



2019 Insurance Conference

**Introduction to open banking - How
open data sharing will open new
frontier for insurers**

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Three key drivers of change are shaping the future banking landscape



Customer Expectations

- Cross brand/cross industry
- Personalization
- Convenience



New sources of competition

- Emergence of non-traditional players
- Emergence of new service offerings
- Regulations



Connectivity and enhanced technology

- Open APIs
- Micro-service architectures

The shift to an open ecosystem

Open Banking is a major change to traditional banking models that presents new challenges and benefits.

Canadian banking current state: Complex, closed system

- A complex system of provincial and federal financial services regulation
- Banks are continually investing to ensure client privacy, data integrity and trust is maintained.

Proposed future state: An open banking data sharing ecosystem

- Shift from a bilateral business model to an environment with multi-lateral data flows to accredited 3rd parties
- Distributed business models for financial institutions and platforms to help build interconnected relationships

Open access for technology giants and fintechs

- Technology firms traditionally participating at the fringes of the banking system could be more involved
- Big technology companies (e.g. FAANG) have begun to enter complementary areas of financial services, such as payments
- This expansion into financial services is allowing these technology players to supplement their existing data with new payments data to generate greater insights and offerings
- Open banking will increase the opportunities these companies have to participate in the broader ecosystem and compete with Financial Institutions
- Financial Institutions as a platform will have opportunities to monetize a range of new services (e.g. data & analytics)

Closed ecosystems

Open ecosystems

Current State

Limited data access and sharing with third parties



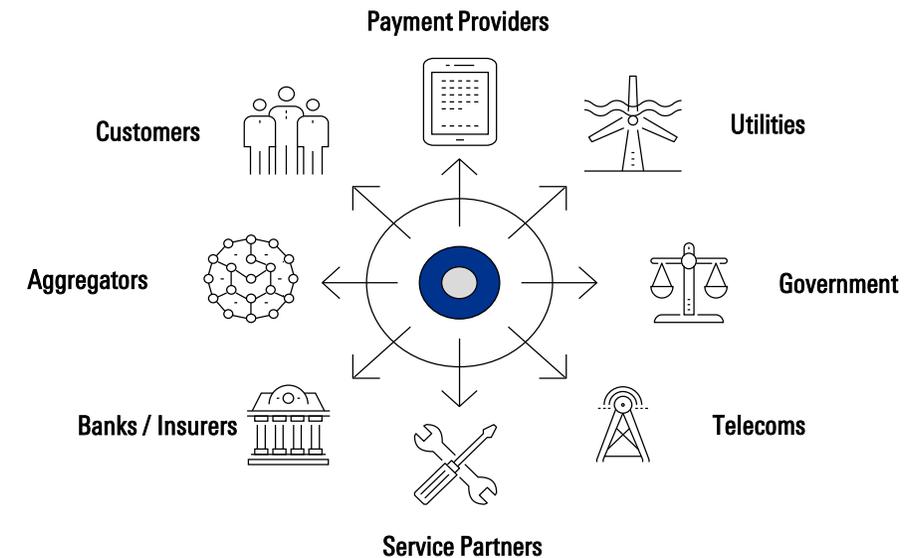
Customers



Financial Institutions

Future State

Multi-directional data access and sharing with a broad range of accredited third parties



Banks across the globe are preparing for open banking

In the **Nordics**, **six of the largest banks** (Nordea, Danske, SEB, Swedbank, DNB, and OP) have been aggressive in their approach to PSD2. Each have invested in **going beyond compliance requirements**, focusing on ways to grasp the open banking opportunity.

Danske, the second largest bank in the Nordics, already has **700 active users in their API sandbox** portal helping them to develop solutions for their UK and European customers while they wait for the implementation of PSD2 to complete.

Singapore's **largest banks**, DBS and OCBC have launched open API portals in advance of Open Banking regulation. DBS **shares 150+ of its APIs with external developers**. OCBC Bank launched an open API developer portal in 2017 and believes opening APIs will put their data to more efficient use and with the help of third party developers extend their reach to existing and potential customers through creating a better user experience.

Without the burden or motivation of compliance **23% of North American banks** have already started investing in open banking initiatives versus 18% of banks globally.

American banks have **focused on offensive plays** through either building or partnering with retail and SME financial management platforms. Examples include JP Morgan with Mint and OnDeck and Goldman Sachs with Clarity Money.

