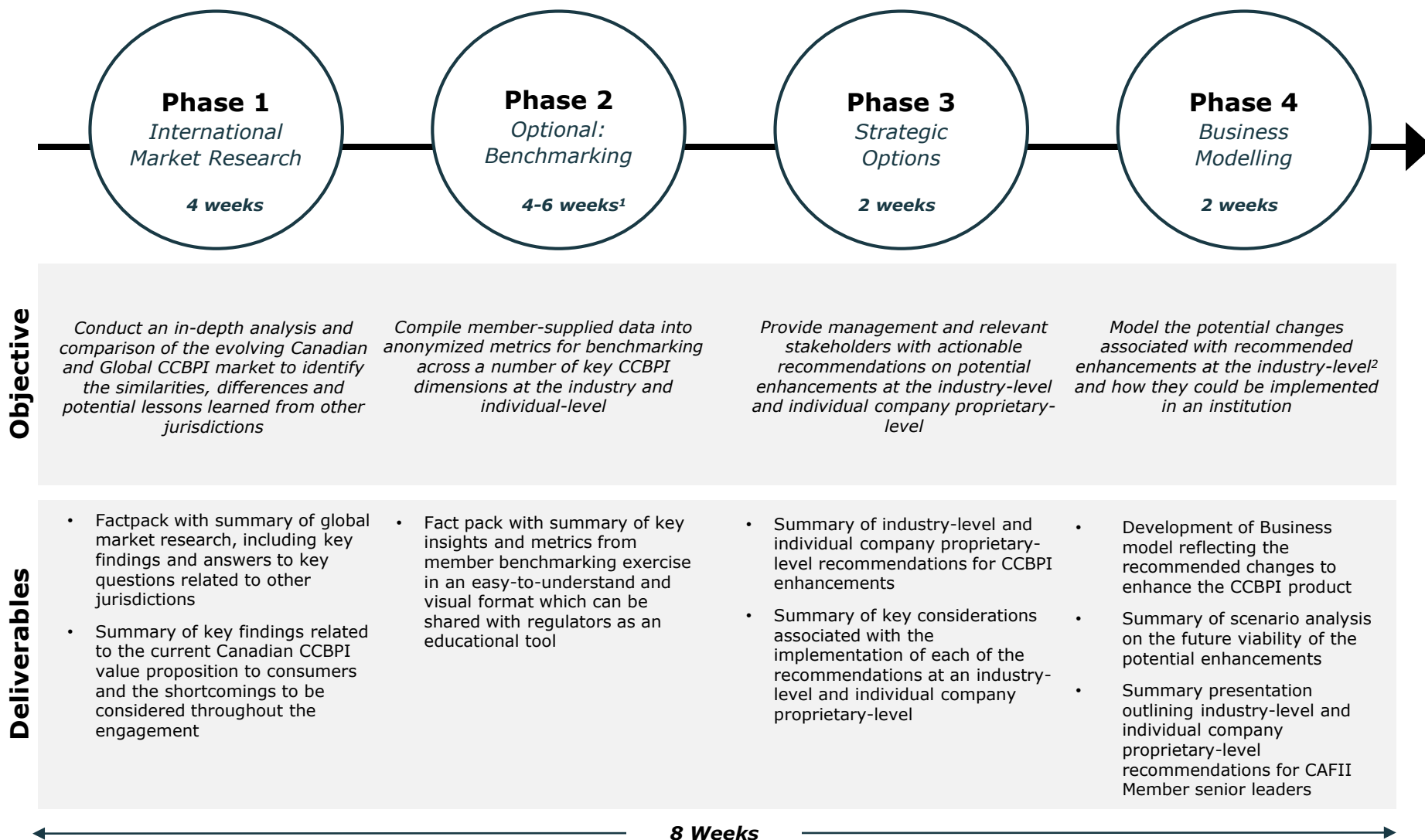
# Our Approach | Strategy Choice Cascade

We will leverage Deloitte's Strategic Choice Cascade™ in identifying and recommending opportunities to CAFII for improving the CCBPI value proposition to consumers



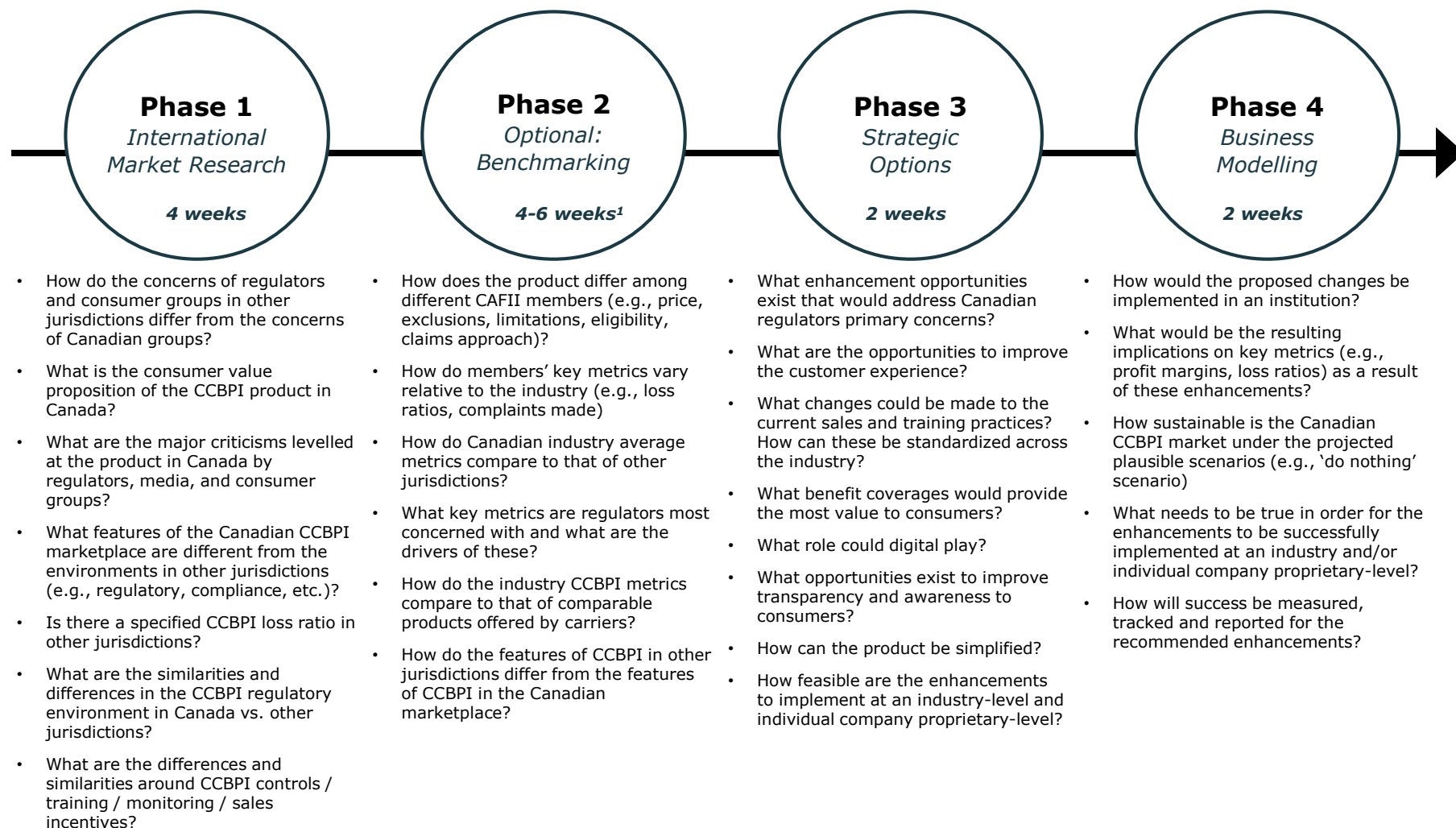
# Our Approach | Overview

We will take a four-phased approach comprised of a combination of external research, stakeholder interviews and member benchmarking to inform recommendations



