

## Cost Factor Discussion - Afternoon

1) What is your perception of what it would take to get an industry system (solution) up and running?

- Commitment
- Money
- Meaningful cost/benefit analysis carriers/distributors – money differs for each one.
- Differs by carriers based on back end system (i.e. multiple back-offices). Every CBA would differ on product offering/breadth. Every company has to customize based on what's meaningful to them. What is interface cost by carrier and multiple cost.
- Agree on governance and guiding principles. This is good for the industry; don't compete on data – not on proprietary data standards, but on transmission/communication standards; don't over complicate things. Start at the beginning of the process and work from there. Standards are the biggest issue – exponential for the distributors. Needs to be commitment on standards by carriers. But compete on functionality. Pipeline not format. There are approx. 50-150 data elements to order – differentiate on data makes it complicated. Data itself is no different – advisor—distributor—carrier....it's what we do with the data that differentiate. Transmission is the standard. Every carrier wants something (elements) different – what the vendor has to do is accommodate that. Feeds have to stay the same.
- Solution caution: exchanging data is the first and most important step to achieve common gain
- What are the layers cost dependent a conceptual solution required. Layers of cost (pain points):
  - A certain portion of the costs would be defined....what is our targeted result. Manage data running through the system. (submission to commission)
  - App in electronically? But one end to the other? Is that viable?
  - We're spending tens of thousands of \$ on interfaces/integration because the data standardization.
  - Cost consideration/change factors
    - This will take time
    - Vendor costs
    - Operation costs (x million a year to run this sucker)
    - No industry collaboration with customization in each org...i.e. risk selection element. No out of the box solutions. One opinion is the carrier downloads development cost to vendors.

- More shopping as a result of standardization – large carriers face competition from smaller firms based on access to the data.
- Do we all buy in to the validity of this and understand the opportunity cost.

2) Do you see all business partners in the industry being able to work cooperatively to come up with a solution that benefits all stakeholders?

- Opportunity cost to not be in on the ground floor
- Fundserv – manufacturers started with select few (no funding from distribution or vendors) funded on debt and paid back over time. When fundserv started the penetration was 1/3 and the motivation was market access, not cost savings. Had to engage IDA community...fundserv solved the problems. Fund serv volumes will not exist on the life side.
- If there are benefits and drivers for all stakeholders...are we there? Symcor solved a problem for (3 companies) a common industry problem. The beer store – started by three for the benefit of all.
- Collective model – to benefit all stakeholders. We don't need all to be on board – need critical mass. Some are critical to move this forward.
- The insurance industry should be able to move this forward – this is the right thing to do. That's why we're here.

3) Thinking down the road, what are the type of factors and components that you would have to consider as well as the costs of these initiatives – e.g., interfaces, links, connections, standards, regulation, compliance, privacy, etc.

- a. Interfaces – 1.5-2 million (user full e-app multi-carrier with rules and mapping to back-end...no illustration...no infrastructure)
- b. Links/Hub/network
- c. Connections
- d. Regulation
- e. Operational cost/reengineering

\*\*\*Cost depends on scope and breadth – we are all at different stages. We need a group to help put it together. We bantered around the cost factors and examples, but thought it's not prudent at this time . What are the corresponding benefit?

4) What would be the biggest hurdle to overcome in supporting this at your company? How would this best be overcome?

- Is now the right time and will we get the value out of this? Will distributor take-up? Carrot (20% uptake) and stick (greater). Why not go proprietary if the carriers can get the same uptake?
- Distributors want this to succeed, but the value of data standardization
- 14 different e-apps won't support distributor/advisor uptake. Uptake will be progressive—
- High level scoping of what we're talking about.
- Distributors use different back-offices, but do business the same way.

Next steps:

- Bridge group
  - participation would be heavy – stepping up to represent the industry. Volunteers requested and a number of hands went up and a paper circulated to capture those interested.
  - Policing force – steering group to guide to a move forward position. A mix of vendors(2), distributors(2) and carriers(2) plus Julie. Get a real sense of who is serious about moving this forward. Not letting the ball drop and getting the appropriate engagement.
  - 2-4 months of highly labour-intensive work