

CIBC MELLON

# CANADIAN INSURANCE FIRMS: Reimagining the Operating Model

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Nick is Executive Director, Business Development and Co-Head of the Insurance Segment for CIBC Mellon. Nick is also responsible for driving revenue growth and expanding CIBC Mellon's market presence across Global Financial Institutions, Insurance, Asset Managers and Asset Owners. He is focused on delivering asset servicing and outsourcing solutions to strategic clients across industry verticals.

In the rapidly evolving landscape of the Canadian insurance industry, firms are compelled to reimagine their operating models to adapt to recent market events. Institutional investors play a crucial role in navigating these changes and understanding the implications for their investment strategies.

**This article delves into key trends and drivers for transformation in the Canadian insurance sector.**

## **EMBRACING DIGITAL TRANSFORMATION**

Canadian insurance firms have not only acknowledged the pivotal role of digital transformation in maintaining competitiveness and adapting to evolving customer expectations, but are also actively seeking ways to establish centralized data repositories. In 2023, the industry continues to be reshaped by technology, as insurers harness the power of advanced analytics, artificial intelligence, and automation to revamp their operations. This overhaul not only streamlines processes but also significantly impacts underwriting procedures, culminating in a more personalized experience for clients. It's imperative for institutional investors to keep a watchful eye on these digital strategies, recognizing their direct influence on business performance and, consequently, long-term investment prospects in the insurance sector.



### **EXPLORE WITH US**

We would be pleased to discuss these themes further, including exploring them in the context of our ongoing Canadian and global research efforts. Please don't hesitate to contact your relationship manager to arrange a discussion.



## SHIFTING REGULATORY LANDSCAPE

Regulatory changes and evolving frameworks have had a profound impact on the Canadian insurance sector. As authorities prioritize consumer protection, insurers are faced with increasing compliance requirements and heightened scrutiny. Institutional investors need to assess how insurance firms are adapting to these regulatory shifts and the potential impact on risk management, capital adequacy, and investment strategies.

## FINDING THE RIGHT OPERATING MODEL

The push to change the operating model is a matter of accelerating initiatives and trends that have been building for many years. Similar to many Canadian institutional asset management organizations, insurers are looking to modernize their investment operations to better capture and integrate data to support better decision-making across the middle office, achieve efficiencies and streamline their operating models as they focus on how they deliver core values.

Insurance companies and institutional investors are receiving varied demands from management teams, regulators, agents, investment arms, teams, compliance officers, actuaries and risk managers – all while managing operational requirements of portfolio management, trade processing and insurance accounting systems.

These demands expose insurance companies to complex risk pressures such as complying with new regulations, managing transparency concerns and mitigating investment risks across diverse asset classes. Maintaining oversight and ultimately responsibility is imperative as many firms grapple with how to efficiently manage their operations.

From revisiting legacy platforms to transitioning non-core operations to providers, and even lifting out teams, the transformational decisions facing Canadian insurance companies will impact their businesses, operations and competitive positions for years to come.