# Key Questions To Be Answered

The following key questions will be addressed through the 8-week exercise





# Our Approach | Phase 1: International Market Research

A deep-dive discovery exercise will be conducted and validated with stakeholders to better understand current product attributes, and inform the international market research study

## Detailed Activities

- Provide data request to CAFII and members ("CAFII") (e.g., product offerings, market research conducted to date) to gather insight on the Canadian market for input into the international market comparison
- Conduct 2-hour kick-off meeting with key stakeholders from CAFII, Stikeman Elliott ("SE") to review and align on project approach, timelines and deliverables
- Conduct 1:1 interviews with subject matter experts including but not limited to CAFII, SE and Canadian regulatory bodies (e.g., CLHIA) to better understand threats, opportunities, and challenges to Canadian CCBPI to be explored and addressed throughout this exercise as well as Members perspective of their consumer CCBPI value proposition in the market today
- Work closely with SE to align on approach, activities and timelines for comparative research and development of the factpack
- Conduct interviews with Deloitte global subject matter experts ("SME") in other jurisdictions, specially US, Australia, UK and Ireland to gather insights on the creditor BPI marketplace (e.g., regulatory environment, key players, sales incentives, sales practices, product offerings, market trends, etc.)
- Conduct additional secondary research in order to gain a thorough understanding of the CCBPI environment in each of the jurisdictions as well as on the current state of the Canadian CCBPI market (e.g., regulatory concerns, consumer perspective)
- Conduct follow-up interviews as required with Canadian and Global subject matter experts and key stakeholders to supplement the assessment of how the Canadian CCBPI market and concerns compare to that of the other jurisdictions
- Develop a view on the current Canadian CCBPI product value proposition to consumers and summarize the primary concerns of third parties on the value proposition as it exists today
- Summarize key findings from market research and interviews, including similarities and differences between Canada and other markets into a fact pack in order to address key questions<sup>2</sup>
- Host working session with key stakeholders to review and discuss key findings from the market factpack and align on 'Goals and Aspirations' for CAFII and its members as it relates its strategic objectives for CCBPI

## Deliverables<sup>1</sup>

SCORECARD - EFFICIENCY BENCHMARKING									
LEADS ON BILLING MANAGEMENT AND CASH APPLICATION - OPPORTUNITIES IN CREDIT AND A/R									
	Canada	US	Australia	UK	Ireland	France	Germany	Japan	South Korea
1. Invoice processing time (days)	10	10	10	10	10	10	10	10	10
2. Invoice accuracy (%)	95	95	95	95	95	95	95	95	95
3. Invoice dispute resolution time (days)	10	10	10	10	10	10	10	10	10
4. Invoice payment time (days)	10	10	10	10	10	10	10	10	10
5. Invoice payment accuracy (%)	95	95	95	95	95	95	95	95	95
6. Invoice payment dispute resolution time (days)	10	10	10	10	10	10	10	10	10
7. Invoice payment dispute resolution accuracy (%)	95	95	95	95	95	95	95	95	95
8. Invoice payment dispute resolution time (days)	10	10	10	10	10	10	10	10	10
9. Invoice payment dispute resolution accuracy (%)	95	95	95	95	95	95	95	95	95
10. Invoice payment dispute resolution time (days)	10	10	10	10	10	10	10	10	10

- Factpack with summary of global market research, including key findings and answers to key questions related to other jurisdictions
- Summary of key findings related to the current Canadian CCBPI value proposition to consumers and the shortcomings to be considered throughout the engagement



# Our Approach | Phase 2: Benchmarking

The optional Phase 2 will run in parallel with Phase 1, in order to identify and survey CAFII members, gathering benchmarking data for both industry and individual member data

## Detailed Activities

- Conduct working session with CAFII to align on the dimensions to be included in the benchmarking study and to align on the approach for anonymously and confidentially collecting the data from the CAFII members
- Design a survey tool for collecting the information from the identified CAFII members such that the following metrics can be benchmarked on an industry and individual member level for comparative analysis and associated recommendations (*see metrics listed below*)
- Meet with Stikeman Elliott and CAFII to ensure the survey approach and tool is fully compliant with competition laws, and in a manner that maintains privilege
- Deploy survey to participating CAFII members, gather and consolidate CCBPI anonymous data provided by CAFII members
- Work with CAFII members to address any questions or discrepancies related to the data provided, cleanse data as required
- Conduct benchmarking analysis for all products and split by life, critical illness, disability and job loss for the following dimensions:
  - Total in-force policies
  - Total premium
  - Total claims made
  - Total claims paid
  - Percentage claims paid
  - Loss ratio
  - Applications approved/ denied
  - Total employees
  - Complaints made
  - Cancellation timing of the Product
  - Complaints escalated
- Leveraging extensive experience working with other comparable life, disability and CI product lines, compare CCBPI metrics relative to other industry benchmarks for additional insight into competing life insurance offerings
- Summarize key findings of the benchmarking analysis into an easy to understand and visual fact pack
- Conduct working session with key stakeholders to review and discuss key insights and findings from the benchmarking exercise

## Deliverables<sup>1</sup>

Dimensionality	Product/Market	Comparative Metric	Explanatory/Remarks
Industry	Life	Loss Ratio	Loss Ratio is calculated as Total Claims Paid divided by Total Premium. A lower loss ratio indicates a more profitable product.
Industry	Life	Percentage Claims Paid	Percentage Claims Paid is calculated as Total Claims Paid divided by Total Claims Made. A higher percentage indicates a more efficient claims process.
Industry	Life	Complaints Made	Complaints Made is the total number of complaints received. A lower number indicates a more satisfied customer base.
Industry	Life	Complaints Escalated	Complaints Escalated is the number of complaints that were escalated to higher management. A lower number indicates a more effective complaint resolution process.
Industry	Life	Applications Approved/Denied	Applications Approved/Denied is the ratio of approved to denied applications. A higher ratio indicates a more favorable underwriting process.
Industry	Life	Total Employees	Total Employees is the total number of employees. A higher number indicates a larger workforce.
Industry	Life	Total Claims Made	Total Claims Made is the total number of claims made. A higher number indicates a higher volume of claims.
Industry	Life	Total Claims Paid	Total Claims Paid is the total amount of claims paid. A higher amount indicates a higher volume of claims.
Industry	Life	Total In-Force Policies	Total In-Force Policies is the total number of policies in force. A higher number indicates a larger policy base.
Industry	Life	Total Premium	Total Premium is the total amount of premium received. A higher amount indicates a higher volume of premium.

