



Digitizing Credit Protection Insurance

Offering best-in-class digital experiences for
Credit Protection Insurance clients

Canadian Financial Services

The Canadian Association of Financial Institutions in Insurance engaged Deloitte Canada to share an independent perspective on what it will take to offer best-in-class digital experiences for Creditor Protection Insurance (CPI) clients.

Deloitte Canada conducted primary and secondary research to inform its point-of-view on what it will take to successfully digitize CPI, including the front, mid- and back-office capabilities, and key success factors required to enable leading digital experiences for CPI clients, employees, and partners.

This report shares the findings, and key insights, from Deloitte's analysis and identifies key considerations that the Canadian industry should consider in its evolution to a digitally enabled business model for CPI.

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The Canadian Association of Financial Institutions in Insurance (“CAFII”) is a not-for-profit industry association that represents financial institution distributors and insurance company underwriters involved in selling insurance in Canada.

CAFII is dedicated to fostering an open and flexible marketplace that is efficient and effective and allows Canadian customers 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, CAFII regularly conducts customer and market research relevant to the business & offerings of its members.

Executive Summary

Although the bar for digital experiences has been set by industries outside of financial services, a recent study performed by CAFII reinforced the idea that consumers have the same expectations when it comes to their financial protection and insurance needs. Given the important role that Credit Protection Insurance (CPI) plays in providing accessible and affordable insurance protection to Canadians, CAFII engaged Deloitte to conduct an independent research study focused on understanding the current digital maturity of the Canadian CPI industry to help inform what it will take for the industry to offer 'best-in-class' digital experiences.

As part of its research efforts, Deloitte engaged 14 CAFII member institutions through a combination of surveys and in-depth interviews, as well as external market analysis, which led to the following nine key findings:

Digitizing CPI is a strategic priority for Canadian financial institutions. The industry feels digitization will be critical in ensuring its ability to deliver affordable protection to Canadians who are currently under-advised & under-protected. In fact, 100% of CAFII members stated digitizing CPI is one of their highest strategic priorities.

Relative to other insurance industries, Canadian CPI has unique challenges with regards to its digitization. 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 and distributors.

The CPI digital experience offered is highly dependent upon the lending journey (i.e., mortgages, lines of credit). The lending journey tends to take ownership in driving the digital experience for CPI. In many cases the optimal experience and use of digital within the mortgage lending journey may not align with the inclusion of a digital CPI experience.

The regulatory environment surrounding CPI can be difficult to navigate digitally. The lack of harmonization in the regulatory environment across provinces forces national distributors to adhere to the strictest of digital sales practices, which increases the complexity of delivering a scalable and seamless digital experience.

The digital maturity of providers is inconsistent across the industry. Many CPI distributors and underwriters are mid-way through multi-year digital transformation journeys while others are still in the early stages of defining their digital ambition with respect to CPI. However, almost half (43%) of distributors believe that up to 40% of all CPI applications will be fully digital by 2025.

Adoption from sales representatives as well as clients continues to be an inhibitor to realizing the benefits of digital investment. Digital CPI penetration rates have been as low as 5% for personal loans, highlighting the importance of enhancing the human-led (i.e., sales representative) experience by leveraging digital as opposed to replacing with a digital-only client experience.

Digitizing CPI extends beyond client-facing experiences. Investments in digital-enabling mid / back-office operations and technology were cited as being the most challenging and cost prohibitive. 67% of CAFII members indicated that most mid / back-office processes are still manual today.

Digital experiences enabled by underwriting partners (e.g., underwriting, claims) were the most cited friction points in the end-to-end client journey. Distributors commonly referenced the opportunity for automation of client eligibility at point of sale and online claims portals for submission, exchange of documentation and status tracking.

Collaboration across Distributors, Underwriters and Regulators will be key to delivering “Best-in-Class” experiences. 90% of CAFII members identified integration with multiple partners being a primary friction point and challenge in digitizing the CPI experience. Support from regulators for new enabling processes will be key to responding to meet the evolving needs and preferences of CPI consumers.

Based on the research, Deloitte developed a *Digital CPI Framework*. The framework is comprised of the following 6 capability layers and 65 sub-capabilities which collectively capture a CPI provider’s ability to offer ‘best-in-class’ digital experiences.

- | | |
|---|--------------------------------------|
| 1. CPI Digital Strategy | 4. Digital-Enabled Operations |
| 2. User Centric Experiences | 5. Digital & Technology |
| 3. Data Analytics & Insights | 6. Talent & Culture |

Deloitte’s *Digital CPI framework* was used to assess the industry’s current maturity by sub-capability and identified the key areas where underwriters and distributors would require strong collaboration. Overall, the digital maturity of the industry is disparate across the all layers, with significant room to improve the end-to-end client and representative experience at and beyond the point of sale.

There are select industry leaders who have made significant progress in leveraging digital and analytics to improve the sales representative experience, provide online education and quotation tools and have invested in online client self-serve options to promote engagement throughout the policy lifecycle integrated into online banking. Much of the success of these organizations can be attributed to early buy-in from executive teams in the need to digitize CPI as well as strong partnerships with their lending partners.

Our hope is that the *Digital CPI Framework* can be used as an accelerator by CPI providers to conduct a self-assessment as to how they fair relative to their peers across each of the layers and sub-capabilities to identify priority areas of investment and gaps to be addressed as they look to accelerate their digital maturity and offer ‘best-in-class’ digital experiences for CPI consumers.

Background & Objectives

Following the events of COVID-19, the financial services industry has experienced an accelerated shift towards digital purchasing and servicing preferences of its customers. However, the insurance industry has historically lagged adjacent industries such as Banking and Wealth Management in modernizing its traditional business model to be more customer-centric and therefore more 'digital'.

Credit Protection Insurance (CPI) is used to pay out a mortgage or loan balance, up to the agreed policy amount, or to make / postpone debts payments in the event of death, disability, job loss or critical illness¹. This report focuses on the Canadian CPI market, which in 2019 generated premium revenues of \$5.8B². The research, insights, and recommendations that follow focus on the Mortgage Credit Protection Industry (i.e., insurance indemnifying consumers against making mortgage linked debt payments following a specified defined event) given that this sub-market makes up the largest proportion of the total Canadian CPI Industry.

A compelling motivation for writing this report is the unique nature of the Canadian CPI industry that is so tightly coupled to the lending journey that customers participate in to firstly acquire their lending product and subsequently their CPI product. This close relationship leads CPI consumers to have the same expectations of their CPI journey as they hold for other banking and

lending products and impresses the importance of understanding the evolving customer purchasing behaviour to inform future investments in digitization.

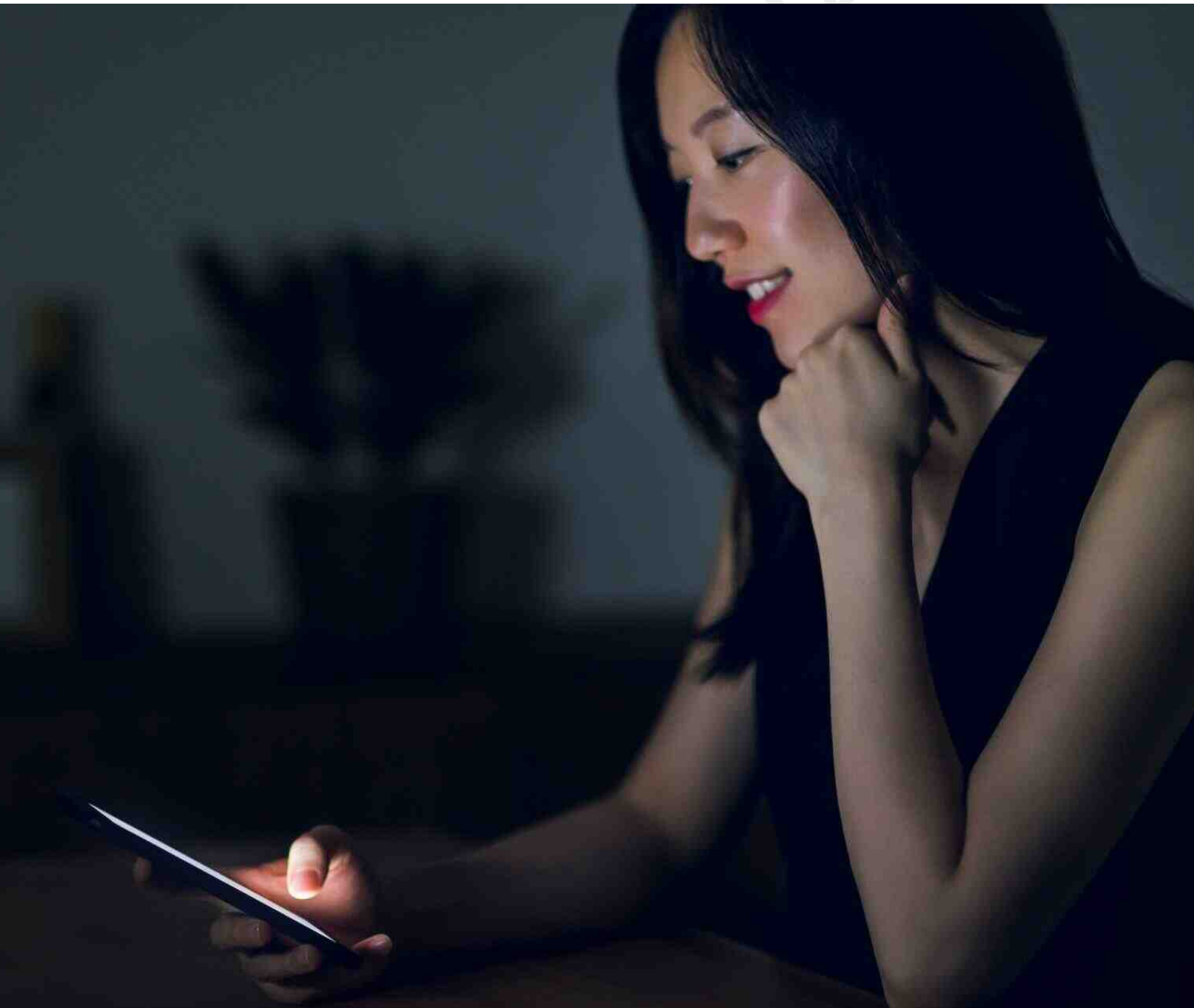
To this end, CAFII conducted customer research in March 2021. This research investigated and identified the implications COVID-19 would have on existing and prospective CPI clients' needs and preferences for sales, servicing, and claims. Deloitte leveraged this research as a precursor to the investigation into the current state and future ambitions of CPI in Canada.

