



Stronger together: Accelerating toward greater financial inclusion

October 14, 2021

Agenda

Introduction and survey overview



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Closing



Introduction and survey overview

Courtney Davis

The continued imperative for financial inclusion

Need for additional progress remains

- Most underlying statistics still paint a grim picture (e.g., 7.1m of unbanked U.S. households¹).
- Many institutions are still evaluating their financial inclusion priorities.
- Institutions face inconsistencies in how to tackle the operating model to drive the agenda.

Regulatory / Legislative Agenda

- Policymakers are encouraging the industry to move toward a more inclusive approach.
- Amendments to existing regulations to overhaul the credit reporting system.
- Regulators working together to jointly strengthen and modernize regulations implementing the Community Reinvestment Act (CRA).

Competitive Landscape

- Technological evolution to increase efficiency and lower costs.
- Fintechs are driving innovation to reach deeper into the underserved and unserved communities.
- Institutions are tailoring financial service models to meet diverging customer needs.

Financial institutions see an **opportunity to expand their offerings** to reach communities still struggling to access basic financial services

¹ [How America Banks: Household Use of Banking and Financial Services](#)

The drivers of change



Organization

Many firms are evaluating their organization to **develop a more inclusive workforce** by:

- **Developing diverse talent** with a variety of experiences
- Increasing share of **minorities in client-facing roles**
- Implementing **financial wellness sessions and credit counseling** for employees



Offering

Product design, distribution, and marketing are areas companies are driving change in their offerings:

- Designing current and future products for the underserved such as **flexible loan repayments** or **no-fee savings accounts**
- Leveraging **distribution channels and social media to increase outreach** for inclusive products and **paint a more inclusive view of the market**



Community

Companies are identifying areas of **opportunity to make a lasting impact on the community**

- **Making direct investments** in Minority Depository Institutions (MDIs)
- **Organizing educational workshops and webinars** designed for the underserved
- **Partnering with community organizations** to amplify efforts to achieve common goals



Ecosystem

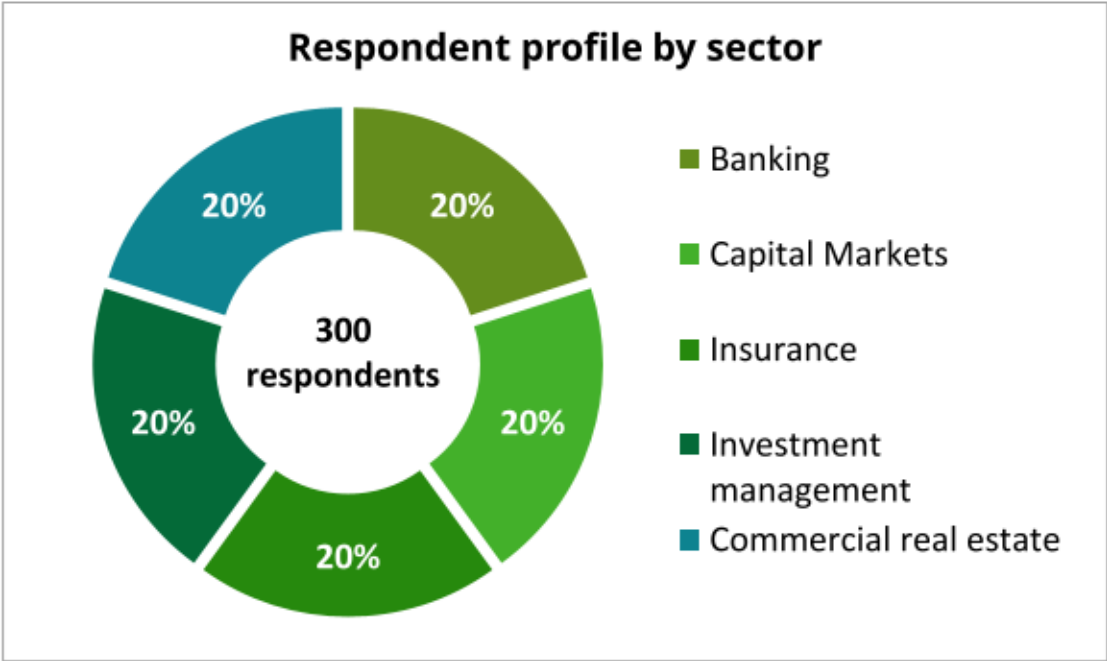
Engaging with the external marketplace is enabling firms to strategically expand their capabilities.