- Fact pack with summary of key findings from benchmarking exercise, including an overview of how CAFII Members' CCBPI products work in an easy-to-understand and visual format



# Our Approach | Phase 3: Strategic Options

In Phase 3, the initial list of options will be vetted by Counsel and presented to stakeholders for validation and refinement to inform strategic option considerations

## Detailed Activities

- Conduct working session with key stakeholders to align on guiding principles and criteria (e.g., concerns to be addressed, maximum level of investment) that will inform and aid in the identification of strategic enhancement opportunities
- Based on research findings, stakeholder interviews and output from the benchmarking exercise, identify an initial list of strategic “where to play” and “how to win” opportunities to enhance the Canadian CCBPI product and value proposition on an industry-level and individual company proprietary-level for consideration
- Identify the key considerations and initiatives required for the industry and an individual institution to implement the enhancement in order to test the feasibility and viability of the proposed enhancement
- Conduct follow-up interviews with select stakeholders to test, refine and validate the proposed opportunities to ensure they adequately address the primary concerns of regulators
- Work closely with Stikeman Elliott to review the initial list of options to ensure they are realistic and consistent with the federal Bank Act and fully comply with obligations under the Competition Act
- Conduct working session with key stakeholders to review and discuss the initial list of strategic options (i.e., enhancements and adjustments) at an industry and individual proprietary level, clearly outlining key considerations and rationale for the recommended options and align on a refined set of prioritized options for input into business modeling
- Summarize specific and actionable industry-level and individual company proprietary-level “where to play” and “how to win” recommendations for CCBPI enhancements including key considerations for implementation (i.e., prioritization and sequencing of recommendations)

## Deliverables<sup>1</sup>

Deliverable	Baseline	Enhanced
Summary of industry-level and individual company proprietary-level recommendations for CCBPI enhancements	Yes	Yes
Summary of key considerations associated with the implementation of each of the recommendations at an industry-level and individual company proprietary-level	No	Yes

- Summary of industry-level and individual company proprietary-level recommendations for CCBPI enhancements
- Summary of key considerations associated with the implementation of each of the recommendations at an industry-level and individual company proprietary-level

# Our Approach | Ethnographic Interviews

In-depth ethnographic interviews with consumers and regulators will be conducted to test the strategic options and future value proposition opportunities

## Detailed Activities

An ethnographic approach to primary research leverages observation, perception, and interpretation to discover what is really going on in customers' mind and how they make decisions

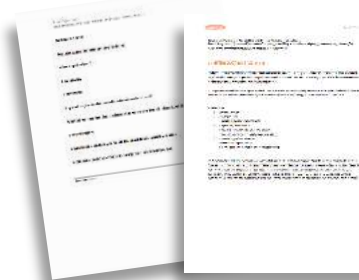
In-depth interviews are **immersive interviews** conducted in-home / at-work, and in-context that **reveal new insights** into what people actually do, how they think, and the choices they make. These interviews are designed to provide new ways of thinking about solutions and can serve as a tool for validating potential enhancement opportunities.

To support CAFII's strategic research project with deep insights from customers' perspectives, we propose including **4-5 ethnographic interviews with consumers** and **4-5 ethnographic interviews with regulators to test the proposed enhancements and how these may enable improved value propositions in the market**. These interviews will shed a light into actual needs of customers to de-risk the strategy selected by individual members by focusing on value propositions that are desirable in the market



## Key Questions

- What do consumers believe the benefit is to creditor insurance?
- What perception do consumers have of these products and do they feel they are meeting their needs?
- Will the proposed enhancements address regulators concerns and the increasing public pressure received by third-parties?
- What unmet insurance needs exist and how can the CCBPI coverages and product features be better positioned in the market to meet it?



**Statement of fact**  
uncovered from the  
research.



**Pattern in research;**  
requires some degree of  
interpretation



**"So what?" of insights.**  
How do findings impact  
the strategy?

## Target Outcomes

- Identification of unmet pain points and needs of consumers
- Deeper understanding of consumer's insurance motivations and desires
- Initial validation of CCBPI enhancement opportunities
- Input into strategic options assessment and value proposition development

# Our Approach | Phase 4: Business Modelling

Leveraging feedback from stakeholders and research outputs, we will create an initial business model and scenarios, with refinements to industry and individual product changes

## Detailed Activities

- Identify assumptions (e.g., product features, loss ratios) impacted by the recommended enhancements to be utilized and tested for business modelling purposes at the individual company proprietary-level and industry level
- Develop 'base case' scenario for the industry should no changes be made to existing CCBPI product
- Develop 1-2 plausible future scenarios based on findings from other jurisdictions and research findings from third-parties and key stakeholders to test the future viability and sustainability of the CCBPI product in Canada
- Leveraging output from the benchmarking exercise and CAFII member product information (e.g., industry loss ratios) develop a "generic" high-level business model including the base case and 2-3 plausible future scenarios for illustrating how the various CCBPI changes (e.g., increase loss ratio) at an industry level could be implemented in an institution and the resulting business and financial implications; model to be developed in a way that individual firms could test the model and corresponding changes against their own financials<sup>1</sup>
- Model and test the future viability of the recommended enhancements under the base scenario and 2-3 future scenarios
- Review high-level business model, underlying assumptions and illustrated changes as a result of enhancements with Stikeman Elliott to ensure compliant with the competition act
- Summarize business modelling documentation, assumptions, scenario analysis and modelling output for review with CAFII and CAFII Members
- Develop an executive-level presentation summarizing industry-level and individual company proprietary-level CCBPI enhancement recommendations, along with supporting business model insights, for proprietary presentations with members
- Alongside Stikeman Elliott, conduct 12 one-hour internal presentations with senior leaders of the CAFII Member institutions to make a case for why the strategic engagements should be implemented<sup>2</sup>

## Deliverables<sup>3</sup>

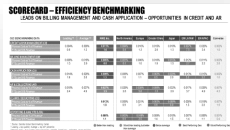





- High-level business models reflecting the recommended changes to enhance the CCBPI at an industry and individual company proprietary level which illustrate how the changes could be implemented at an institution
- Summary of scenario analysis on the future viability and sustainability of the recommended industry and individual company CCBPI enhancements
- Executive-level summary presentation outlining industry-level and individual company proprietary-level recommendations for CAFII Member senior leaders



# Deliverables

The following slide depicts the deliverables that will be provided to CAFII as part of this exercise, dependent on the option selected (i.e., Baseline vs. Enhanced)

Deliverable	Description	Enhanced	Format	Timing
<b>International Market Research</b> 	<p>Factpack with summary of global market research, including key findings and answers to key questions related to other jurisdictions (45 – 60 slides)</p> <p>Summary of key findings related to the current Canadian CCBPI value proposition to consumers and the shortcomings to be considered throughout the engagement</p>	60 - 100 slides	Powerpoint Presentation	<b>Phase 1</b>
<b>Optional: Benchmarking</b> 	<p>Fact pack with summary of key insights and metrics from member benchmarking exercise in an easy-to-understand and visual format which can be shared with regulators as an educational tool</p>	N/A	Powerpoint Presentation	<b>Phase 2</b>
<b>Strategic Options</b> 	<p>Summary of industry-level and individual company proprietary-level recommendations for CCBPI enhancements</p> <p>Summary of key considerations associated with the implementation of each of the recommendations at an industry-level and individual company proprietary-level</p>	Includes validation with 8-10 ethnographic interviews	Powerpoint Presentation	<b>Phase 3</b>
<b>Business Modelling</b> 	<p>Business model reflecting the recommended changes to enhance the CCBPI product (8-10 enhancements)</p> <p>Summary of scenario analysis on the future viability of the potential enhancements (base scenario only)</p> <p>Summary presentation outlining industry-level and individual company proprietary-level recommendations for CAFII Members senior leaders</p>	<p>10 – 15 enhancements</p> <p>Addition of 1-2 future plausible scenarios for analysis</p>	Excel Model; Powerpoint Presentation	<b>Phase 4</b>