Capital One has been the **most progressive** in the U.S, having recently launched 'DevExchange', its open API developer portal, starting with access to its account opening, credit offers and rewards APIs.

In the **UK** banks have been **focusing on financial management solutions for SME and retail clients**. For small businesses this has lead to a number of co-development partnerships and acquisitions of innovative Fintechs that are helping to take banking to where customers do business, capturing the entire supply chain. For retail clients the focus has been on creating the **'killer' PFM application** that prompts customers to opt into sharing their OFI data on the banks platform.

In **Australia**, challenger Macquarie Bank has partnered with Pocketbook. Pocketbook have 400k users and will **provide real-time notifications** and personal financial management tips to customers who bank with Macquarie.

PFM application MoneyBrilliant is **connected with over 200 financial institutions and over 15 adjacent industry players** in Australia

All Canadians stand to benefit from open banking



Customers

- For customers, open banking is a significant opportunity to bring more of that innovation to their banking services through new and better processes, products and services
- Examples include the ability to see a fuller picture of customers' creditworthiness through their bank account activities enabling the provision of credit that otherwise might be withheld without this level of transparency (i.e. through a credit bureau score alone)



Businesses

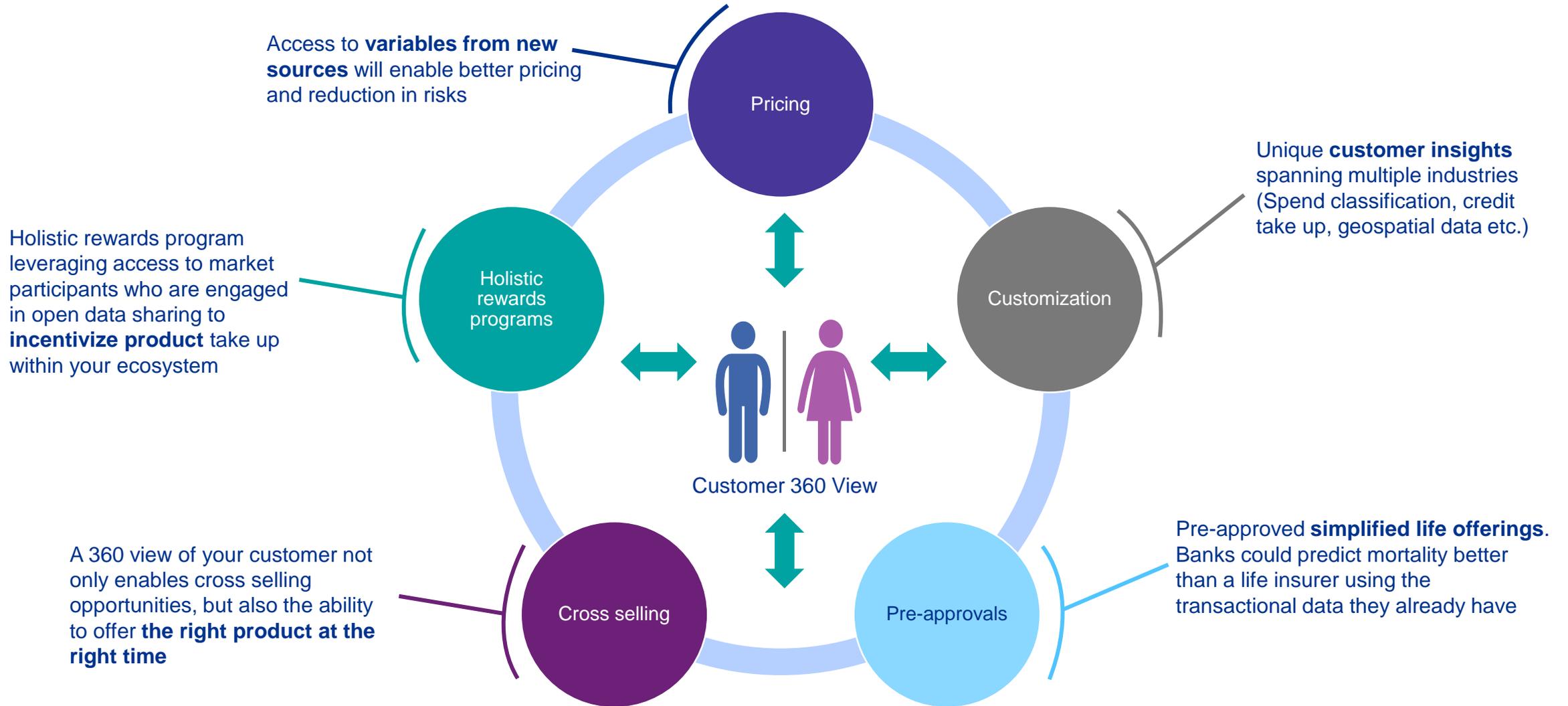
- For businesses, open banking could similarly improve the credit process by letting a bank see their cash inflows and outflows. This gives the bank a more accurate profile of the business' performance to enhance credit decisioning (giving credit where it should reasonably be extended and holding it back when it is unsuitable)