- **Leveraging fintechs to build innovative solutions** (e.g., micro-loans, cloud-based banking platforms)
- **Leveraging alternative data** to support business life-cycle (e.g., underwriting, risk monitoring)
- **Engaging with regulators** to drive compliance

Deloitte & Touche LLP surveyed 300 senior FSI executives in the US who are connected to or responsible for their firms' financial inclusion initiatives.

Leaders responsible for change

We surveyed 300 senior executives across FSI sectors and functions in June 2021



- Opinions were shared by leaders to address Financial Inclusion’s efforts of their organizations in accordance with the framework.
- Respondents were asked about:
 - Importance of financial inclusion
 - Progress on their financial inclusion efforts
 - Current financial inclusion focus areas
 - Next 12 to 18 months financial inclusion strategies and goals

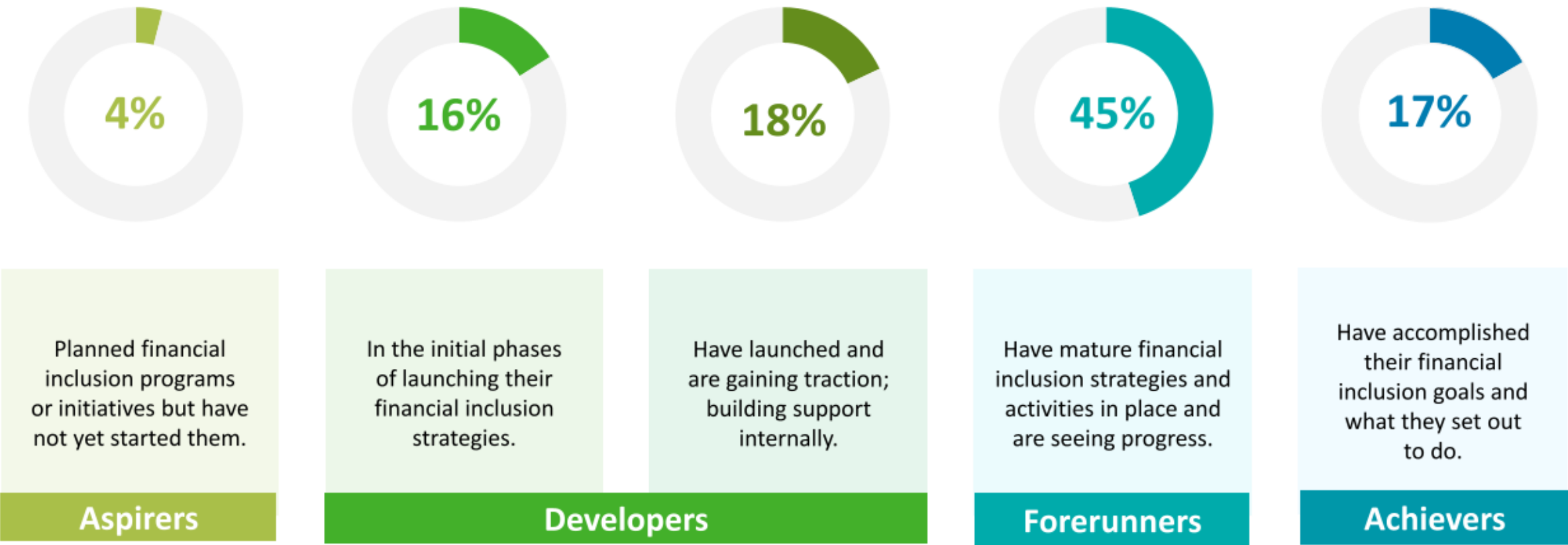


53% of survey participants were CXOs and 47% were senior leader.

Source: [Accelerating toward greater financial inclusion](#)

Maturity of FSI's based on their financial inclusion strategies

Respondents were categorized into four broad categories based on their perspectives of progress in their financial inclusion efforts.



Source: [Accelerating toward greater financial inclusion](#)

Insights gained from taking a closer look

1

Alternative Data and Innovative Technologies

For financial-inclusion focused financial services institutions (FSIs), leveraging alternative data and innovative technologies is a near-term priority. Nearly 50% of survey respondents said their organizations plan to leverage technology and business model.