# Independence Assumptions

We are required to provide independence assumptions to reflect the fact that certain CAFII members may be audit clients of Deloitte and therefore some services may be restricted

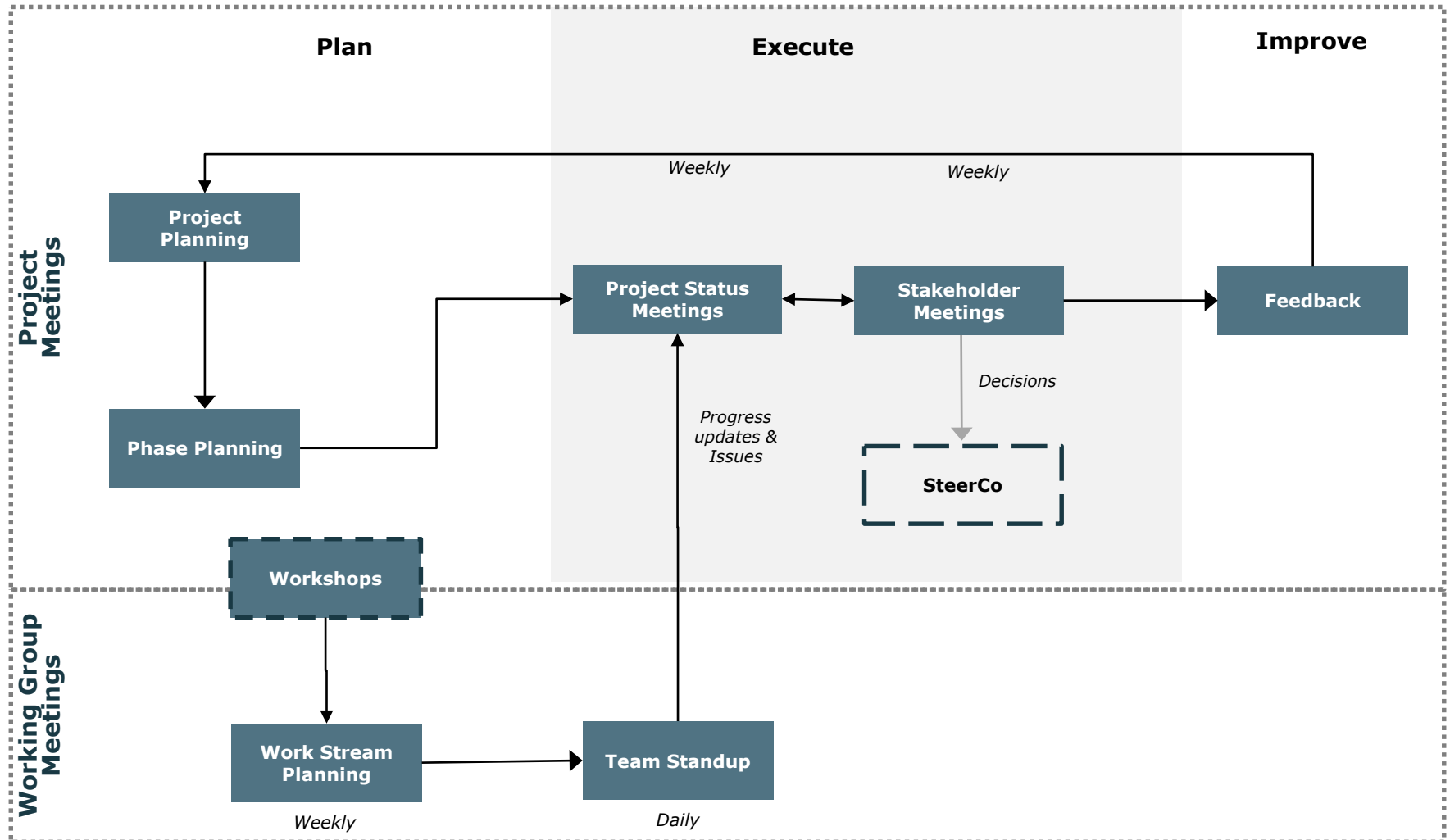
1. CAFII shall be solely responsible for, among other things: (a) making all management decisions and performing all management functions; (b) designating one or more individuals who possess suitable skill, knowledge, and/or experience, preferably within senior management to oversee the services; (c) evaluating the adequacy and results of the Services; (d) accepting responsibility for the results of the Services; and (e) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.
2. Irrespective of the roles assigned to each activity or deliverable, CAFII is accountable for the outcomes and decisions based on each activity as well as the final content of deliverables and recommendations or decisions they contain, including the ultimate selection of any strategy;
3. Deloitte may participate in workshops, perform research, conduct internal interviews, perform analysis tasks, document observations and recommendations, and advise on activities and deliverables at the direction of CAFII management, however all recommendations and management decisions based on this engagement are the responsibility of CAFII. Accordingly, the deliverables, reports, or other materials issued or prepared by Deloitte pursuant to this engagement reflect our understanding of the decisions and judgments made by management of CAFII during the course of the engagement and will be made available to CAFII management in draft form for their review and approval;
4. Deloitte can act as a project manager over Deloitte personnel; however, Deloitte cannot coordinate or oversee the work of CAFII resources. Deloitte can maintain a draft status scorecard of progress made towards achieving management's action steps and reporting on such to management. Management retains overall responsibility for the plan, management of company employees and reporting to other company executives and/or the board of directors.
5. Deloitte will not make any decisions or assessments on any third parties in completion of the engagement. Deloitte can advise in evaluating the advantages and disadvantages of alternative models, systems or processes based on CAFII provided criteria.
6. CAFII management will be solely responsible for providing accurate and complete information requested by Deloitte. Deloitte has no responsibility for the accuracy or completeness of the information provided by or on behalf of CAFII.
7. Deloitte will act as a technical advisor and facilitate Company led working sessions, based on its industry experience, best practices and Deloitte's understanding through discussions of management's established criteria.

# Our Approach | Proposed Timeline and Key Activities



# Our Project Management Approach

Regular checkpoints will be conducted throughout the project to ensure swift decision making and smooth delivery