A foundational insight of interest from the CAFII research was the strength of demand for CPI protection in Canada with 65% of customers being more likely to obtain CPI on their mortgage or line of credit because of the pandemic³. In addition to this, 79% of CPI holders stated that they prefer the convenience of conducting financial transactions online. Put together, the above findings show that the robust demand for CPI is likely to be serviced in future by ever growing digital means, and CPI distributors and underwriters will be expected to deliver this.

Given the context described above and the importance of CPI in providing accessible and affordable protection to Canadians, CAFII engaged Deloitte to develop an independent research report focusing on Mortgage CPI and its digital future. The

objective of this report is to provide a perspective on the current digital maturity of the Canadian CPI industry and identify opportunities for industry providers to accelerate their digital maturity by providing recommendations on priority investments and opportunities to address challenges that have historically inhibited the adoption or acceleration of digital in CPI. For industry

participants, the report can be leveraged to understand their digital maturity relative to industry peers, opportunities for improvement, tactics being used to drive adoption, awareness, executive buy-in needed from their peers and leaders to support investment, and areas where benefits from investments in digital are being demonstrated.



Research Methodology

To develop this report, Deloitte drew on three sources of information, namely: primary research, secondary research, and Deloitte's proprietary Digital Maturity Model.

Primary Research

To develop our perspective, Deloitte engaged CPI industry participants to gain an understanding of their current digital CPI maturity, the challenges and opportunities that arise as a result of digitizing their CPI businesses, how CPI can learn from other insurance industries, unique challenges facing industry participants, and insights on how to accelerate their digital maturity. In this process, both underwriters and distributors were engaged with.

The method of engagement was twofold, with a value chain-specific survey of about 15 – 20 questions in length being completed by all participants, spanning a variety of features and digital functionality. This was followed up by a 45 – 60-minute interview with a leader within the CPI business unit or digital transformation leader for the organization, which built on what was learnt about that organization during the survey process.

14 CAFII Member organizations participated in this engagement process (representing a significant share of the premium within the Canadian CPI market). As such, we would like to thank the below CAFII Member organizations for their engagement and candor during the report writing process.

Figure 2:



Below we provide an overview of the type of questions that were covered in both the survey and interview.

Figure 3:

Sample Survey Questions



- What have historically been the priority areas for prior investment into your CPI operations?
- Which statement best reflects the importance of digitization to the future growth of your CPI portfolio?
- How would you define the current digital maturity of your CPI operations?

Sample Interview 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?

Secondary Research

Deloitte focused on global insurance markets to help inform key success factors associated with leading digital insurance organizations, including the capabilities contributing to leading client-facing digital client experiences.

Deloitte Digital Maturity Model

This proprietary model allowed Deloitte to define the key capabilities required for an organization to be digital and was used in the report to identify and summarize the functional capabilities required to enable the digitization of CPI.

Deloitte Perspective on 'Being' a Digital Insurer

Digital is at the heart of the insurance industry's most prominent and disruptive trends, forcing the industry to respond with new and innovative business models, offerings, and experiences. Along with the heightened customer expectations discussed above, across all types of insurance Deloitte has identified an additional 4 key factors driving the need for incumbent insurers to "be" Digital Insurers.

Figure 4:



Heightened Customer Expectations

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



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



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

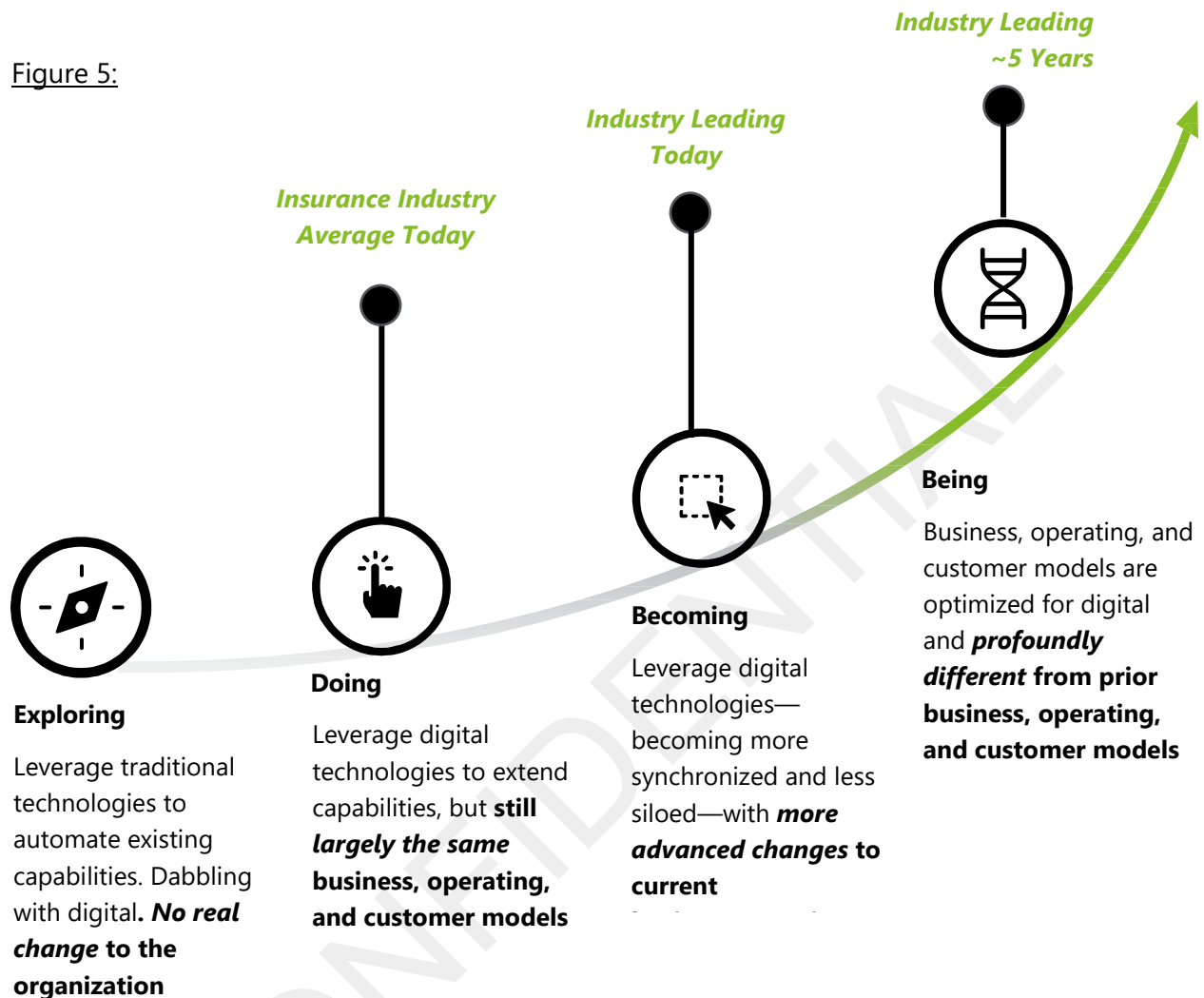


Pressure on Back-office Operational Efficiency

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

However, as insurers embark on digital transformations, they need to do more than just "Explore Digital", but rather, "Be Digital" – allowing digital transformation to alter their organizations to counteract the forces mentioned above. It is essential for insurers to understand where they are in their digital transformation journey, whether they are using data and technology to alter their business or whether they are just augmenting existing processes whilst leaving their organizations unchanged. Understanding this, along with having a perspective on where competitors in the market are in their digital transformations, will enable insurers to benchmark themselves and their progress, and inform the pace of investment in digital transformation to protect their market share.

