

# Exploring Emerging Technology & Gen AI Trends in CPI

2024 Research Project | Proposal

# Background & Objectives

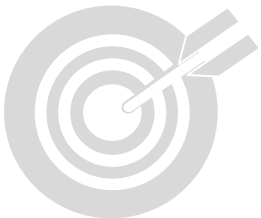
CAFII is looking for an independent perspective on evolving technology trends and their implications to the credit protection insurance industry and customer experiences



## Background

- Previously, following CAFII's 2021 consumer research report, CAFII engaged with Deloitte to develop a perspective on the Digitization of CPI to understand how the CPI consumer journey could be digitally optimized
- Today, CAFII is in the process of reviewing options for its 2024 research project, and is looking for a partner to help explore the most critical emerging technology trends that are shaping the insurance industry, and in particular, the credit protection industry
- There is an opportunity for Deloitte and CAFII to work together on CAFII's 2024 research report to understand the implications of new emerging technology trends, building off of our previous perspective, and including the future of CPI and customer experiences

CAFII is looking to engage Deloitte to support them in achieving the following outcomes:



## Objectives

- 1** Develop a **perspective on the most critical emerging technology trends**, including the use of Generative AI
- 2** Understand and **share key implications** of emerging technology trends to the **Canadian CPI landscape** and **customer experiences** and expectations
- 3** **Summarize insights into an independent perspective report** to be shared with the CAFII Board and to the public and industry regulators through the Association's website

# Key Challenges Driving Change & Investment in Technology

There are several challenges facing the insurance industry today, which are pushing insurers to pursue transformational change to remain competitive and differentiate themselves in the market



## Reliance on Legacy Platforms

- **Complex core system environments with multiple legacy systems** are increasingly impairing digitization efforts
- Legacy technology is limiting **data transfer** and **ability to share information**
- Most insurers use highly **customized** platforms that require **significant investment to replace**



## Disparate Data Sources

- **Systems and data sources remain disparate**, resulting in **lack of streamlined solutions** and complexity to **convert business**
- Many insurers **do not have a centralized view of the customer** (e.g., personal and financial information), with the flexibility to be **shared across channels and business lines**, limiting servicing and cross-sell opportunities



## Lack of Specialized Resources

- **Limited specialized resources** to maintain platforms is **creating risks for business / IT**
- As insurers **build and enhance their digital capabilities**, they will **increasingly need to compete with industry peers and global tech giants** across industries for top talent
- Competition intensity, tied to rising attrition rates and retirement, is also leading to **retention challenges**



## No One Size Fits All Solution

- **System synergies are limited between lines of business**, amplifying the number of solutions carriers must maintain
- It is **common to find multiple solutions to support one function** (e.g., underwriting)
- Market consists of vertical solutions (e.g., adapted to specific LOBs), with **limited vendors offering cross-functional solutions**



## Complexity of Products & the Need for Advice

- **Varying complexity of products** results in **challenges with integrating** the appropriate **distribution channels, systems, and servicing options** across product lines
- Customers are **increasingly seeking digital options, but continue to value advice** in the insurance purchasing journey, **requiring integrated omni-channel solutions**



## Increasing Regulatory Scrutiny & Evolving Regulations

- Carriers operating across **multiple provinces / countries**, particularly in CPI, are **facing additional complexity** (e.g., varying business rules / legislation)
- Insurance and technology **standards** (e.g., Data Protection Act & Insurance Act) also can **vary across regions**, forcing carriers to **cluster or integrate solutions**

# Resulting Technology Trends & Areas of Investment

Providers globally are leveraging innovative trends, including emerging technology, digital, data and AI, in their end-to-end transformation programs to achieve a differentiated competitive advantage, operational insights and deeper insights



## Integration of Digital Capabilities Across Operations

Digital organizations have a **commitment to relentless expense efficiency and optimized customer acquisition / retention** through investments in data, advanced analytics, automation and digitization across the front-to-back-office operations, **resulting in margin pressure on players slow to respond**



## Platform Modernization

Insurers are moving away from **custom-developed systems** towards **vendor-platforms** becoming an **integrator of solutions in order to create an ecosystem** best suited to meet business needs without growing the expense base proportionately