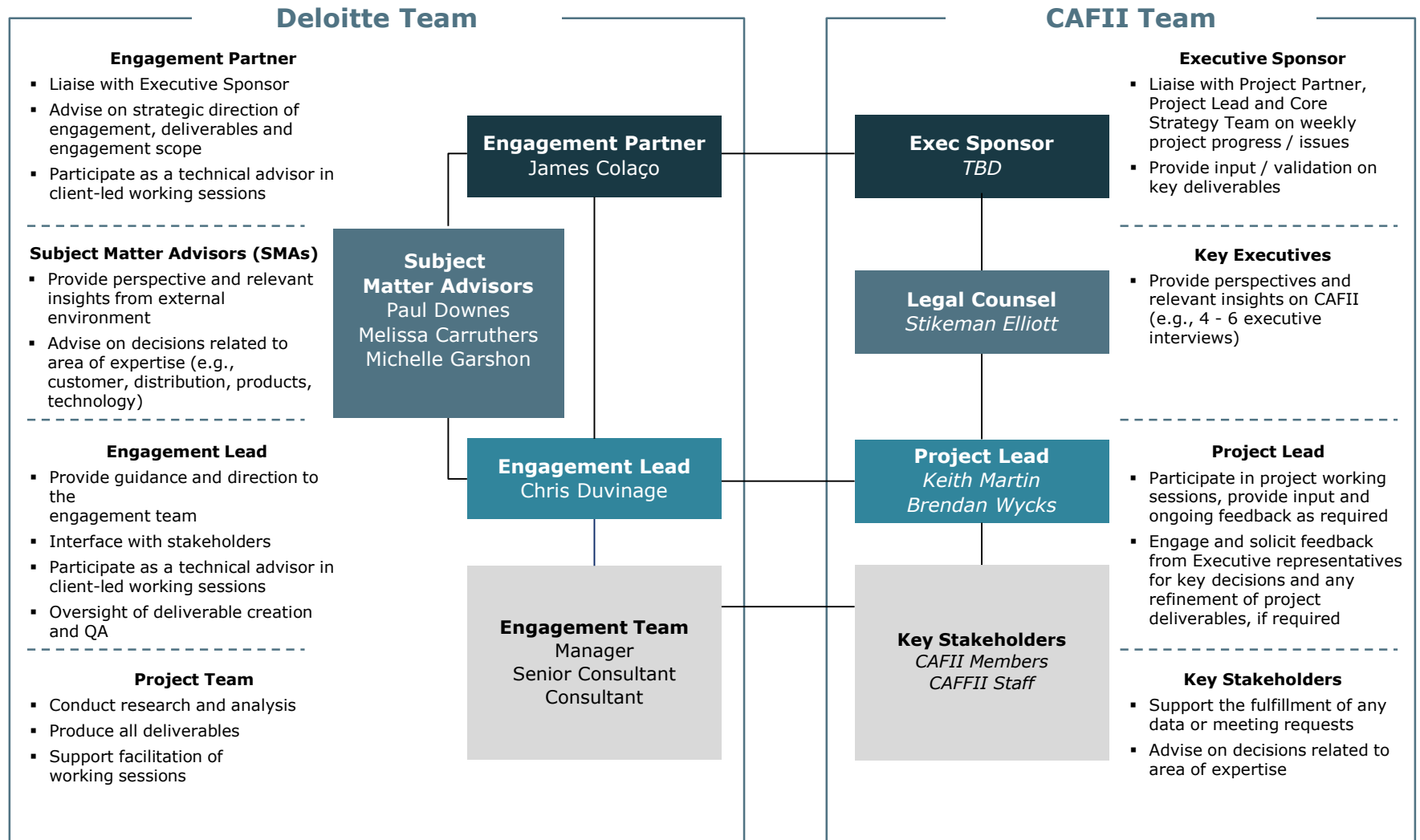


# Team and Pricing



# Proposed Team Structure

The Deloitte team will work closely and in collaboration with the CAFII team to capture inputs and drive results



# Our Leadership Team

Deloitte's leading insurance experts will be brought together to develop effective recommendations for CAFII



**James Colaço**  
National Insurance  
Sector Leader,  
Monitor Deloitte

**Role:** Engagement  
Partner

**James Colaço** is the Canadian National leader for Deloitte's Insurance practice and a Partner in the Monitor Deloitte practice. Based in Toronto, James has over 16 years' global experience. His areas of focus are corporate and business unit strategy, business case development, and business transformation, primarily in the Insurance sector. James is an industry expert in the insurance space, having led numerous strategic, operational, and transformational engagements with Canadian and global insurers. On one such case, James spent 18 months with a global insurer leading the business transformation of their pricing program. James received a B.A.Sc. in Engineering Science and a Master of Business Administration (MBA) from the University of Toronto.



**Chris Duvinage**  
Senior Manager,  
Insurance Strategy  
Monitor Deloitte

**Role:** Engagement Lead

**Chris Duvinage** is a Senior Manager in the Canadian Monitor Deloitte practice. Based in Toronto, Chris has extensive experience in helping clients develop successful sales, distribution, growth and go-to-market strategies. His recent scope of projects includes large scale sales and business transformations as well as numerous go-forward direct and indirect distribution strategies, for several top 10 P&C insurers in Canada. Chris was also involved in reshaping the product, distribution and channel strategies for one of Canada's largest Crown Corporations and providers of Specialty insurance. Prior to joining Deloitte, Chris spent several years in IT and business consulting in North America, before founding and successfully exiting two eCommerce companies in Europe. Chris holds a Bachelor of Arts Honours with distinction in Economics from Queen's University and an MBA from the University of Toronto - Rotman School of Management.

# Our Subject Matter Advisors

Deloitte's leading insurance advisors will be brought together to develop effective recommendations for CAFII



**Paul Downes**  
National Leader,  
Actuarial, Rewards &  
Analytics

**Role:** Actuarial Subject  
Matter Advisor

**Paul Downes** is a Partner and leader of Deloitte's Actuarial, Rewards and Analytics practice in Canada. I lead a team of 40 Life, P&C and Pensions actuaries across Canada. During my 25+ years in insurance I have been Chief Actuary for a UK-based life co and an actuarial consultant for nearly 15 years. Paul has actuarial experience covering IFRS 17, actuarial valuations, risk & capital management, actuarial transformation, predictive analytics and M&A. Paul is the global lead actuarial audit partner for one of Canada's largest life insurers and actuarial audit partner and Peer Reviewer for a number of other insurers in Canada.



**Melissa Carruthers**  
Senior Manager,  
Insurance Strategy  
Monitor Deloitte

**Role:** L&H Insurance  
Subject Matter Advisor

**Melissa Carruthers** is a Senior Manager in the Canadian Monitor Deloitte practice. She joined Deloitte with over six years of actuarial experience working in both the direct and reinsurance industry. Since joining Deloitte, her focus has been on life and health insurance strategy, with a focus on business unit, customer, distribution, and product strategy. Melissa currently serves as treasurer of the Society of Actuary's Entrepreneur and Innovation section council and is a frequent speaker at industry functions, presenting on topics such as the future of life and health insurance and the applications of emerging technologies in insurance operations. She is a Fellow of the Society of Actuaries and a Fellow of the Canadian Institute of Actuaries.



**Michelle Garshon**  
Senior Manager,  
Actuarial, Rewards, &  
Analytics

**Role:** Benchmarking  
Subject Matter Advisor

**Michelle Garshon** is a Senior Manager in the Canadian Actuarial Rewards and Analytics practice. Based in Toronto, Michelle specializes in Insurance Audit. Michelle joined Deloitte in early 2017 and she is a Fellow of the Society of Actuaries and the Canadian Institute of Actuaries with over 25 years' experience in the Insurance and Banking Industry. Prior to joining Deloitte, Michelle spent over 16 years working in Insurance branches of major Canadian financial institutions, occupying senior leadership roles for Insurance and Pension risk, where she had significant focus on the banks core insurance creditor products. Her roles also included pricing and product development along with product management of creditor insurance with major focus on accidental death insurance, credit card balance insurance for life, job loss and disability as well as travel medical insurance.