Figure 5:



To enable insurers, to navigate the journey from “Exploring” to “Being Digital”, Deloitte, through its research & experience, has observed that leading digital insurance organizations exhibit six attributes and respective underlying capabilities. These attributes span strategy, to talent technology architecture, to the use of data, and together contribute to an insurance organization’s ability to offer leading digital experiences.

These attributes, listed on the subsequent page, serve as the core of Deloitte’s Framework for ‘Being’ Digital in Insurance & will serve as the basis from which we will identify the requirements to digitally enable CPI in Canada.

Figure 6:

Deloitte's 6 Attributes of a Digital Insurer



Articulated Strategy & Digital Ambition

High performing digital organizations have a well-articulated business and supporting digital strategy that has enterprise executive support and alignment



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 engagement models across digital and non-digital channels



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 with a lean towards end-to-end business model innovation vs. incrementalism



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



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



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

Current State Digital Maturity of the Canadian CPI Industry

Unique Considerations for Digitizing CPI

The Canadian CPI industry has several characteristics that lead to unique considerations with regards to its digitization. Not only does the industry require the close collaboration from stakeholders across the value chain, but the product purchasing habits are also tied to the acquisition of other financial assets (e.g., mortgages). Finally, recent regulatory changes aiming to ensure consumer value in markets like Australia and the UK have significantly constrained their respective size and growth. Below we discuss a few key factors that should be considered when approaching the digitization of CPI.

Evolving Regional Regulation

A lack of harmonization in the regulatory and legislation across provinces forces national distributors to adhere to the strictest of digital sales practices which can be difficult to deliver as a scalable & seamless digital experience

Inability for Personalization & Advice

As CPI needs to be group underwritten, it does not create an opportunity to provide greater personalization in pricing and product design relative to individual insurance; similarly, differentiating based on personalized advice will be difficult under the current sales regulations

Strong Ties to Lending

CPI sale is highly connected to the lending journey, which is 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 and Sales Practices

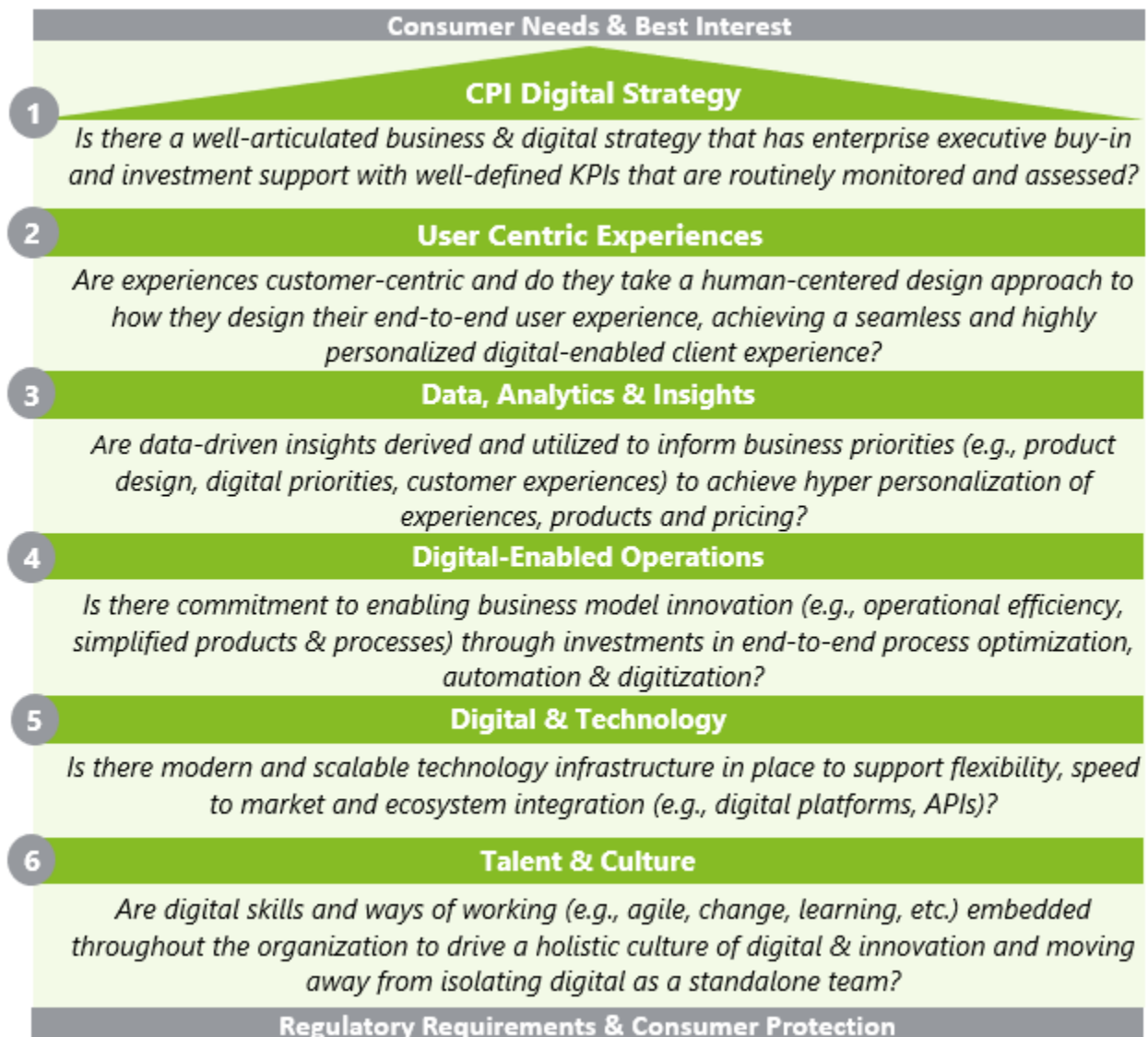
Distributors must ensure that a customer purchasing a CPI product goes through a specific eligibility and exclusion assessment, adding steps & therefore friction to the purchasing journey

Along with the unique considerations for digitizing CPI noted above, during the interviews conducted by Deloitte, distributors and underwriters both commented on the difficulties they face in digitizing their businesses.

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 to assess the current digital maturity of the Canadian CPI industry.

Figure 7:



In the following section, we have summarized key CPI research findings across each of the 6 layers in Deloitte's Digital CPI framework to inform distinct capabilities required for CPI distributors and underwriters as well as to inform strategic priorities.

1. CPI Digital Strategy

While all participants identify digitizing CPI as a key strategic priority, the alignment with lending experiences and the required executive buy-in across the organization create a risk in delivering on the digital ambition.

Survey responses reflected that across both underwriters and distributors, digitization of CPI was a strategic priority, with all respondents saying it was strategically important and almost half expecting a larger share of their business to be generated via digital means.

Despite this, over half of distributors surveyed ranked their digital maturity as being somewhat behind relative to their peers. However, this statistic does not reflect the differing ambitions between industry participants. Whilst some distributors were looking to provide end-to-end digital fulfilment, claims, and servicing to lead as a digital CPI provider, others were only looking to keep pace with digital lending and not be digital-first or a digital leader as they felt they could not replicate the human-guided model through digital means.

Critical to digitizing CPI, due to its strong links to lenders and intermediated value chain, will be strong partnerships with aligned stakeholders as 67% of respondents marked the strong alignment to digital lending processes from bank and credit unions as key for successful CPI digitization.



"Traditionally you got a mortgage, so we offered mortgage protection, now it needs to be customer-centric, based on all your needs here are the best options for you" - Underwriter

Figure 8:

100%

of respondents indicated digitizing CPI as strategically important

57%

of distributors ranked their current digital maturity relative to their peers as being 'somewhat behind'

43%

of distributors expect up to 40% of new CPI insurance applications to be completed fully online by 2025

An important element of a CPI digital strategy is tracking its success with clearly defined metrics. For CPI distributors and underwriters alike, an increase in customer engagement and an increase in sales penetration rate were the two metrics that would be tracked to determine whether a CPI digitization was successful. Over 60% of underwriters and 70% of distributors referenced an

increase in customer engagement to be their primary metric for measuring success of their digital experience investments.

While all participants identified digitizing CPI as a priority, most referenced the need to compete with broader enterprise priorities & investment as a challenge in accelerating their progress. Future ambitions for digital varied significantly amongst distributors with digital leaders aspiring towards an end-to-end fully digital client experience by 2025.

Many distributors referenced their structure influencing the degree of collaboration with their lending partners whilst all respondents described that digital transformation would require strong alignment across multiple organizations (banks, distributors, underwriters) and business partners.

2. User Centric Experiences

A differentiating CPI experience will be omni-channel and will successfully incorporate human-assisted elements at key moments in the journey, while allowing customers to easily access digital self-serve capabilities when they want to.



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

What emerged as a clear outcome from the primary research was the importance that advisors play in the sales process and the need not only to create customer-centered digital capabilities but also advisor-centered capabilities for those interacting and providing human-led services to the end customers.