## Use of Artificial Intelligence (AI)

While the value of AI is now undoubtable, the question has become **how to best use it**, which often boils down to how much workers and **end users trust AI tools, particularly with the emergence of Generative AI (GenAI)**



## Data Activation and Ecosystem Connectivity

The increased **availability of data**, exacerbated by the **advent of ecosystem networks**, and the **use of advanced analytics to derive greater insight**, provides insurers an opportunity to fully leverage their best asset and **drive greater personalization and transformation** across the value chain



## Multi-Cloud Management

**Agile and modular cloud architecture**, which is expected to simplify multi-cloud management, is allowing insurers to further plug-and-play apps and begin to turn to a layer of abstraction and automation that offers a **single pane of control**

# Providers Taking Action are Realizing Significant Revenue & Cost Benefits

Providers that have successfully implemented digital capabilities and innovative use cases across their organization have realized increased operating efficiencies, improved consumer experiences, and defensible competitive advantages

## 1. Enabling more efficient and cost-effective operations



*Digitization for mid- and back office unlocks efficiencies of internal and external operations, maximizing productivity at reduced costs*

### Impacts in insurance

- **Reduces the average time and associated costs** to execute transactional processes by **60% to 80%** on average<sup>1</sup>
- Ensures consistency and accuracy of data in reporting by **eliminating manual errors** by **80% to 99%**<sup>2</sup>
- Provides ability to **shift FTE focus from report generation to analysis** by **30% to 60%**<sup>3</sup>
- Investments in AI and machine learning across contact center operations has proven to reduce **operational expenses by ~30% on average**

## 2. Delivering customer-centric experiences at scale



*Digital platforms are driving scale & growth for insurers through the use of personalized, consumer-centric experiences*

### Impacts in insurance

- Minimizes consumer drop-off and increases conversion by optimizing and personalizing the digital enrollment experience; Lemonade Insurance has seen a **250% increase in quote-view-to-purchase rate** and **50% increase in extra coverage conversion**<sup>1</sup>
- Maximizes consumer retention through personalized offers and continued engagement, driving **10-50% reduction in churn** from implementing next best action<sup>2</sup>

## 3. Disrupting the market through differentiation



*Incumbent insurers are beginning to use insurtechs as enablers across the value chain and to address changing consumer demands*

### Impacts in insurance

- Global Insurtech Market is growing rapidly (valued at USD **\$5.48B** in 2019 and expected to reach USD **\$10.1B** by 2025, growing at a CAGR of 10.8%)<sup>1</sup>
- Insurtech companies have **disrupted the market and grown rapidly**, such as Lemonade Insurance that **grew its revenue from \$0 to \$100M** in only 2.5 years<sup>4</sup>

Leading providers that are capitalizing on new technology and innovation by pursuing **strategic investment opportunities** can **far outpace competitors across these three key benefit dimensions**

# Global Providers are Actively Investing in Emerging Technologies

We are seeing leading providers deepen their investment into emerging technologies in order to differentiate themselves and future-proof their business to meet rising consumer expectations and remain competitive



## Using GenAI to Improve Risk Assessments

- **Zurich Insurance is applying AI / GenAI** through a variety of business processes to **optimize their results and efficiencies**
- For example, Zurich Insurance is experimenting with OpenAI's chatbot, ChatGPT, to **utilize artificial intelligence (AI) in data extraction for claims processing and modeling**
- Zurich is **feeding the chatbot with six years of claims data** to enhance underwriting by **identifying specific causes of loss across claims**
- They are also applying AI to **create new insights** for customers to **enhance risk management**



## Equipping Teams with AI-Powered Platforms & Tools

- **DBS**, Southeast Asia's biggest lender, has been a **leader in its use of data and AI**
- They have built an in-house solution, ADA, which is an **internal self-service platform** that functions as a **single source of truth**, which they have **paired with ALAN**, their **AI knowledge repository** to support employees
- They have also launched **their own DBS-GPT**, an employee-facing version of ChatGPT to **assist employees** with content generation in a secure environment
- They have also leveraged a **machine learning model** to identify the **right time** to engage with and the **right insurance plans for their customers** based on their **stage of life**