# Project Fees

Our fees based on the proposed approach and scope outlined within this document are provided below

## Deloitte's Fees

### Phases 1, 3 & 4: Baseline

**\$350,000**

*Includes all deliverables included under the 'Baseline' Option on Slide 24*

### Phases 1, 3 & 4: Enhanced

**\$450,000**

*Includes all deliverables included under the 'Enhanced' Option on Slide 24*

### Phase 2: Benchmarking

**Standalone: \$250,000**  
**Discounted with Phases 1 3, & 4:**  
**\$200,000**

*Includes all deliverables included within Phase 2: Optional Benchmarking*

- Fee estimates are CAD, based on fixed fee, and are exclusive of expenses and any applicable taxes
- Half of fees (and applicable expenses) will be invoiced mid-way through the engagement (i.e., end of Week 4) with the remainder invoiced at the end of the engagement (i.e., end of Week 8)
- Expenses are anticipated to be limited (<10%), and will be billed at cost upon completion of the engagement

## Other Assumptions

- **Data / Materials:** access to all relevant data and materials, including all prior work regarding strategic planning, will be made available at the project outset to enable rapid mobilization.
- **Scheduling:** all executive workshops and key meetings will be scheduled prior to project initiation
- **Stakeholders:** ready access will be provided to Executives and other key stakeholders to enable completion of the deliverables as per the timeline
- **Governance:** a project governance structure (e.g., Steering Committee, Working Group) will be set-up as required during Week 1 and key stakeholders will be briefed such that the team are able to make an accelerated start
- **Change Control:** any proposed expansion of scope or resources will be discussed with the Executive Sponsor prior to incurring changes

# The Deloitte Difference

# Why Deloitte?

Deloitte's multi-disciplinary consulting model allows us to combine our leading Canadian L&H insurance team with access to a network of next generation tools and accelerators



**We shape the agenda of the financial services industry**

- Through our **collaboration with the World Economic Forum** on the *Future of Financial Services*, Deloitte is at the centre of an evolving financial services innovation ecosystem
- Deloitte's 2017 **Canadian Life & Health Insurance Outlook Survey** provides valuable insight into the competitive landscape and upcoming trends against which Canadian Life Insurers can be benchmarked across multiple areas of focus



**We are the strategic advisor of choice to leading insurers**

- Deloitte has **extensive qualifications** in developing executable strategy, customer experience, and transformation projects for major financial institutions and insurers both in North America and globally
- Deloitte serves as a strategic advisor to all of the **top 10 L&H insurers** in Canada and the US



**We put customers at the centre**

- Deloitte recognizes one of the most critical elements of success is putting **customers at the centre**
- Deloitte's Dublin practice has pioneered the field of **user-driven design and innovation**; we are one of the global leading experts in unveiling customer needs and pain points and translating them into winning innovative solutions



**We offer proven capabilities to accelerate value realization**

- Deloitte's service offerings **expand beyond strategy** and innovation to digital, technology, actuarial, analytics, and change management capabilities
- We have **real and varied experience** taking a design on paper through implementing it with people in the organization, which makes our designs tactical and real



**We are a leader in business analytics**

- Our **analytics-enabled approach** leverages advanced tools to efficiently and dynamically cleanse and confirm current state data, design the future state structure, and track benefits realization and delivery quickly and efficiently, helping to drive smarter insights faster
- **Omnia**, Deloitte's new artificial intelligence (AI) practice, is **the largest provider of end-to-end AI solutions in Canada** and is comprised of centralized best-in-class data and analytics capabilities. We are consistently ranked by analysts like Forrester and Gartner as global leaders in business analytics

***Deloitte will bring a robust insurance industry lens and proven methods for success for developing recommendations to improve the customer value proposition of the CCBPI product***

# We Are Drivers in the Insurance Industry

Deloitte addresses a broad range of issues brought on by globalization, advances in technology, regulatory changes, competition and the changing demands of customers

## Deloitte's Global Insurance Practice Highlights

- Deloitte's global insurance practice includes more than 800 partners and directors and 4,900 practitioners across the globe, of which over 500 in Canada
- Our Insurance practice serves:
  - **18** of the top **20** Insurance Firms
  - **10** of top **10** P&C Insurers
  - **10** of top **10** L&H Insurers
  - **5** of top **5** Insurance Advisors
  - **8** of top **10** Reinsurers
  - **7** of the **10** largest group practices
  - More than **500** insurance clients in over **40** countries
  - **Market eminence** through thought leading research and benchmarking surveys
- Deloitte is also leader in serving world-class financial services companies. Deloitte member firms serve:
  - **20** of the top **20** Banks
  - **17** of the top **20** Asset Managers
  - All **10** of the top **10** Securities Firms

Deloitte works with  
**ALL**

**Top 10**

Canadian L&H Carriers

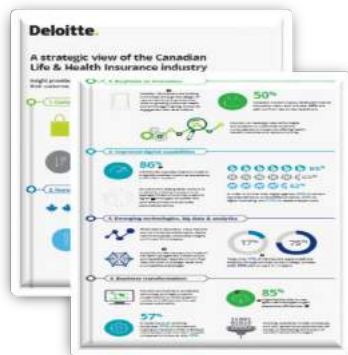
**500+**

dedicated insurance  
professionals



# We Are Insurance Industry Thought Leaders

Through extensive experience with Fortune 500 companies, we have developed a number of perspectives for the insurance marketplace over the past few years



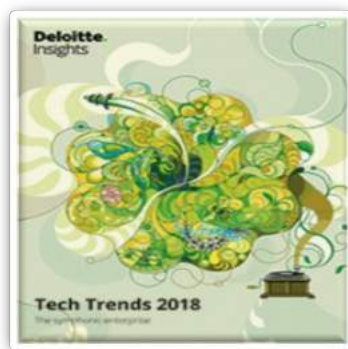
*2017 Canadian Life & Health Insurance Outlook Survey: A strategic view of the L&H insurance industry*



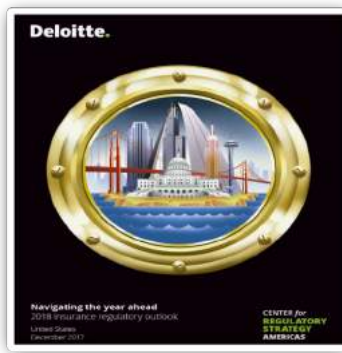
*2019 Insurance Industry Outlook: Shifting strategies to compete in a cutting-edge future*



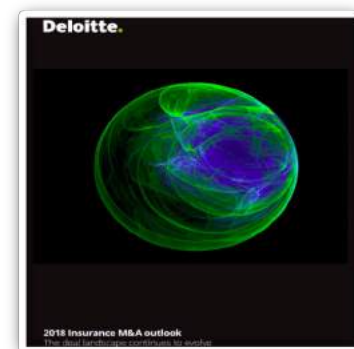
*The Future of Financial Services: A World Economic Forum initiative*



*Tech Trends 2018: The symphonic enterprise*



*Top regulatory trends for 2018 in Insurance*



*2018 Insurance M&A Outlook: The deal landscape continues to evolve*

# Our Actuarial, Rewards & Analytics (ARA) Practice

Deloitte's ARA practice has been advising clients since 2003, providing actuarial consulting services to many clients within the insurance industry

## Research, Benchmarking & Advanced Analytics Capabilities

Our Canadian actuarial practice has extensive experience supporting the insurance industry on conducting research, both quantitative and qualitative, to support competitive benchmarking across multiple product lines and areas of the value chain.