Figure 9:

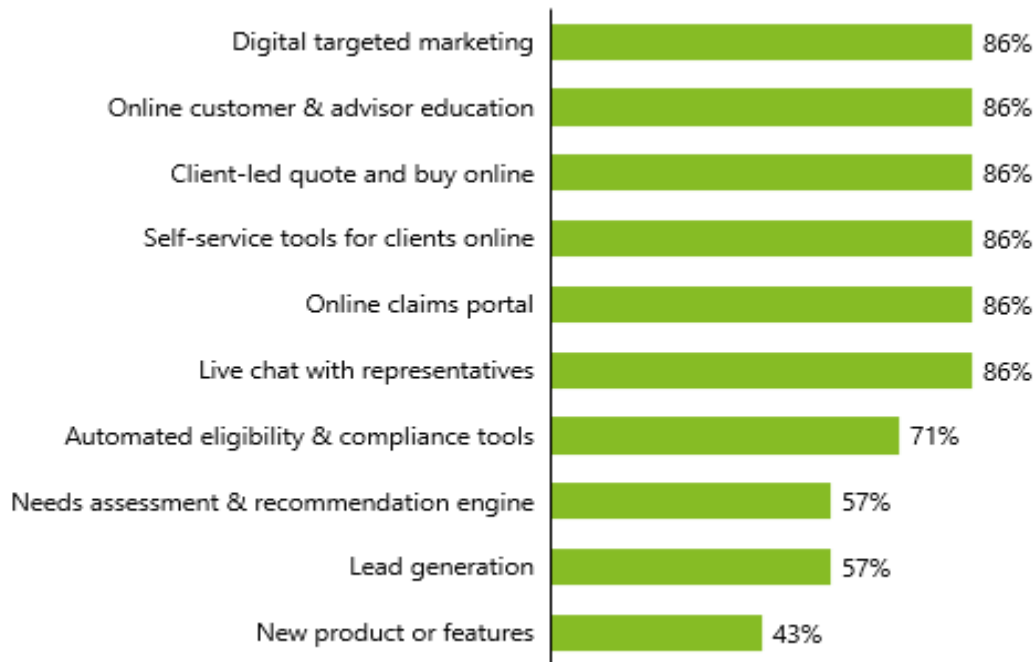
86%

*of distributors want to offer digital tools to their sales representative **AND** the same proportion also ranked "inefficient advisor sales processes" as a primary friction point*

Later in the same customer journey, all distributors (100%) were unanimous in identifying digital claims portals and processes as being the biggest opportunity for their underwriting counterparts to support their digitization efforts.

Future distributor investment in the customer experience focuses on marketing, education, and online quote and bind functionality.

Figure 10:



To date, most distributors have prioritized their investments in improving the systems and digital tools for sales representatives rather than client-facing experiences. Replicating the human-guided purchasing experience in digital continues to be a challenge as demonstrated by low digital client-led penetration rates (less than 5% for core lending products).

Digital experiences reliant on underwriting partners (e.g., underwriting, claims) were the most cited friction points in the end-to-end client journey. Distributors referenced the opportunity for automation of client eligibility at point of sale, and the need for health questions via advisors negatively impacting the purchasing experience

3. Data, Analytics, & Insights

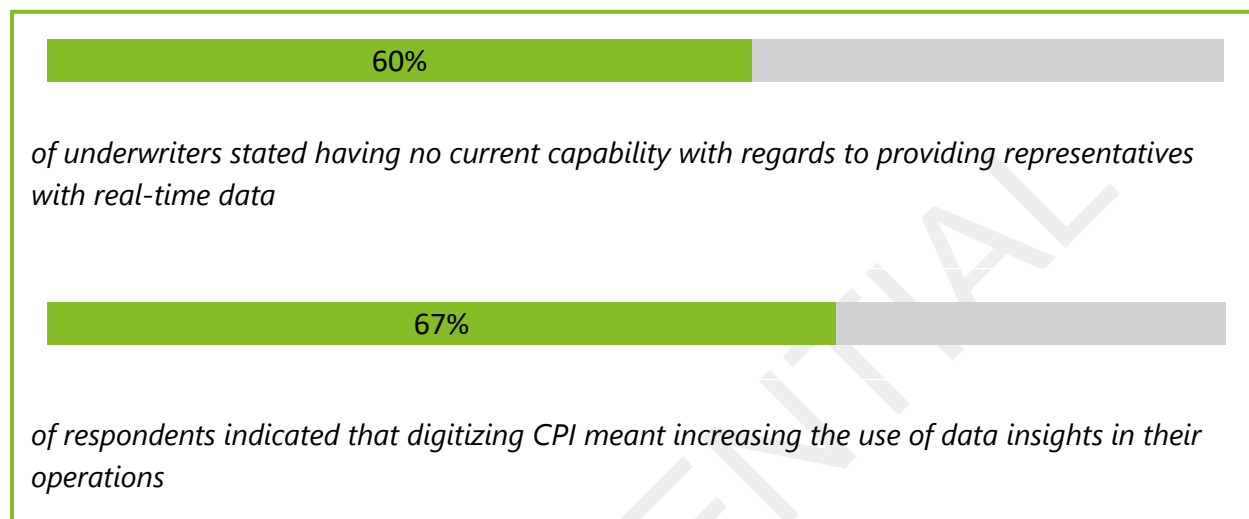
Customer acquisition and retention are two areas where leading institutions are already actively leveraging data, but companies also have an opportunity to better use data-driven insights to prioritize digital investments.

To inform the digital experience design for CPI customers and the execution thereof, data and insight generation will be a key enabler. While opportunities for hyper personalization are scarce in CPI due to sales regulation and group underwriting requirements, lead generation and digital marketing are areas where companies can leverage new sources of data and analytics to unlock growth. Data and analytics will also enable representatives within the sales process to better

understand their clients through unified customer profiles including personal and loan data, which only 50% of distributors currently provide their representatives.

However, ensuring that all actors throughout the value chain have access to real time data will be an important area of investment for underwriters and distributors in digitizing CPI.

Figure 11:

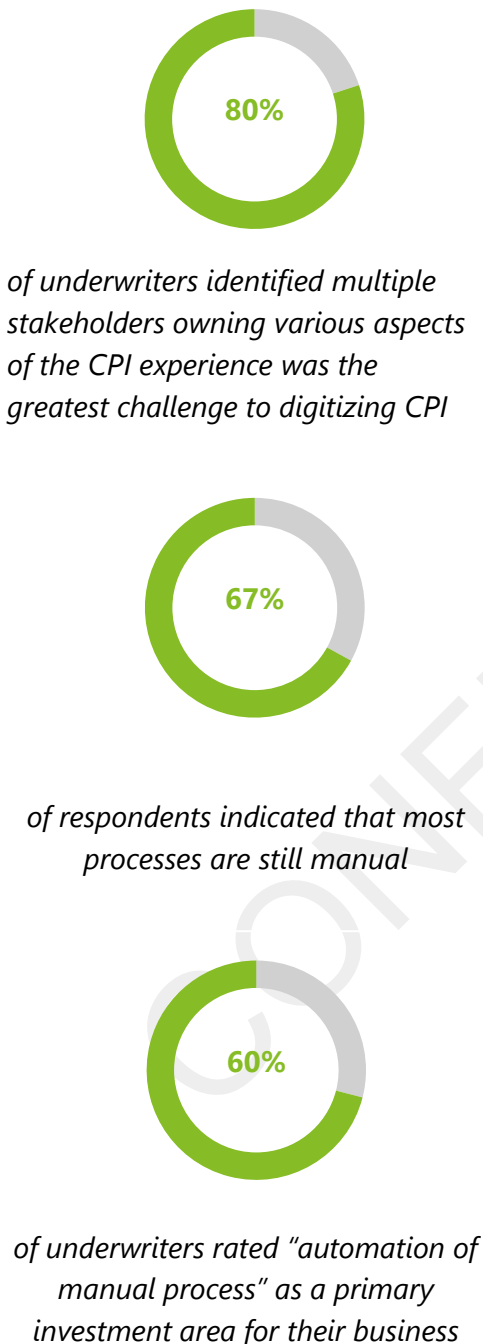


Increase in sales penetration is still the main metric that is tracked to determine the success of an initiative, but we expect that companies will expand the range of data they collect and analyze to inform digital investment decisions. New & 3rd party data sets are expected to continue to help improve underwriting and risk assessment, but regulatory limitations on data usage was cited by underwriters as a challenge.



4. Digital-Enabled Operations

Figure 12:



For distributors and underwriters alike, there are significant opportunities to streamline, automate and digitize back-end processes across the CPI journey as manual procedures and paper-based information exchange remain widespread.

This view is supported by the survey responses with 92% of all respondents believing that 'being digital' requires digitizing mid- & back-office processes.

To date, investments have primarily been focused on improving the external facing sales & servicing aspects of the CPI journey with 100% of distributors having invested in digitizing their quote engine, whilst 80% of underwriters have historically invested in automation of manual processes.

To achieve the scale and efficiency benefits of digitization, mid- & back-office operations must be digitally enabled. This digital enablement will also lead to distributors being able to deliver the customer experiences and product offerings required by customers.

However, the requirement to digitally enable CPI distributors and underwriter processes is highly dependent on the ability to redesign existing processes and seamlessly exchange data between underwriters and distributors.

5. Digital & Technology

Technology modernization stands out as a key investment priority across participants, together with a continuous focus on capabilities that enable better integration across systems, organizations, and channels.

Underwriters' priority investment areas will shift from the automation of manual processes (80% historically) to the modernization of technology (100% going forward). This in an area where underwriters and distributors are aligned, with 80% of distributors seeing modernized technology (including APIs, claims or underwriting engines) as their priority investment area in future.