2

Third-party Alliance and Community Support

Third-party alliances and community support are key to the success of financial inclusion strategies. Almost 60% of survey respondents are partnering with local community organizations and associations to amplify their financial and nonfinancial commitments.

3

Financial Cost and Technology Constraints

Respondents from FSIs that haven't yet launched formal financial inclusion initiatives cited financial cost concerns and technology constraints as the most common impediments to gaining traction.

4

Employee Financial Wellbeing

Among financial inclusion initiatives, FSIs are focusing most on employee financial well-being, reaching currently unserved and underserved customer segments, and financial literacy endeavors.

5

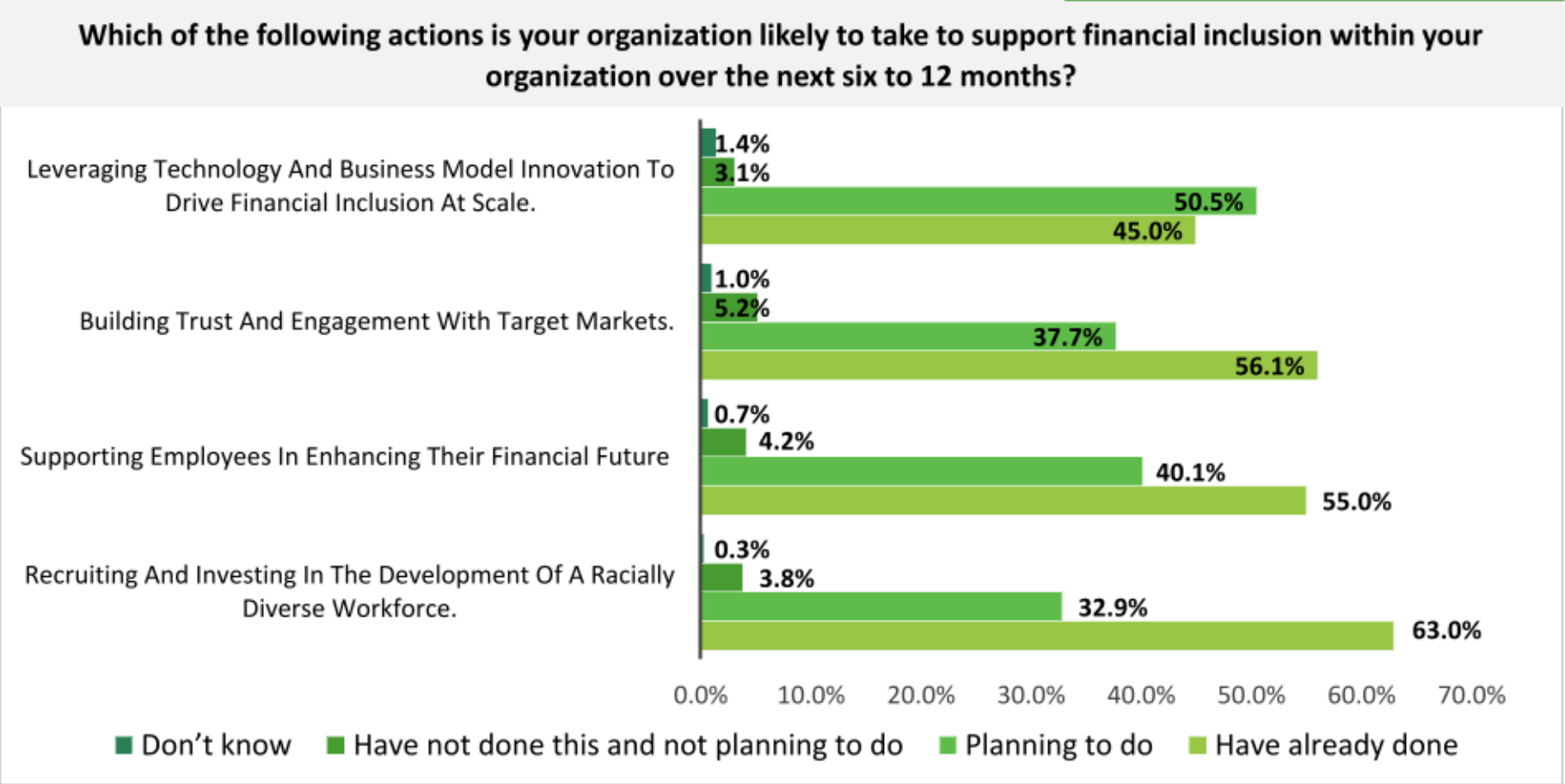
Disconnects between Customer and Firm Priorities

Our survey revealed potential disconnects between underserved customer priorities and FSI approaches to this critical segment. Financial firms may need to recalibrate some of their targeting efforts and differentiate more between underserved and unserved customers.