### INSURANCE ANALYTICS

#### Underwriting

- Identify best risks and prioritize acceptance efforts
- Identify applicants for whom additional underwriting is needed
- Support a simplified underwriting process

#### Pricing

- Improve pricing accuracy (refined pricing or better risk categorization using better predictors)
- Project impact of deviations from pricing parameters

#### Experience studies and reserving

- Identify experience drivers
- Improve mortality / lapse assumption modeling
- Reserve more accurately

#### Inforce management

- Improve customer experience: provide tailored services and relevant information to customers
- Identify and retain clients
- Profile clients
- Cross-selling/ Up-selling: offer additional products to current customers

#### Claims management and insurance fraud detection

- Predict claim frequency and severity
- Claims triage/ preliminary processing
- Prioritize claims management resources
- Identify likely fraudulent activities
- Find fraud patterns

### OPERATIONAL ANALYTICS

#### RPA-AI Modeling

**Risk management:** Determining range of outcomes of key performance metrics, capital/equity modeling

**HR analytics:** Direct employee to best functions, improve employee retention, assess impact of human resources policies on performance

#### (Non-insurance) fraud detection

### MODELING SUPPORT AND GOVERNANCE

**Preparedness assessment:** Analyze preparedness and support the development/implementation of databases

#### Data clean up

#### External data sources/ vendor selection

#### Exploratory Data Analysis and visualization

#### Modeling support

#### Model conversion

#### R training

#### External review/ Model validation

### SALES ANALYTICS

#### Sales and marketing

- Identify target sales groups
- Identify individual characteristics correlated with purchase decision
- Understand purchase behaviors and recommend the right product

#### Distribution/Agency management

- Identify traits of highly productive agents
- Retain productive agents
- Match prospective clients with the most appropriate sales agent

# Our Financial Services Industry (FSI) Practice

We offer solutions that are tailored to the unique needs of clients within the financial services arena

## Global Financial Services Industry Practice

- We established the Global Financial Services Industry (GFSI) in 1994 in response to the globalization of financial services and the increased complexities the changing landscape posed for financial services firms and regulators
- Today, our GFSI practice includes more than 45,000 dedicated professionals across the global Deloitte network who serve over 100 of the 119 FSI companies on the Fortune Global 500 through four distinct sectors:
  - *Banking and Securities*
  - *Insurance*
  - *Investment Management*
  - *Real Estate*
- Our GFSI network provides global resources and capabilities, yet our presence is local– with a clear understanding of the Ontario market. Our practice has been recognized by leading market analysts for our depth and breadth of expertise, including most recently by Kennedy for our expertise in Financial Services
- In response to the demand for specialized services from regulators, we have mobilized a global network of over 1,100 professionals in more than 115 countries who have relationships with some of the world's largest regulatory bodies
- These capabilities and expertise provides us with an intimate understanding of the environment in which regulators operate and the unique challenges and opportunities they encounter
- Today, we address the unique challenges of financial institutions by sharing experiences, leading practices, methodologies, and resources through the GFSI network

## Canadian Financial Services Industry Practice

- Our Canadian Financial Services practice includes more than 1,000 professionals in six regions across the country
- We offer solutions that are tailored to the unique needs of clients within the financial services arena
- For example, we serve more than 1,000 financial services clients, including 89% (or 106 companies) of the 119 FG500 FSI companies
- Our deep capabilities and experiences within the Canadian financial services sector will help CAFII leadership to better understand the landscape under which it will operate and its underlying member organizations.



- ✓ **#1 in Global Financial Services Consulting**
- ✓ **Global leader in Finance Transformation Consulting Services**

# Deloitte's Insurance Market Relationships

We have curated and established an insurance ecosystem of partners, including regulatory bodies, enabling Deloitte to keep up-to-date with evolving market trends

## Our Industry Relationships

### Canadian Insurance Ecosystem

#### Regulators & Industry Groups

Responsible for developing policies, regulations, and methods to govern the ecosystem



#### Incumbent Insurance Institutions

Built relationships with leading insurers through prior consulting engagements and audit advisory work



#### Insurtech Ventures

Developed partnerships and advisory roles with start-ups to collaborate and embed their capabilities into clients' PoCs and digital solutions



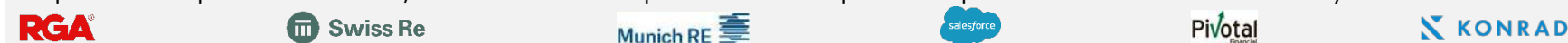
#### Technology Clusters

Hubs that provide a collaboration platform and investments to help start-ups accelerate their pace of innovation



#### Delivery Advisor

Deep relationships with reinsurers, internal & external partners that help Deloitte provide state-of-the-art advisory services



## Leader in Insurance Innovation

### Insurtech Summit



- In June 2017, Deloitte hosted the Insurtech Summit in Toronto. As the first-of-its-kind event in Canada at scale, our leaders brought local and global experts from all segments of the insurance ecosystem to learn about trends and discuss the implications that innovation and emerging technologies will have on the industry
- In May 2018, we hosted our second edition, with global and local experts covering topics and future scenarios related to insurance in the age of artificial intelligence
- Our strong relationships with InsurTechs and incumbents has introduced a multitude of partnerships in recent years and accelerated the strategic priorities across the industry

# Qualifications

# Insurance Strategy Qualifications

# Leading Canadian Financial Institution

Established strategy and foundational capabilities to drive digital creditor product growth



## Issue

The client, a leading Canadian financial institution, sought to establish a strategic direction and define an executable transformation roadmap that centered on growing its Life and Health insurance portfolio, including all creditor insurance lines.

## Solution

Deloitte's approach consisted of validating the client's strategy, determining the target operating model, identifying business and technology capabilities required, and sequencing initiatives to align with key growth objectives. In parallel, benefits and investment profiles were clearly articulated, understood, managed, and tracked to deliver a practical transformation roadmap.

First, Deloitte conducted a market and competitive analysis, which highlighted emerging customer expectations of an end-to-end, immersive digital experience when purchasing L&H insurance products. This insight, coupled with the client's increased focus on digital distribution lending products (e.g., mortgages, cards), triggered a re-think of its creditor insurance strategy, including a review of product offerings and distribution channels. After identifying opportunities to enhance their creditor product offerings to drive increased penetration of their existing card members, Deloitte defined the capabilities and key initiatives required to implement the reinvented creditor insurance strategy.

## Impact

The project provided the client with a strategic direction and executable roadmap based on actionable market insights. This enabled their transformation journey, providing them with an opportunity to capture additional value from new and existing card holders.



# Large Canadian Co-Operative

Designed a comprehensive business plan for entry into the Canadian creditor insurance market



---

## Solution

Deloitte conducted market analysis and used its findings to inform the development of a detailed creditor insurance business plan for a newly established subsidiary. First, Deloitte researched the creditor insurance market, developing an understanding of its size, trends, and competitive dynamics while identifying benchmarks against leading practices. Insights from this research were leveraged to create a market entry strategy that included identification of target customer, articulation of a value proposition, and the identification of priority capabilities required for success.

The market entry strategy was used to drive a detailed operating plan, which included an operating model, talent strategy, and implementation roadmap. Finally, Deloitte developed a five-year financial plan and set of key metrics, validating the strategy through analysis of performance across multiple scenarios.

---

## Issue

The client, a leading Canadian financial service co-operative, sought to expand into new markets by becoming the credit life insurance company of choice for select retail banks. This required the development of an end-to-end business plan that took into account market dynamics, detailed operating considerations, and robust financial analysis.

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## Impact

Deloitte's development of a rigorous business plan allowed the client to rapidly establish a creditor insurance subsidiary positioned to grow rapidly and provide a high and sustainable ROI. An in-depth market analysis highlighted ways to deliver differentiated value to customers, while detailed operating and financial plans provided the client with a clear roadmap to success. The client used the comprehensive blueprint to effectively grow its business and diversify into a new market.

# Canadian Group Insurance Carrier

Developed a product strategy for its group life and disability products business lines



## Issue

In recent years, the carrier was struggling with poor profitability on its Group Life and Disability book of business. The client engaged Deloitte to conduct a review of current operations and existing product portfolio to identify opportunities to improve not only the product suite but also areas for generating more sustainable profit margins.