An initial potential application of the increased investment in modernized technology will be to address the need to integrate not only a single customer's multi-channel CPI journey (i.e., purchasing a policy in-person and subsequently servicing that policy on a digital platform) but also, integration between underwriters and distributors.

Figure 13:

100%

of underwriters have identified the integration with CPI distributors systems as a primary friction point

86%

of distributors indicated that integrating multiple channels into a single customer journey is a key success factor in digitizing CPI



"Each partner has their own Loan Origination System and it's archaic, we can't integrate so a lot of the interactions are done over the phone" - Underwriter

Legacy technologies are still limiting the ability of underwriters and distributors to seamlessly transfer data and information. Additionally, underwriters quote challenges with the need to integrate with multiple different loan origination systems of distributors.

6. Talent & Culture

To successfully deliver on the digitization of their CPI business, organizations will need to attract and retain new types of talent while promoting digital ways of working within their teams and with their partners.

On the path to “Being Digital”, organizations will have to shift the demands made on their staff members accordingly. Those within the CPI industry are unlikely to be immune to the challenges of the broader industry, where an international study showed that 43% of respondents said that finding and retaining skilled candidates is a primary concern.

To deliver on digital initiatives, companies will need to ensure they develop attractive career paths for new talent (e.g., UX designers, API integration specialists, data engineers). As insurance knowledge and expertise are critical to best position the value of CPI, organizations should leverage digital to facilitate access to training and education for CPI representatives.

Figure 14:

Talent areas where insurance-related organizations have greatest concerns

- 1. Information Technology*
- 2. Marketing*
- 3. Cybersecurity*
- 4. Risk Management*
- 5. Finance*

Along with talent, those in the CPI industry will need to ensure cultural shifts are made to ‘Be Digital’. Organizations must ensure that both employees working on digital CPI solutions and advisors using digital to service CPI customers understand the value of the protection that CPI brings to Canadians, and that digitizing this process provides the opportunity to scale CPI operations and make CPI more accessible to all Canadians.

A more collaborative mind-set and approach across distributors & underwriters will be a key success factor to meeting the expectations of CPI clients throughout their policy life cycle.

Future Best-in-Class CPI Experience and Capabilities

Bringing the 6 layers together

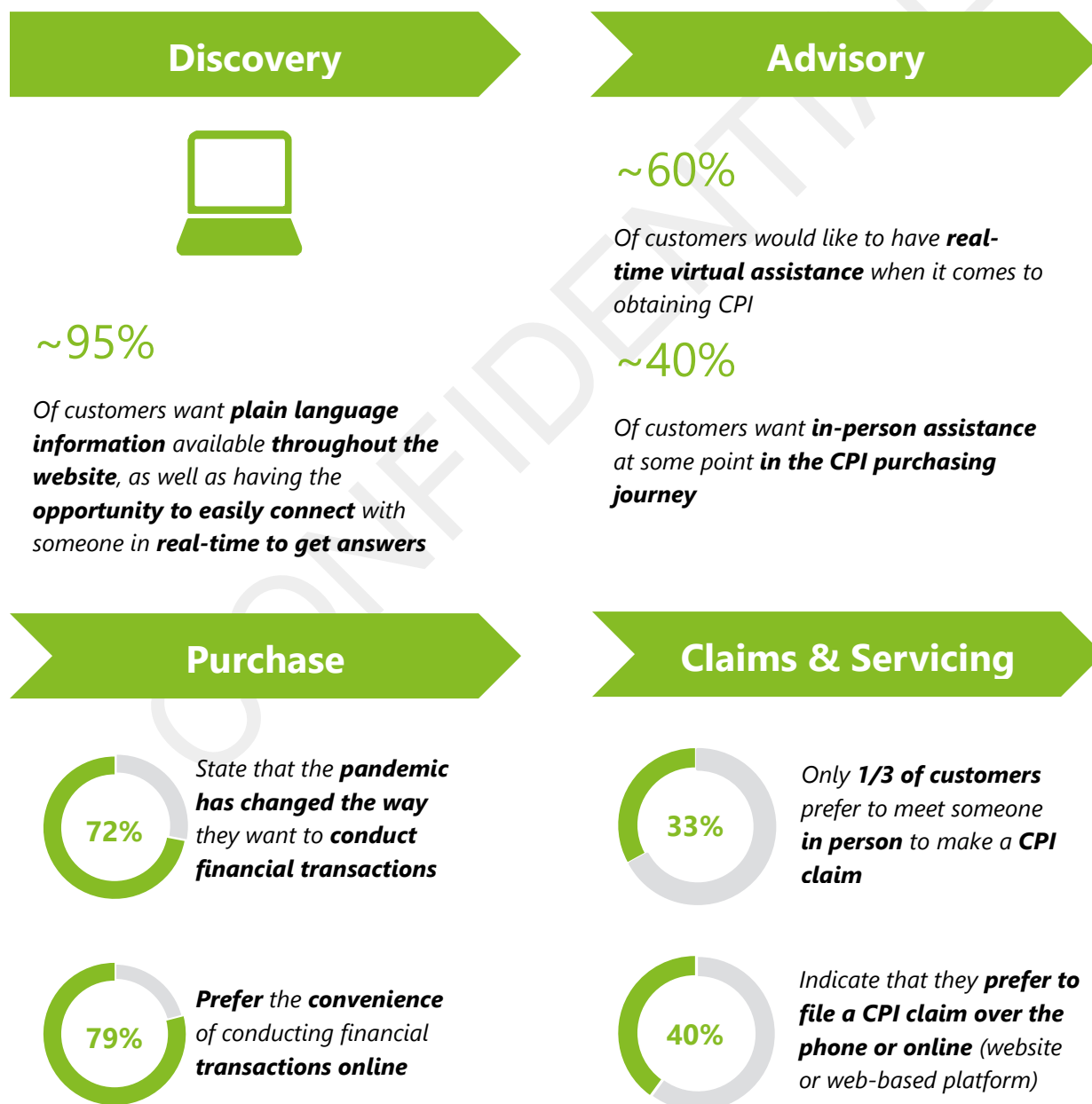
To enable digital experiences for customer and advisors, capabilities across each of the 6 layers discussed above are required. In the following section, we will explore an illustrative best-in-class CPI journey, highlighting the required capabilities at each layer for which we have conducted a preliminary assessment of the Canadian CPI industry's maturity.



Future Best-in-Class CPI Experience and Capabilities

To inform what a best-in-class future digital CPI customer journey for CPI could look like, Deloitte leveraged specific data points in the CAFII Consumer Research done in March 2021⁵. This research revealed that CPI customers are looking for digital-interaction throughout the customer journey but despite this, customer preferences are almost evenly split between virtual and in-person assistance, highlighting the need for building omnichannel capabilities to create an omnichannel customer experience.

Figure 15:

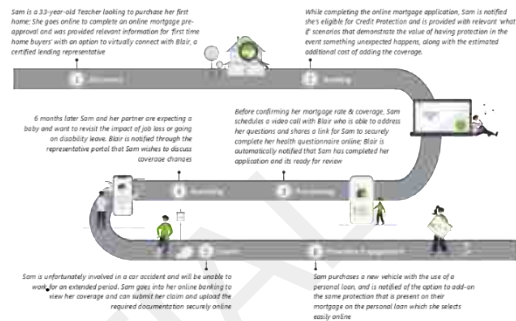


To define and bring to life the “Best-in-Class CPI Experience” we will walk through an illustrative customer journey, utilizing the data points shown above to identify key pain points that can be resolved through digital. We will then assess the functional capabilities required at each layer, as well as the current maturity of the industry for each capability identified.

Illustrative Future Digital CPI Customer Journey

Based on the outputs from our primary and secondary research, we have developed an illustrative best-in-class journey where both the customer and their advisor interact seamlessly through digital tools, enabling not only an improved experience for both, but also increased value for the customer and transparent and consistent reporting.

See page 26 for full graphic



Deloitte's Digital CPI Capability Framework

Across each of the layers of Deloitte's Digital CPI framework, we have identified key functional capabilities that enable a best-in-class digital CPI customer experience. Capabilities were identified as being primarily led by either the distributor, underwriter, or a joint capability. One key takeaway is that most capabilities were identified as being joint, further amplifying the need for collaboration across the industry. Each functional capability is accompanied by a definition that can be found in the appendix.

See page 28 for full graphic



Deloitte's Digital CPI Capability Maturity

Across each of the functional capabilities identified, we assessed the overall maturity of the Canadian CPI Industry based on CAFII member engagement as well as industry research. While some capabilities were identified as relatively mature, most of the capabilities are either low in maturity, or significantly varied across the industry.