Open data sharing will unlock capabilities that will enable a more bespoke and enhanced customer interaction

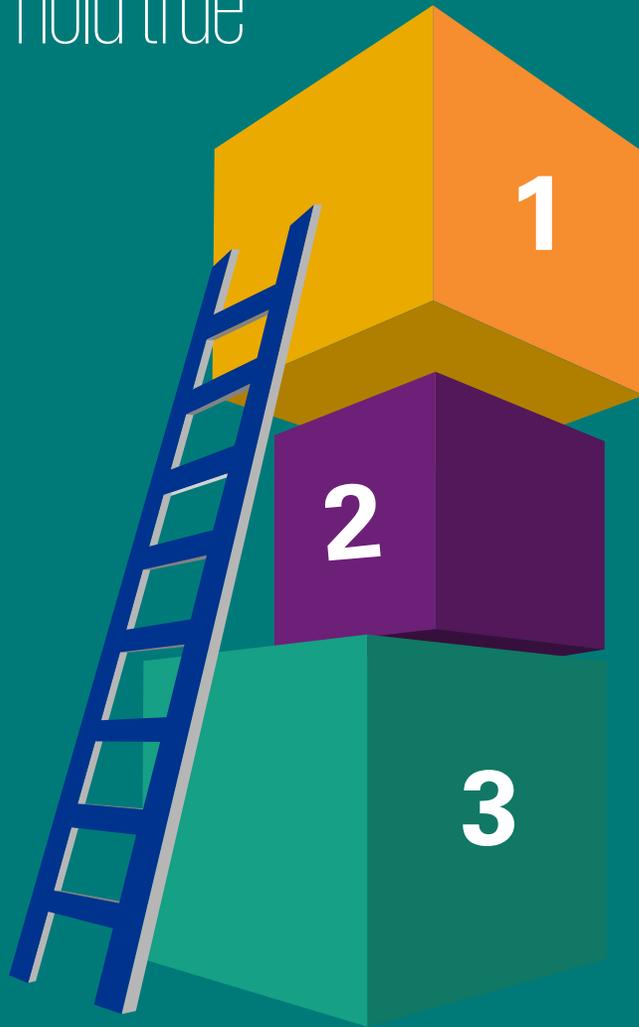
Open data sharing will provide deeper insights into customer behaviours enabling accelerated product and service innovation.

Customer acquisition	Implementation of digital engagement tools that are efficient, simple and intuitive in their design. E.g. ZignSec is helping Scandinavians to speed up verification when registering for services, via their bank identity		
Risk management	Ability to access more detailed client information to develop alternative credit scoring models. These models helps banks, telecoms and consumer lenders improve credit quality and acceptance rates.		
Financial wellness	Access to transactional data allows a better understanding of customers' financial status. E.g. Outbank supports services to aggregate data for liquidity and cash management purposes		
Customer experience	Expectation of high-quality service that easy to use, 24/7 and personalised. E.g. Kontomatik uses advanced analytics to support credit portfolio optimization for Banks and clients alike.		
New Product Development	New products from external players to offer specialised or integrated services. E.g. Teller supports an APIs that will allow to manage your accounts via your existing applications.		

Possible use cases for open data sharing in the insurance industry



For open data sharing to work (i.e. achieve mass adoption by customers), three things must hold true



1. Clearly better value

New product and service propositions (e.g. cross industry bundles) must deliver tangibly better value for businesses and consumers to consider switching

2. Simplicity/Easy to Switch

Most people are time poor and if a task is deemed to be hard to do or time consuming, then the probability of it being done diminishes quickly. Members of the open data sharing ecosystem must make it easy for their targeted customers to switch and take up their offers.