## Solution

The scope of the engagement included conducting a competitive review of product offerings in the market and benchmarking those to the client's existing product shelf in order to identify gaps as well as areas of opportunity to differentiate its offerings in the market. In parallel Deloitte conducted in-depth primary research through ethnographic interviews with advisors, sponsors and members to better understand unmet needs and preferences, and underserved segments in the market for further input into generating and assessing strategic product opportunities.

Deloitte facilitated working sessions with senior leadership and key stakeholders in order to gain alignment on the opportunities that they would like to pursue. Following this, Deloitte identified the required capabilities and associated capability gaps to be addressed through key priority initiatives to enable the execution of the desired strategy. Final output included the development of an actionable high-level execution roadmap.

## Impact

Deloitte helped the client land on a future product suite in order to address key gaps, enable them to be competitive in the marketplace, and identify partnership opportunities that would create a more comprehensive product suite while simultaneously achieving more sustainable profit margins.

Through ongoing implementation support, Deloitte is now assisting the client in the roll-out of the strategy through a series of tactical execution initiatives.

# Leading Canadian Financial Institution

Identified unmet customer segments' needs to drive a differentiated experience and offering



---

## Issue

The client, a leading Canadian financial institution, was in the midst of a major transformation of their General Insurance business. As part of this program, a customer segmentation model helped form the foundation of a differentiated and personalized customer experience and opportunities to improve their customer value proposition. The client took the opportunity to revisit their existing model, which had not been widely accepted or operationalized, and sought to build one able to drive action and be readily applied in pursuit of transformation priorities.

---

## Solution

Deloitte used a three-phase customer segmentation build to drive actionable and differentiated customer experiences by segment, understanding and anticipating their needs.

- In Phase 1, Deloitte created segments from the client book of business (1 million+ current customers) using advanced multivariate techniques and machine learning
- In Phase 2, Deloitte overlaid external geo-demographics data (EnviroNics Analytics) to further define segments.
- In Phase 3, Deloitte conducted primary market research among segments to size the overall market, and provide additional profiling metrics unavailable from other sources.

The final deliverable included detailed customer personas and implications to key workstreams within the transformation program that would ultimately transform the value proposition in the market and how the organization delivers on it.

---

## Impact

The segmentation model was readily accepted by stakeholders and has quickly become the common language for efforts to revitalize the value proposition and brand across marketing, customer service and other touch points.

# Large Canadian Financial Institution

Identified opportunities to reimagine specialty lines after-sale credit protection offering



## Issue

A large Canadian financial institution engaged Deloitte to provide a point of view and identify key opportunities to reimagine their after-sale credit protection offering available to car dealerships which was struggling to achieve growth targets.

## Solution

Deloitte developed a research approach designed to identify stakeholders' motivations and behaviour drivers in order to effectively create a differentiated offering. Through research, it was discovered that a product-led approach to credit insurance offering design did not incorporate important value propositions relevant to many of them. Deloitte learned that:

- Consumers needed to understand the value and potential risk associated with their new purchase, and then explore varying levels of coverage
- Car dealers needed a simple commission product integrated into their 'menu selling' process and aligned with other aftermarket products that do not compete for the same budget envelope
- Dealers were not ready to go digital
- Sellers needed a better approach to selling, and a better way to navigate after-sale product options. Customer needs and likely purchases must be assessed in real time, and it is difficult to align them with products on which sellers have expertise and will make the highest commission

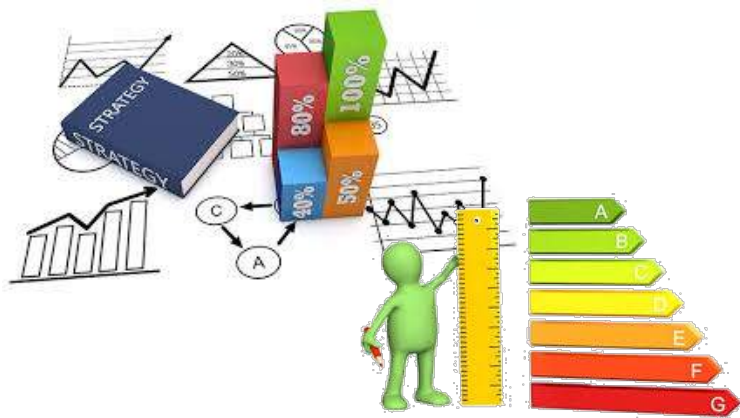
## Impact

This information helped the client to deeply understand the range of parties and interactions relevant to its after-sale credit protection products, ensuring that its offering aligns with their needs, motivators, and behaviour drivers. Stakeholder insights led to the identification of opportunities to create a differentiated offering and strong value proposition.

# Industry Research and Benchmarking Qualifications

# Canadian Institute of Actuaries

Conducted industry benchmarking study on analytics capabilities of Canadian Life Insurers



## Issue

The increasing availability of big data and the use of predictive analytics are changing how insurers have traditionally operated. Both the Canadian Institute of Actuaries ("CIA") and the Society of Actuaries ("SOA") have identified predictive analytics as a strategic priority and were looking to engage a consultant to lead an industry-wide research effort to better understand the maturity, tools and applications of predictive analytics in the Canadian Life Insurance market.

## Solution

Over the course of twelve weeks, Deloitte conducted in-person interviews with representatives from each of the Canadian Life and Health insurers which was then supplemented by a survey tool which was deployed to the same insurers in order to capture more detailed data in a standardized format which could then be used for benchmarking purposes.

Deloitte was responsible for developing the survey questions, deploying the survey tool and conducting interviews with participants, collecting and cleansing the survey data then compiling and summarizing benchmark findings.

Throughout the analysis, the DELTA method was applied in assessing the maturity of each organization's predictive analytics capability. The benchmarking results and maturity assessment were then summarized and p[resented back to leaders of the participating organizations.

## Impact

The insight from this research study provided the CIA and SOA with industry level benchmarks for which to present back to its members, providing them with a perspective of the future of predictive analytics applications and maturity in the next 3-5 years. It also provided individual participants the opportunity to benchmark themselves to their competitors.



# LTD Claims Analytics

Developed an industry-wide predictive model for LTD claims aimed at improving carrier-specific management of long term disability cases



---

## Issue

The Canadian industry as a whole was struggling with its ability to achieve profitability targets on its disability business due to increasing claims volumes, both frequency and severity, of both LTD and STD cases. As a means to support its clients with more accurate assumptions and insight into comparator benchmarking on LTD claims, a global reinsurer engaged Deloitte to support them in the development of a predictive model for industry LTD claims.

---

## Solution

Deloitte supported the reinsurer by gathering all client LTD claims data, including 12-15 Canadian carriers which participated, along with additional data dimensions (third-party and internal) which would be used to identify the factors underlying industry and carrier specific LTD experience.

Deloitte was responsible for gathering, cleansing and consolidating the data prior to developing a predictive model based on the monthly probability of termination for long-term disability claims using a Generalized linear model (probit).

This model was then provided back to the reinsurer to provide as a value-add service to its clients as they look to update their LTD termination assumptions as well as more proactively manage their claims within the distinct individual carriers.

---

## Impact

The predictive model gave insights beyond the industry tables produced by Canadian Institute of Actuaries study that allowed to identify the key drivers. The predicted cumulative termination probability allowed us to identify claims to manage more closely, by carrier.

**About Deloitte**

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