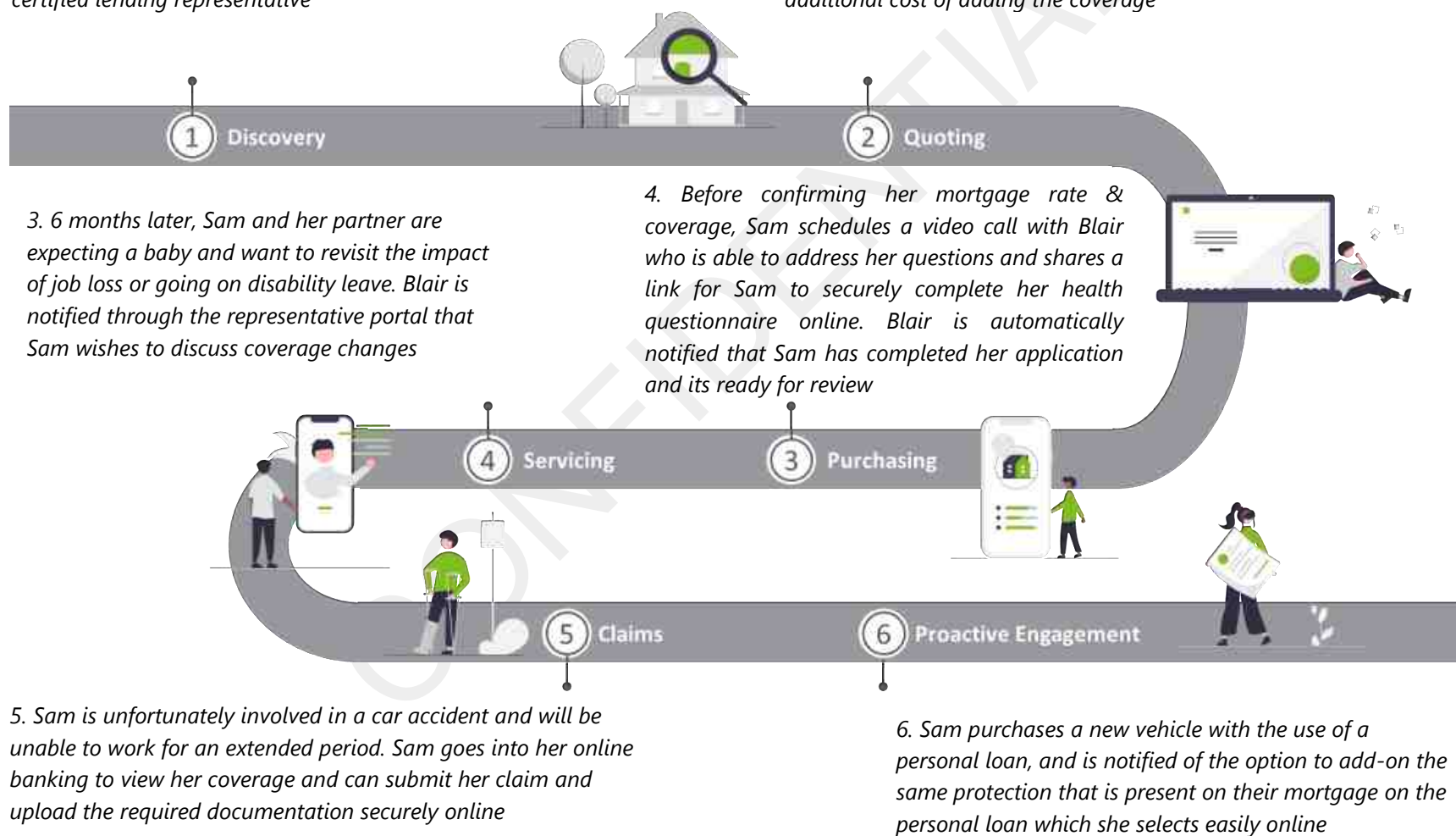
See page 29 for full graphic



Illustrative Future Digital CPI Customer Journey – Graphic (Figure 16)

1. 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

2. 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



Illustrative Future Digital CPI Customer Journey – Discussion

Discovery: First Home Purchase

Key Pain Point Addressed: Due to the nature of CPI being tied to lending products, the digitization of the lending journey requires CPI to be digitized to continue to reach potential customers

Differentiating Feature: Embedding advice options within the experience such as “Click to Chat”

Leading Insurance Example: PolicyMe tailored educational content

Quoting: Online Mortgage Application

Key Pain Point Addressed: The digitization of lending experiences has caused a downward pressure on CPI penetration rates, primarily due to the loss of opportunity to advise consumer on their risk and the value of CPI

Differentiating Feature: “Productize” advice into self-serve digital channels for consumers

Market Example: La Capitale and Breathe Life’s algorithm-driven customized advice and recommendations

Purchasing: Mortgage Confirmation

Key Pain Point Addressed: While consumers increasingly value digital channels, there continues to be a strong need for real time advice to be available at key moments throughout the journey, namely before purchasing to ensure peace of mind

Differentiating Feature: Integrating access to advisors within the journey, and empowering advisors with tools to support their customers

Market Example: Sonnet’s online self-service tools and access to live advisors

Servicing: Growing Family

Key Pain Point Addressed: Protection needs of customers evolve throughout their life, and to ensure their CPI continues to provide value, it must be flexible and easily adjustable

Differentiating Feature: Digital self-serve portals and advisor platforms that enable real time adjustments

Leading Insurance Example: Ladders’ on-demand coverage changes service on platform

Claims: Car Accident

Key Pain Point Addressed: In the event of a claim, the priority should be providing the customer access their eligible payouts and reducing friction from surrounding requirements

Differentiating Feature: Digital claims portals integrated within the same app / platform as their credit product

Market Example: Lemonade’s AI-empowered AI claim approval process

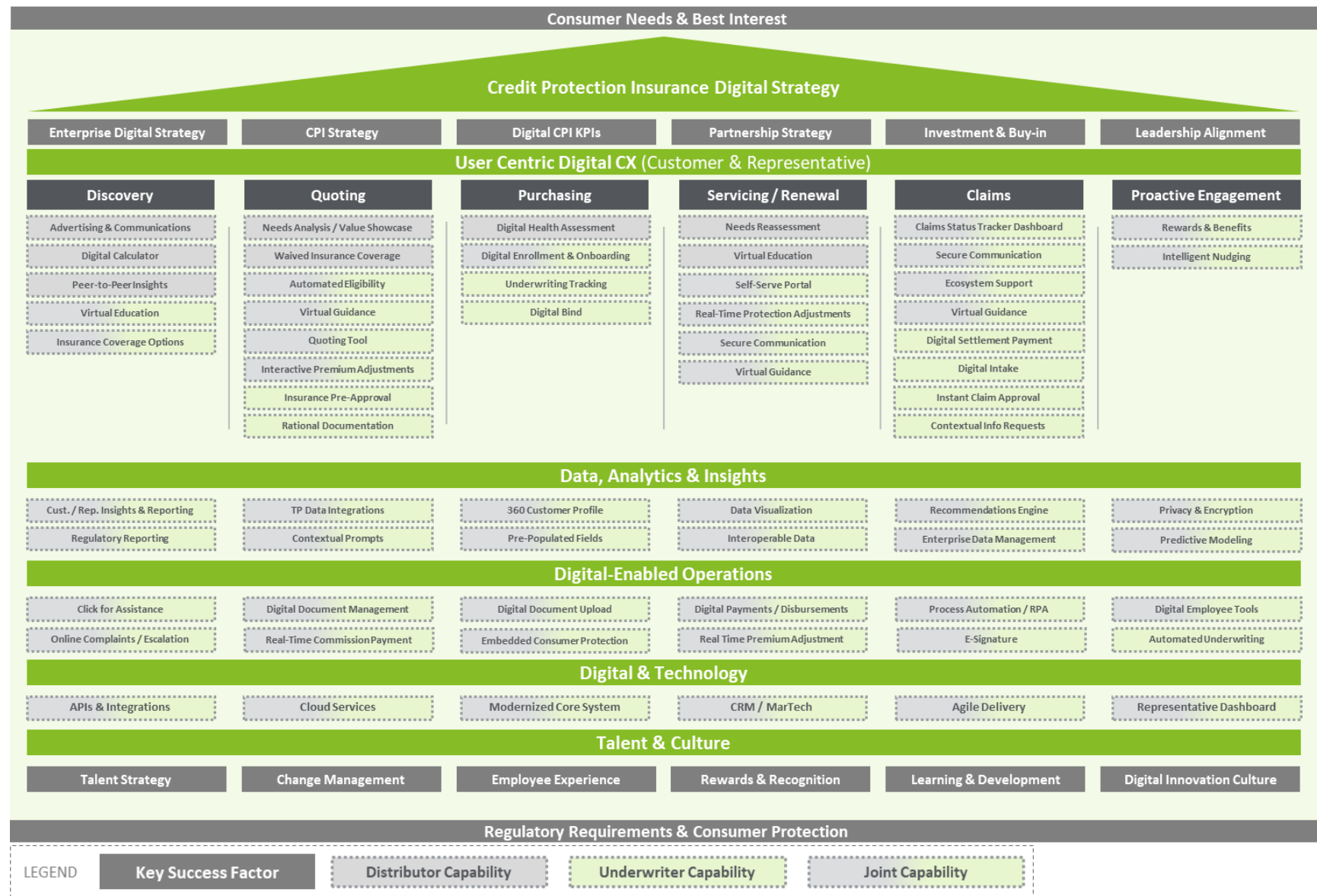
Proactive Engagement: New Vehicle Purchase