## Pursuing Company-wide Cloud Transformation

- Securian Financial completed a multiyear journey to achieve **company-wide cloud adoption**, addressing both **technical and cultural change management**
- Securian describes their move to the cloud as being **central to future-proofing** the business to be able to **adapt to a faster pace of change** and **simplifying experiences** for customers and employees across LOBs (e.g., Credit Protection)
- As part of the migration, they determined that **over 70% of their applications** could **move over to Amazon Web Services (AWS)** cloud platform over the course of **3 years**
- The move to the cloud also allows them to **quickly deploy new technologies** (e.g., an AI-powered chat deployed in 8-10 weeks)

# Our Proposed Approach

Below is a high-level overview of the key activities that we would plan to pursue as part of our partnership with CAFII on the 2024 research report, which includes collaboration with CAFII, Global Deloitte SMEs and supplementary research

Key Activities					Additional Details
					
<b>Collaboratively Determine Areas of Focus</b> <ul style="list-style-type: none"> <li>Align on areas of focus, timelines and outline of research in a kick-off session with the Deloitte and CAFII team</li> </ul>	<b>Engage Global Deloitte SMEs and Insurance Leaders</b> <ul style="list-style-type: none"> <li>Gather perspectives from relevant Deloitte subject-matter experts (i.e., Global Insurance, Risk, Technology)</li> <li>Conduct additional interviews with relevant Insurance executives within our network</li> </ul>	<b>Interview CAFII Members</b> <ul style="list-style-type: none"> <li>Interview a series of CAFII members within Canada to understand their technology priorities</li> <li>Compare responses to leading global markets in terms of priorities / maturity</li> </ul>	<b>Conduct Supplementary External Research</b> <ul style="list-style-type: none"> <li>Augment Deloitte expertise with additional secondary research as required (e.g., additional innovative global case studies)</li> </ul>	<b>Consolidate Insights and Review with CAFII</b> <ul style="list-style-type: none"> <li>Deliver a written report with insights on opportunities for credit protection insurers to leverage emerging technologies across front, mid, and back office and the implications for the future of CPI</li> </ul>	<ul style="list-style-type: none"> <li>Engagement timeline: <b>~3 months</b></li> <li>Fees: <b>\$60K</b></li> </ul>

A **comprehensive research report** (provided as a .pdf paper) developed leveraging the approach above will be developed, in addition to **presentation-friendly board materials** (.ppt) and a **summary document** as final deliverables



# Project Leadership

Deloitte will bring together a cross-functional team, with experience working with leading insurers to transform their operations, to inform our perspective on the most relevant and impactful technology trends facing the industry

## Engagement Leads



**Melissa Carruthers**

Life & Health  
Insurance Sector  
Leader

Melissa Carruthers is a Partner in Deloitte's Insurance Strategy practice and is Deloitte's **National Life & Health Insurance Practice Leader in Canada**. Melissa has advised some of the leading Canadian and Global Life & Health Insurers on the development of their **large-scale digital and business transformation** programs.



**Azadeh Dehghanpour**

Operations  
Transformation  
Leader

Azadeh is a Partner within Deloitte Consulting and **leads the National Insurance Consulting practice** with over 16 years of consulting experience in insurance. She **specializes in insurance operations and transformation** with a focus on designing, mobilizing and leading **large-scale business transformation** programs, as well as **process re-engineering** and **cost transformation**.

## Subject Matter Experts



**Jason Condon**

Insurance Technology  
Leader

Jason is a Partner in Deloitte's Insurance practice with 18 years of experience delivering **large business and technology transformation** in **insurance and financial services**.



**Mukul Ahuja**

AI Strategy Leader

Mukul is a Partner in Deloitte's Omnia AI group with over 20 years experience **advising Canadian Financial Institutions** on formulating and **activating their growth / differentiation** agenda.



**Marc Lewis**

Senior Manager,  
Insurance Strategy

Marc Lewis is a Senior Manager in Monitor Deloitte's Strategy & Business Design team focused on helping deliver lasting **data-driven corporate and digital strategies** for clients.



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