FSIs are committed to purpose-driven financial inclusion

Survey Findings: Organization

- At least **three in four** respondents consider financial inclusion to be a **core pillar** of their overall corporate social purpose strategy.
- When asked to rank initiatives receiving the most attention within the respondent's organization:
 - **70%** selected employee **financial well-being** among their top three focus areas
 - **55%** selected reaching the currently **underserved**.
 - **53%** selected reaching **unserved** customer segments
 - **51%** selected **financial literacy** endeavors.



As FSIs are committed to **purpose-driven financial inclusion** with clear responsibility for its efforts, **employee financial wellbeing** remains a key focus area for most respondents.

Source: [Accelerating toward greater financial inclusion](#)

Trust-building efforts are top strategic priorities for FSIs

Survey Findings: Offering

- Almost half of the respondents said their firms were engaged in trust building efforts such as **offering different types of products** and **help customers to set and achieve their financial goals**.
- Although **underbanked customers** prefer **competitive pricing or low fees**, **less than half** of senior executives consider it a strategic priority for their organization.
- **89% of lenders** agree that **alternative credit data** allows them to extend credit to more consumers.



FSIs may need to rethink some of their **strategies to align more with the preferences of underbanked customers** along with leveraging technology to harness **alternative data** and **fair AI/ML models**

FSIs continue to partner with local organizations and offer financial literacy programs

Survey Findings: Community

- Almost **60%** of survey respondents are **partnering with local community** organizations and associations to amplify their financial inclusion impact.
- While **57%** of FSI respondents have already established **financial literacy** programs, these were **ranked low** among the preferences of underbanked customers.
- Hence FSIs need to target more of their **financial literacy efforts at unbanked customers** specifically.