Key Pain Point Addressed: Customers aren’t always aware how changes in their assets affect their risk profile nor what options are available to them in order to address them

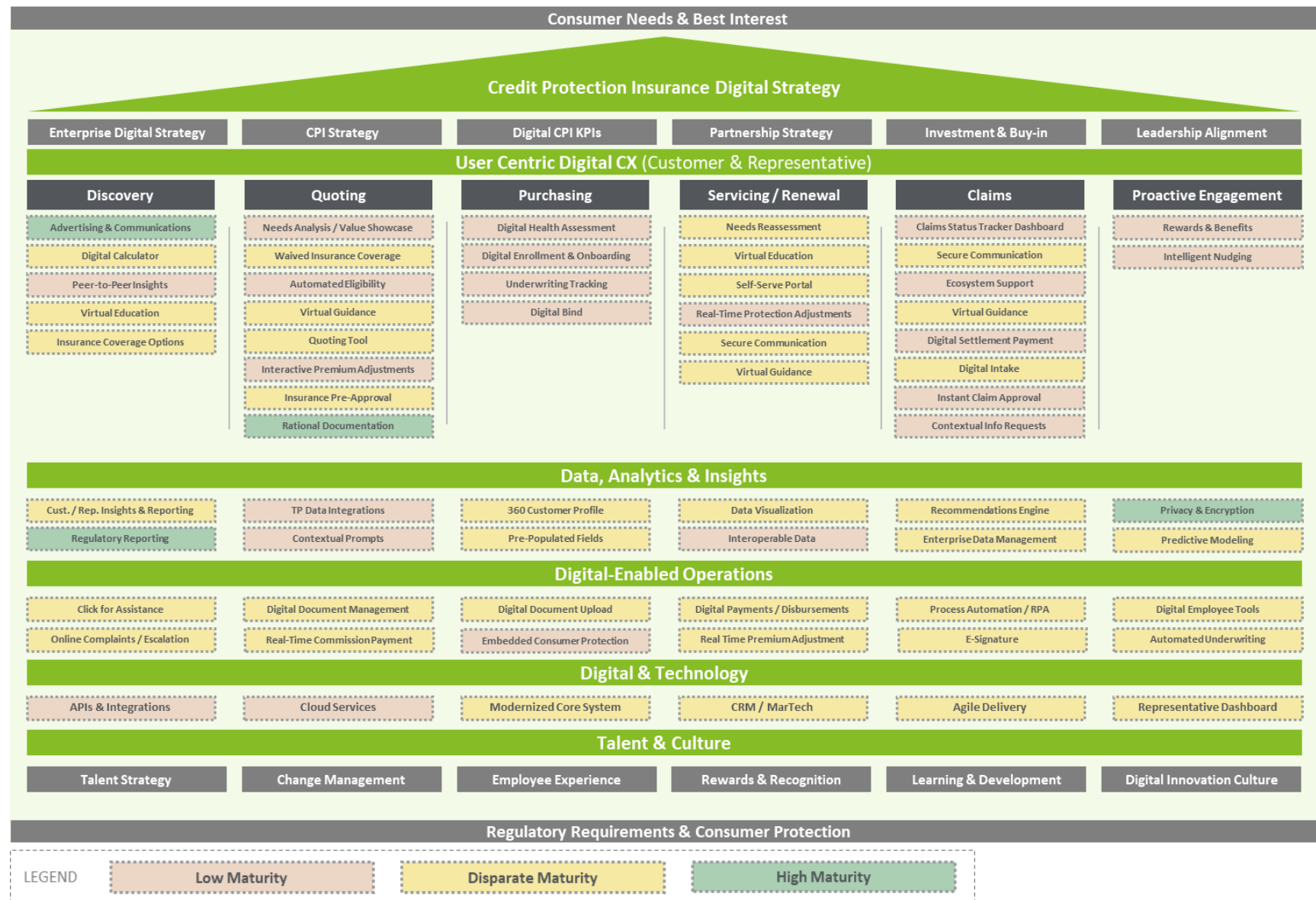
Differentiating Feature: Digital customer profiles can identify gaps in coverage

Market Example: Manulife & Vitality’s ‘next best action’ advisor nudge service

Deloitte's Digital CPI Capability Framework (Figure 17)



Deloitte Digital CPI Capability Maturity (Figure 18)



Deloitte's Digital CPI Capability Framework & Maturity – Discussion

While we discuss each layer in more detail below, two of the primary insights that are visualized by the capability framework and maturity assessment are:

- Almost all capabilities are identified as being joint between distributors and underwriters – further reinforcing the need for collaboration and partnerships across the industry
- Most of the capabilities were assessed as being of “Disparate Maturity” – highlighting that while investments in digitizing CPI have been made, the level of maturity remains extremely fragmented, especially across distributors



Given the strategy of each organization will be unique, the industry's maturity was not assessed, and instead of capabilities, key success factors that need to be in place to drive a winning CPI Digital Strategy were identified:

- Enterprise Digital Strategy
- CPI Strategy
- Digital CPI KPIs
- Partnership Strategy
- Investment and Buy-in (at all levels)
- Leadership Alignment

Beyond the success factors identified, it should be noted that if the organization competes in more than the CPI market, its CPI strategy should be rooted and aligned to its overall enterprise strategy.



Current digital investments have primarily been focused on “Sales & Servicing” type interactions, due to their alignment with lending experiences as well as their direct association to penetration rates. While current market leaders are starting to launch digital capabilities across the entire journey (e.g., digital claim portals), it will soon become table stakes to offer fully digitized experiences. To prioritize investments in digital capabilities and features, organizations should ensure they have a good understanding of their target consumer needs and preferences first.

While over 75% of underwriters can provide automated underwriting and eligibility at the point of sale for most applications, less than 25% of underwriters can assess, quantify, and pay a claim without human interaction.

Although survey data continues to showcase the importance of integrating human advice and digital self-serve experiences, over 75% of distributors indicated not having the ability to allow customers to move seamlessly between digital and in-person channels for an application.

3

Data, Analytics & Insights

Disparate Maturity

To enable streamlined experiences, as well as create personalization at scale, analytics are critical. While historic analytics investments were primarily targeted at maintaining regulatory compliance, future investments in the area will have the opportunity to lead to significant differentiation, namely when it comes to the integration of third-party data sources that may simplify and potentially replace a large portion of the quoting and purchasing experience while enabling customers to obtain offers that are hyper-personalized to their needs.

Less than 30% of distributors indicated that their representatives could view a unified profile of their customers in a single platform that would include current loan and protection data.

4

Digital-Enabled Operations

Disparate Maturity

Very few organizations have made significant investments in mid- & back-office digitization, with almost 70% of CAFII members indicating that most processes remain manual. Investments in this area are often larger, requiring process redesign and having significant impact on staff responsibilities and requirements; they are however required to fully capture benefits of front-end digitization.

5

Digital & Technology

Disparate Maturity

Beyond modernizing core technology systems, which all of the underwriters engaged agreed is critical in order to deliver digital experiences to customers and advisors, underwriters, distributors, and regulators should focus on integration technologies. By enabling players across the ecosystem to collaborate and share consumer data, the industry will enable increased value for consumers.

None of the underwriters engaged indicated having the ability to provide their distributors immediate access to an advisor through video call or chat messaging to support with an application or a claim.

6

Talent & Culture

Not Assessed

Similar to the first layer (CPI Digital Strategy), Talent & Culture capability requirements are unique to each organization and we have identified success factors that will support the delivery of "Best-in-Class Experiences".

Although specific "People" capabilities required will vary from organization to organization, to attract and retain talent with digital skills, most incumbent CPI distributors and underwriters will need to invest significantly to achieve the required culture shift.

Conclusion and Looking Forward

Based on the Deloitte Digital CPI Framework, Deloitte has identified priority investments across each of the six layers of the Digitization of CPI that span across underwriters and distributors.

1. Assess gaps in current CPI digital strategy

To ensure CPI investments are supporting a unified direction, the first step should be to review the current strategy, ensuring there is alignment around key questions such as:

- Who are the target customers?
- What are our digital ambitions?
- What are our financial and non-financial objectives?
- How will we measure success of digital? (i.e., KPIs)

2. Define end-to-end journey

Once the strategy is defined, organizations should ensure that future state customer and representative journeys are designed in sequence with human-centered design to integrate digital features and human-led advice in a seamless fashion. Organizations should also validate that target state journeys are aligned to all regulatory requirements.

3. Identify required capabilities and features

Leveraging the CPI Digital Framework, and their respective target state journeys, organizations should identify the required capabilities to enable the experience across the mid-, front- and back-office.

4. Assess current maturity and prioritize initiatives

Once capability requirements are defined, organizations should assess their own respective maturity to identify and prioritize gaps to be addressed based on business priorities, projected benefits and strategic KPIs.

5. Identify the APIs and Integrations required

To enable seamless customer and representative experiences, the identification of required APIs and integration tools as well as alignment on partner collaboration models across distributors / underwriters is critical.

6. Develop the workforce of the future

Assess gaps in enabling Talent & Culture, with plans for addressing talent gaps by upskilling, hiring, partnering with, and acquiring talent whilst enabling change through culture shifts and building new skills across the business.

7. Integrate consumer value and protection

Refine customer protection strategy, identifying opportunities to ensure value delivery through digital customer experiences at key moments within the journey.