3. Security

Consumers and businesses must be confident that it is safe to share their data with participants in the open data sharing ecosystem. At the moment the prevailing perception is that the more entities I share my data with, the higher the probability of a breach

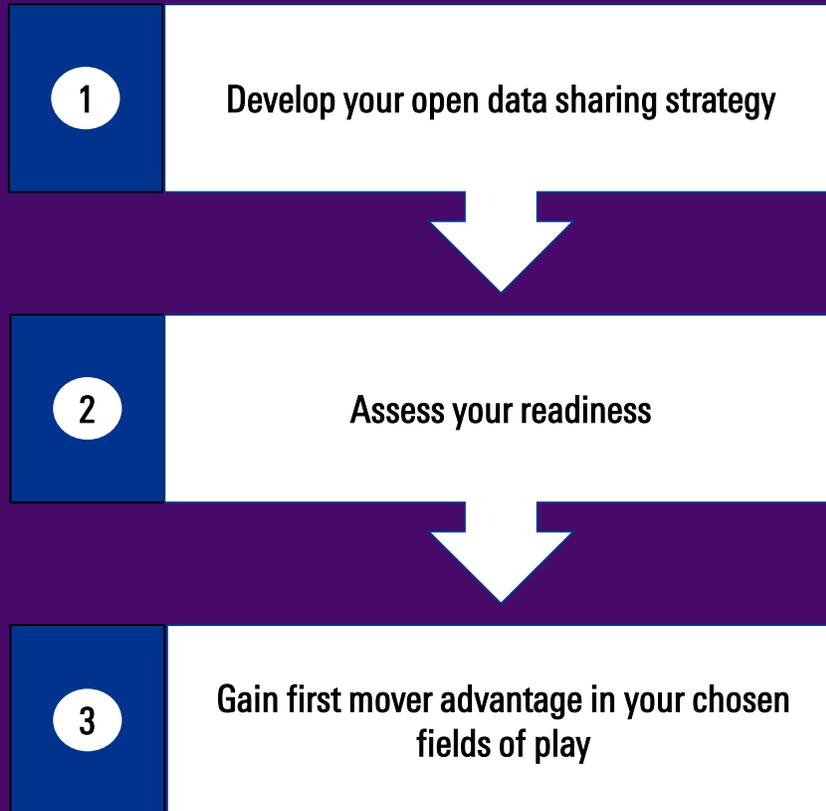
Existing and new players are seeking to leverage data to offer enhanced financial services...

<p>Personal Financial management tools</p>	<p>ID and Personal Data Services</p>	<p>Rewards and customer loyalty</p>	<p>Comparison sites</p>	<p>Technology Giants and Digital Wallets</p>
<p>Funding Services</p>	<p>Prepaid Cards</p>	<p>Business Payments</p>	<p>Payment Networks and Specialists</p>	<p>Accounting</p>
<p>Credit Profiling and SME Services</p>		<p>Data and API Aggregators</p>	<p>Credit Bureaus</p>	



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Preparing for Canada's move towards open data sharing - now is the time to start



1. Develop your open data sharing strategy

- Build your organization's understanding of how open banking has worked in other jurisdictions and develop scenarios for what could happen in Canada
- Based on these scenarios, develop strategies for how you will:
 - i. Promote open data sharing to develop awareness
 - ii. Engage with clients to educate them and address any concerns
 - iii. Deliver value add services to your clients
 - iv. Capitalize on the highest priority opportunities within the new ecosystem



2. Assess your readiness for open data sharing

- Identify the change impacts that open data sharing will have on data, systems, processes, bank policies, customers and staff
- Work with internal stakeholders across the business and technology to communicate the key capabilities required
- Agree on the sequencing of capability delivery required to bridge any gap between the organization's current operating model and the target operating model in an open data sharing environment
- Assess the risks and develop mitigation plans for making the required changes
- Conduct a high-level cost/benefits analysis



3. Gain first mover advantage in your chosen fields of play

- Undertake ideation sessions to understand the "voice of the customer" and prioritize your fields of play
- Identify preferred partners and partnership models in priority "fields of play"
- Commence preliminary conversations with preferred partners
- Conduct experiments with new product and service offerings to test feasibility, viability and desirability with target customer segments



Thank you



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