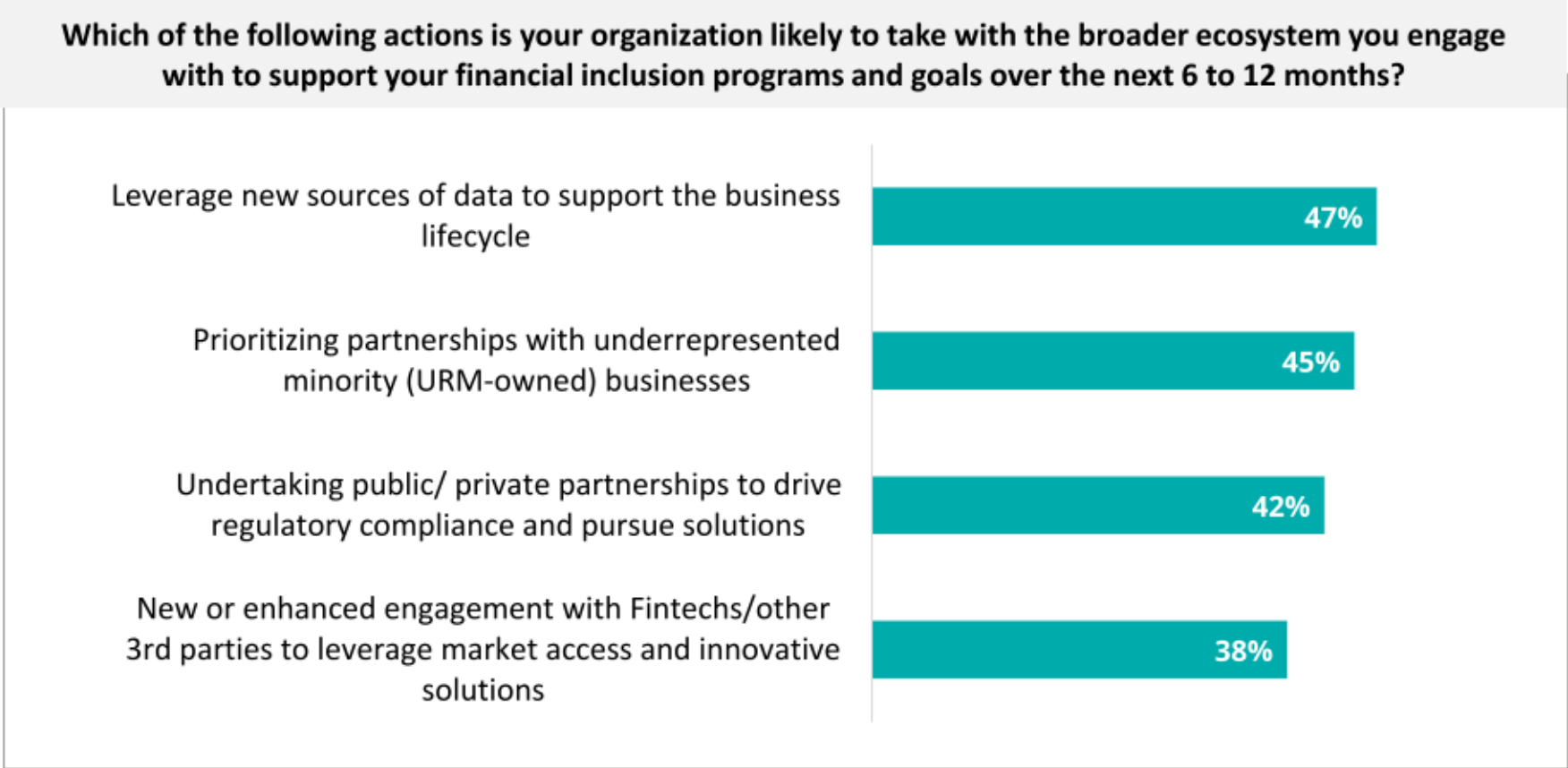
By **engaging with the communities** they serve, FSIs are trying to bridge the gap to unserved and underserved customers and **promote financial inclusion** programs.

Source: [Accelerating toward greater financial inclusion](#)

FSIs are considering multiple ecosystem-related initiatives

Survey Findings: Ecosystem

- Although respondents rated ecosystem dimensions **as equally important**, they are **yet to prioritize** such activities.
- While **84% of CXOs consider identifying** new and/or expansion of existing vendor, stakeholders, and third-party **alliances to meet FI goals as a primary focus area**, it receives the lowest attention.
- Many institutions are exploring new approaches to credit decisioning through **partnering and sourcing alternative datasets** into underwriting and approval processes.



Institutions will likely explore multiple financial inclusion initiatives with **fintechs**, other financial **services providers, data providers, and regulators**.

Source: [Accelerating toward greater financial inclusion](#)