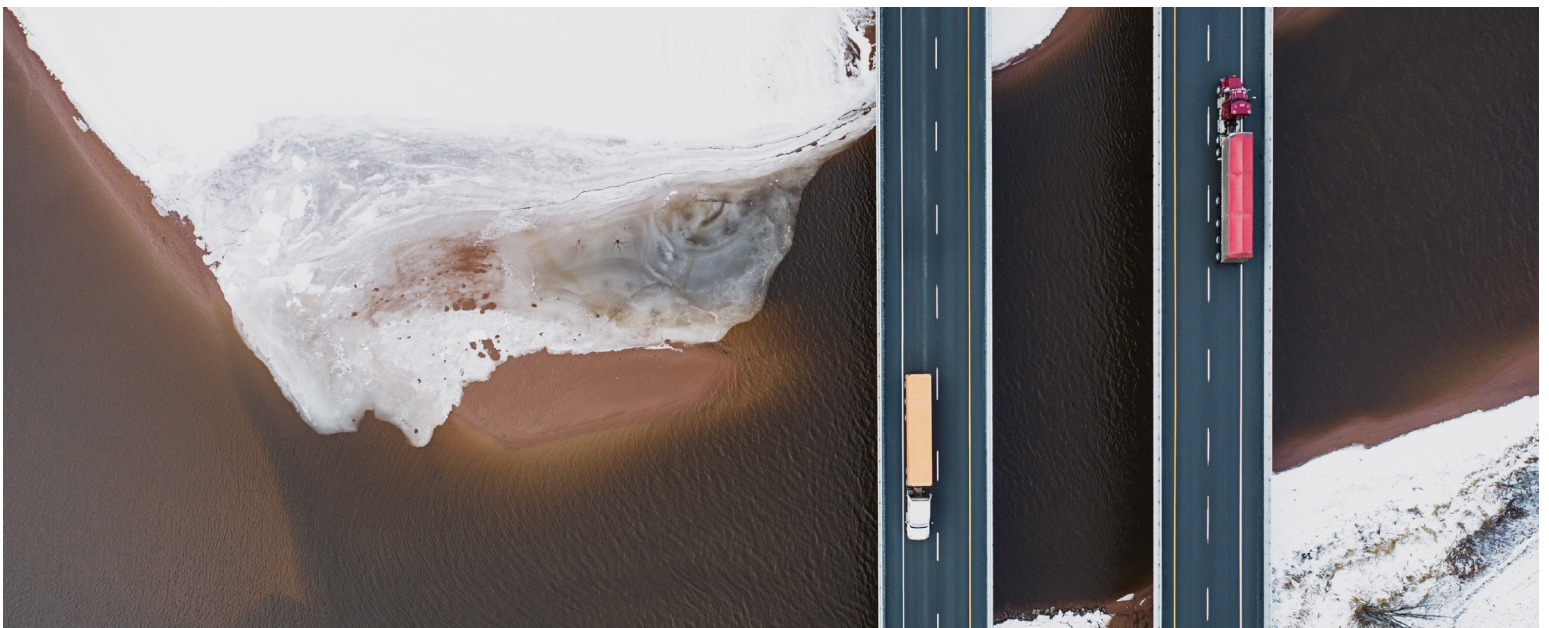
## CLIMATE CHANGE AND SUSTAINABILITY

The awareness and impact of climate change have grown significantly in recent years. Canadian insurance firms are proactively addressing environmental risks and integrating sustainability into their operating models. From incorporating climate risk assessments into underwriting practices to investing in green initiatives, insurers are aligning their strategies with the global drive towards sustainability. Institutional investors should evaluate how insurance companies are managing climate-related risks, as it can influence their long-term investment performance and resilience.



## RESHAPING DISTRIBUTION CHANNELS

Traditional distribution channels in the insurance industry are being redefined. The rise of InsurTech startups and changing customer preferences have challenged the status quo. Canadian insurance firms are exploring new partnerships, adopting direct-to-consumer models, and leveraging digital platforms to reach a broader customer base. Institutional investors should assess the effectiveness of these distribution strategies in enhancing market share and driving sustainable growth.



## EVOLVING RISK LANDSCAPE

The risk landscape for Canadian insurers has evolved significantly in recent times. Emerging risks, such as cyber threats and pandemics, have become critical considerations. Insurance firms are reevaluating their risk management frameworks and developing innovative products to address emerging risks. Institutional investors must understand how insurance companies are adapting to these evolving risks and assessing their resilience in the face of potential disruptions.

The Canadian insurance industry is undergoing a transformative phase, driven by digitalization, regulatory changes, sustainability initiatives, and evolving risk landscapes. Institutional investors, as key stakeholders, should closely monitor these trends and understand how insurance firms are reimagining their operating models. By staying abreast of market developments and assessing the strategies of Canadian insurance firms, institutional investors can make informed decisions and align their investment strategies for long-term success in the evolving landscape of the Canadian insurance sector.



## QUESTIONS TO CONSIDER

1. How does my in-house and provider talent pool align to the needs of my asset management, technology and operations activities?
2. What does it take to transform aspects of the business to succeed in a new digital reality?
3. As the volume and scope of data continues to grow, is the business equipped to handle it?
4. What are my regulatory development costs?
5. What are my product development costs and product time to market? Am I losing market share by not offering newest product features?

**Institutional investors have significant questions about their business, offerings and operations. CIBC Mellon's expanding offerings for insurance companies in Canada are built from a long pedigree of service to asset managers, and designed in collaboration with some of the largest players in the market.**



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## FOR MORE INFORMATION

CIBC Mellon is pleased to engage with clients on this front and continue the conversation. Please contact your Relationship Manager if you would like more information.

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