Appendix

Deloitte Digital CPI Framework Functional Capability Definitions (Figure 19)

Each functional capability from Deloitte Digital CPI Framework is defined below.

1. Discovery	2. Quoting	3. Purchasing
<p>1.1 Advertising & Communications Deploy targeted ads regarding lending and CPI products on digital channels, provide representatives with promotional material, with the ability to share them on-demand</p> <p>1.2 Digital Calculator Consumer facing digital loan calculator, which includes credit protection insurance calculation – available on the representative dashboard as well</p> <p>1.3 Peer-to-Peer Insights Access to “people like you” engine for client online discovery, including common coverages and cost benchmarks to support education for consumers</p> <p>1.4 Online Education Access to landing page on FI's website with information about the different loan and insurance products, with an option to share links, videos or articles based on needs</p> <p>1.5 Insurance Coverage Options Access to coverage details in common language on the different insurance coverage options available to each consumer's personal situation</p>	<p>2.1 Needs Analysis / Value Showcase Intake consumer information which is used to access and identify their loan and insurance needs; client-led and representative-guided tool, showcasing protection value</p> <p>2.2 Waivable Insurance Coverage Access to waiving insurance coverage and selecting reason from a drop-down field for each waived coverage for completion by clients or representatives</p> <p>2.3 Automated Eligibility Based on needs analysis, determination of potential consumers eligibility for product based on local regulation, consumer protection, and value derived from product</p> <p>2.4 Virtual Guidance Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions</p> <p>2.5 Quoting Tool Access to a self-serve online or guided in-branch quoting loan and insurance tool that shows a unified premium including the loan payment and insurance premium</p> <p>2.6 Interactive Premium Adjustments Ability to see real-time impact on premium of any protection and loan adjustments, including any changes in conditions or eligibility</p> <p>2.7 Insurance Pre-Approval Reserve immediate pre-approval for certain consumers based on their existing information</p> <p>2.8 Rational Documentation Retourding of rational for consumer declining or accepting the quote provided, to be used for future reference (e.g., consumer protection, service improvement)</p>	<p>3.1 Digital Health Assessment Answer additional health questions directly in the online application or on a digital form in-branch</p> <p>3.2 Enrollment & Onboarding Enroll consumers with their personal details and coverage details with underwritten policy documents automatically generated and shared with clients</p> <p>3.3 Underwriting Tracking Ability for consumer and representative to view current quote underwriting status through a self-serve channel</p> <p>3.4 Digital Bind Ability for consumer and representative to bind a policy digitally without need of live interaction with consumer</p>

LEGEND

CX Customer Experience

RX Representative Experience

Distributor Capability

Underwriter Capability

Joint Capability

Deloitte Digital CPI Framework Functional Capability Definitions Cont. (Figure 20)

4. Servicing / Renewal		5. Claims		6. Continued Engagement	
<div> <div>CX</div> <div>RX</div> </div>	4.1 Needs Reassessment Ability for the customer and the representative to reassess protection needs during the renewal process or after a significant life event	<div> <div>CX</div> <div>RX</div> </div>	5.1 Claims Status Tracker Dashboard View the progress of in-process claims and receive notifications each time the status changes; allowing for a consolidated dashboard of all claims, and generate reports	<div> <div>CX</div> <div>RX</div> </div>	6.1 Rewards & Benefits Ability to provide active policy consumers with additional perks and benefits that are aligned to their specific needs and preferences through proactive engagement
	4.2 Virtual Education Receive and manage representative commission payment based on periodic sales performance		5.2 Secure Communication Ability for customer, representative, and claims representative to securely communicate through digital channels		6.2 Intelligent Nudging Send proactive notifications of upcoming renewals, proposed coverage amendments/cancellations, and additional perks / benefits utilization
	4.3 Self-Serve Portal Manage consumer account information (e.g., address, payment method) digitally (e.g., self-serve), through the call center or in-branch		5.3 Ecosystem Support Access to a broader ecosystem of support benefits and perks that may provide value to the customer in the event of a claim (i.e., mental health/virtual care)		
	4.4 Real-Time Protection Adjustments Scale up or down consumer existing coverage via prebuilt options based on future needs and life events		5.4 Virtual Guidance Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions		
	4.5 Secure Communication Ability for customer and representative to securely communicate through digital channels		5.5 Digital Intake Initiate FNOL digitally by uploading relevant documentation for the claim, or via representative through the branch/call center		
	4.6 Virtual Guidance Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions		5.6 Instant Claim Approval Ability to provide automatic claim approval based on consumer provided data as well as access to authorized TP data (e.g., lender data)		
			5.7 Contextual Info Requests Receive and send requests for additional information / documentation when necessary, or additional information when a claim is denied		
			5.8 Digital Settlement Payment Ability to receive and send payment directly to the consumer's financial institution based on settlement eligibility through digital channels		
<div> <div>LEGEND</div> <div> <div>CX</div> Customer Experience <div>RX</div> Representative Experience </div> <div>Distributor Capability</div> <div>Underwriter Capability</div> <div>Joint Capability</div> </div>					

Deloitte Digital CPI Framework Functional Capability Definitions Cont. (Figure 21)

8. Data, Analytics, & Insights		
8.1 Cust. / Rep. Insights & Reporting Delivery of actionable insights on customers and representatives based on habits and usage data to appropriate stakeholders	8.3 360 Customer Profile Single customer profile, showcasing all products / policies as well as general profile and preferences information, as permitted by local regulation	8.9 Recommendations Engine Ability to generate personalized recommendations for consumers and representative based on available data
8.2 Regulatory Reporting Delivery of required regulatory reports and disclosures based on local jurisdiction	8.6 Pre-Populated Fields Ability to pre-populate fields for consumers and representative throughout the journey (e.g., quote, claim) leveraging internal and external data as permitted	8.10 Enterprise Data Management Ability of an organization to precisely define, easily integrate and effectively retrieve data for both internal applications and external sources as permitted
8.3 TP Data Integrations Inbound and outbound data transfers with TP data sources related to the consumer as permitted by jurisdiction requirements and consumer permissions	8.7 Data Visualization Enabling employees and representatives to visualize historical data related to consumer and representative CPI / lending behaviors	8.11 Privacy & Encryption Ability to appropriately protect data while being stored and transmitted, abiding by required privacy protocols
8.4 Contextual Prompts Delivery of automated actionable nudges, recommendations and insights to consumer and representative based on specific needs, situations, and preferences	8.8 Interoperable Data Ability of systems and services that create, exchange and consume data to have clear, shared expectations for the contents, context across platforms	8.12 Predictive Modelling Ability to develop and improve predictive models based on available data
7. Digital-Enabled Operations		
7.1 Click for Assistance Access to talk to an representative or contact center rep for guidance by through a call, online chat, or in-person / branch meeting	7.5 Digital Document Upload Ability for consumer to upload digital documentation to their CPI application and customer profile	7.9 Process Automation / RPA Digitization and automation of redundant internal manual processes
7.2 Online Complaints / Escalation Ability for customer to easily file a complaint, or escalate an issue through a variety of channels including digital	7.6 Embedded Consumer Protection Inclusion of digital controls to ensure consumers using self-serve options are only provided with options that deliver value and are made aware of policy conditions	7.10 E-Signature Ability to accept and provide digital signatures that are aligned with local jurisdiction requirements
7.3 Digital Document Management Ability to store, access, update, and track documentation in digital formats, as well as digitizing paper-based documents in readable / searchable formats	7.7 Digital Payments / Disbursements Ability to securely accept and disburse payments sent in electronic forms and through widely available payment platforms (e.g., Apple pay)	7.11 Digital Employee Tools Enabling employees to perform their work with digital tools and processes
7.4 Real-Time Commission Payment Calculate, update and pay representative commission payment based on periodic sales performance and adjustments	7.8 Real-Time Premium Adjustments Ability to adjust premium and related commission amounts in real-time based on changes to protection and underlying conditions	7.12 Automated Underwriting Ability to underwrite CPI applications without human intervention
9. Digital & Technology		
9.1 APIs & Integrations Ability to enable connections with external applications via their APIs (application programming interfaces) that allow systems to exchange data sources	9.3 Modernized Core System Suite of core systems that can enable digital processes and integrations with required digital platforms (internal and external)	9.5 Agile Delivery Enables teams to make simplified process decisions around incremental and iterative solution delivery
9.2 Cloud Services Availability of applications and data storage in the cloud as permitted by regulation	9.4 CRM / MarTech Ability to leverage customer / representative profiles make data-driven relationship management decisions	9.6 Representative Dashboard Ability for a representative to access all relevant tools and information through a digital self-serve portal as well as interact with their customers throughout the journey
<div> <div>LEGEND</div> <div> <div>CX</div> <div>Customer Experience</div> </div> <div> <div>RX</div> <div>Representative Experience</div> </div> <div> <div>Distributor Capability</div> </div> <div> <div>Underwriter Capability</div> </div> <div> <div>Joint Capability</div> </div> </div>		

Endnotes

- 1) What is Credit Protection Insurance? Accessed from The Canadian Association of Financial Institutions in Insurance, <https://www.cafii.com/credit-protection-insurance/>
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