Insurance

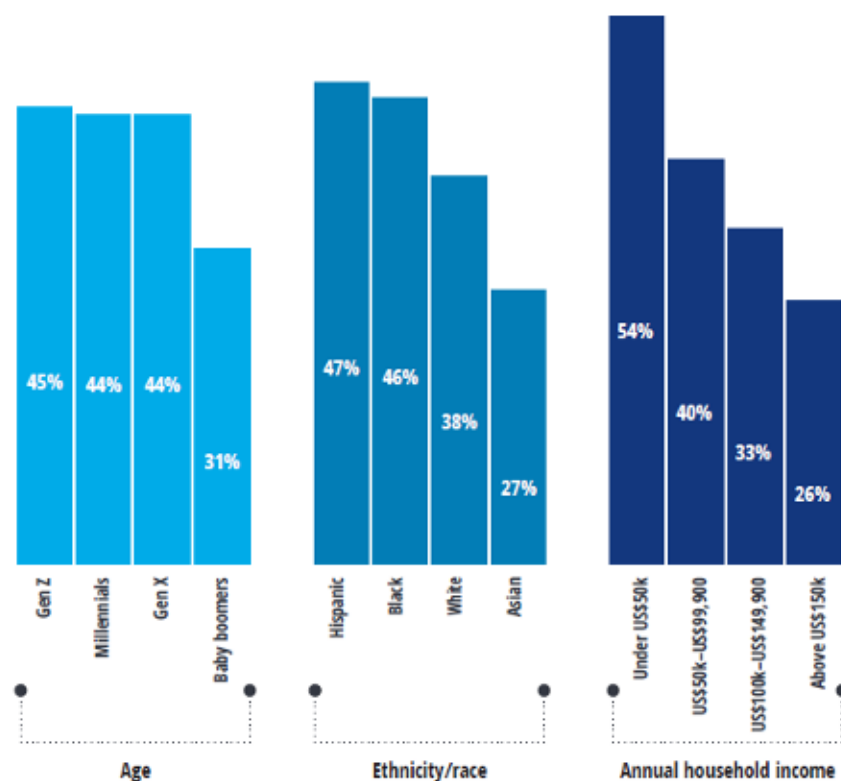
David Sherwood

Financial inclusion and the underserved life insurance market

With the right strategy, carriers have a significant opportunity to close the US life insurance coverage gap to drive growth and bolster financial inclusion.

Examining the life insurance coverage gap in the US

Percentage of uninsured and underinsured among the US population, 2021, by demographic segment.



Source: Allison Bell, "The life insurance need gap: 2021 Insurance Barometer Study," Thinkadvisor.com, April 16, 2021.

Deloitte Study Findings

- **Life insurance interest has increased among the US population since January 2020**—however, the fear of mortality, forced virtualization, and lockdown-driven consumer savings are expected to diminish moving forward.
- **Despite this heightened focus, the “underserved” US life insurance market is still vast.** Insurers can focus on closing the coverage gap by improving engagement with underserved segments to drive profitable growth in a low interest rate environment.
- **Our survey revealed customer preferences and needs for mortality products varied widely by segment, indicating insurers should avoid “one-size-fits-all” approaches.** Points of differentiation included willingness to purchase a product over the next 12 months, perception of value, amount of coverage needed, advice channels, desire for online and/or intermediary interaction, and desired product features.
- **Insurers can use various customer experience–focused strategies and enhancements to achieve greater financial inclusion among the underserved population.** These include increasing education and awareness, optimizing distribution with multichannel workflow, focusing on client-centric and advice-led propositions, offering broader product portfolios, and modernizing technology for greater efficiency and value.

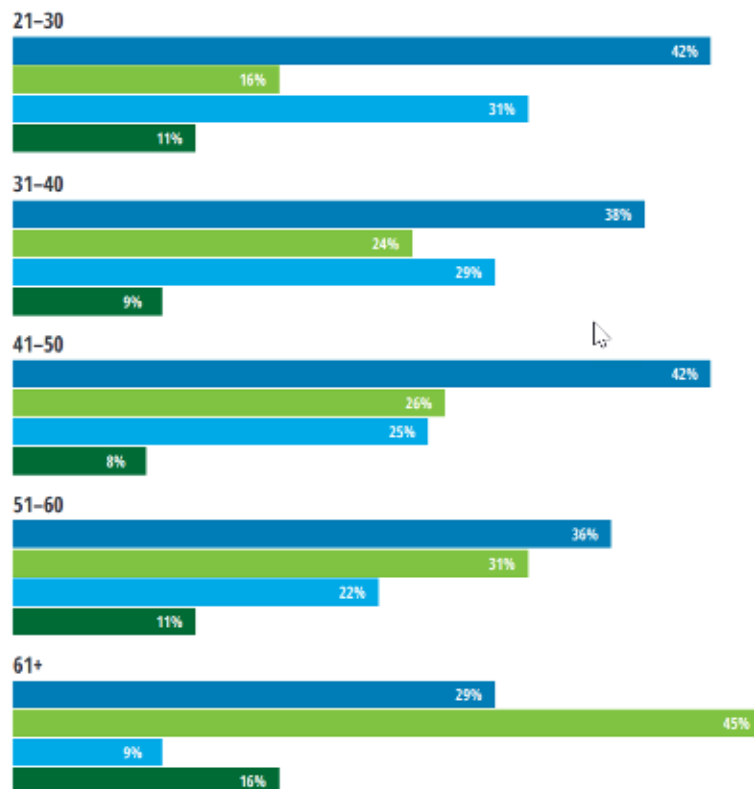
Source: [Financial inclusion and the underserved life insurance market, part two](#)

Financial inclusion and the underserved life insurance market

COVID-19 stay-at-home orders forced consumers across all demographic segments, even those who never or rarely used digital channels, to escalate their use of online and mobile channels to procure products and services.

Interest in online channels grows – preferred channel by age

■ Online (website or mobile app) ■ Agent (over phone or in-person) ■ My employer ■ Other



Deloitte Study Findings

- Since January 2020, there has been a **30% to 50% increase in online life insurance sales for companies with digital capabilities and algorithm driven underwriting**. While that increase was **dominated by those under age 45**, 19 even 29% of our survey respondents over age 61 were interested in using online channels for purchasing.
- Across income groups, those making over US\$200,000 showed the most interest in online purchase options (40%), while the lowest earners (under US\$50K) preferred this channel least (34%). **Insurers that believe the most cost-effective way to reach the lowest income group is skipping agent intervention altogether may want to reconsider this strategy.**
- Meanwhile, **interest in agent-driven sales is trending downward**. In 2011, 64% of consumers said they preferred to buy in-person; by 2020, just 41% felt this way.
- Consumers across segments seem to want **more control and flexibility**.
- Some segments want **integrated product propositions**.

Source: [Financial inclusion and the underserved life insurance market, part two](#)



Banking

Jon Valenti



Julius Tapper

To truly move the needle on financial inclusion, financial institutions must look deeper than the incomplete un- and under-served labels.

Community, relationship, trust and **understanding** may be the most important factors.

Differences between the preferences of underbanked customers and priority areas for banking and capital markets executives

Strategies that have been deployed	Priority ranking based on responses by	
	Underbanked customers (n=246)	Senior banking and capital markets executives (n=55)
Give more relevant offers or rewards that meet the underserved segment's lifestyle	1	7
Offer different types of products	2	2
Provide competitive pricing/low fees	3	9
Be more empathetic in understanding the customer's financial situation and providing solutions	4	4
Help customers to set and achieve their financial goals	5	1
Offer financial literacy education	7	3

16%
US ADULTS ARE
UNDERBANKED¹



6%
US ADULTS ARE
UNBANKED¹

Our survey¹ revealed **potential disconnects between financial firms' approaches to serving the underbanked and the priorities of this critical customer segment.**

FSIs may need to rethink some of their strategies to align more with these underbanked customer preferences.

Source: <https://www2.deloitte.com/us/en/insights/industry/financial-services/alternative-data-innovation-financial-inclusion.html>

As we consider purpose driven product development, centering diversity, equity and inclusion (DEI) in the problem-solving process is essential to addressing the blind spots of traditional design thinking.

Human-centered design must evolve toward inclusive innovation

...to put purpose into practice, create breakthrough innovations that resonate with today's market, and lead systemic change for a better future.

Places the **individual human** experience at the center of innovation

Prioritizes **living expertise**, **activates community co-design**, and **recognizes systems**

An opportunity

Leverage **inclusive innovation** to build differentiated banking experiences with brand, community, and purpose that drive financial inclusion.

BRAND + PURPOSE + COMMUNITY = DIFFERENTIATED EXPERIENCE



Generate deeper and more authentic insights. Radically humanize the design process to priority authenticity.



Better understand the systemic relationships, history, and context to infuse relational dynamics back into community banking.



Leverage differentiated insights to develop unique invigorating experiences for both customers and bankers.

Adopting an equity-centered mindset and adhering to key DEI principles is necessary to do this work differently, and to do it well



Acknowledge the lens and mitigate the impact of our biases

- Address the individual lenses and biases we bring to the systems and institutions that we are working with.
- Unseat your thinking and challenge orthodoxies.



Respect the history that comes before us

- Learn from community history and build on community assets.
- Recognize the shoulders that we stand on.



Center lived experience

- Challenge who the expert and researchers are, open the aperture of who we should be talking to.
- Recognize that human research is a relational conversation vs. clinical examination.



Operate with humility, empathy and continuous learning

- Invite ongoing growth and learning.
- Make room for imperfection and enable safety.



Design with diverse co-creators at the table

- Activate diverse co-creators at the table and share design decision-making.
- Expand design capacity for lived experiences.



Build community capacity

- Be in community with your audience on their terms
- Build lasting and equitable partnerships and pursue community outcomes.



Situate the solution within an ecosystem

- Recognize issues as systemic.
- Look for root causes and review as they adjust.

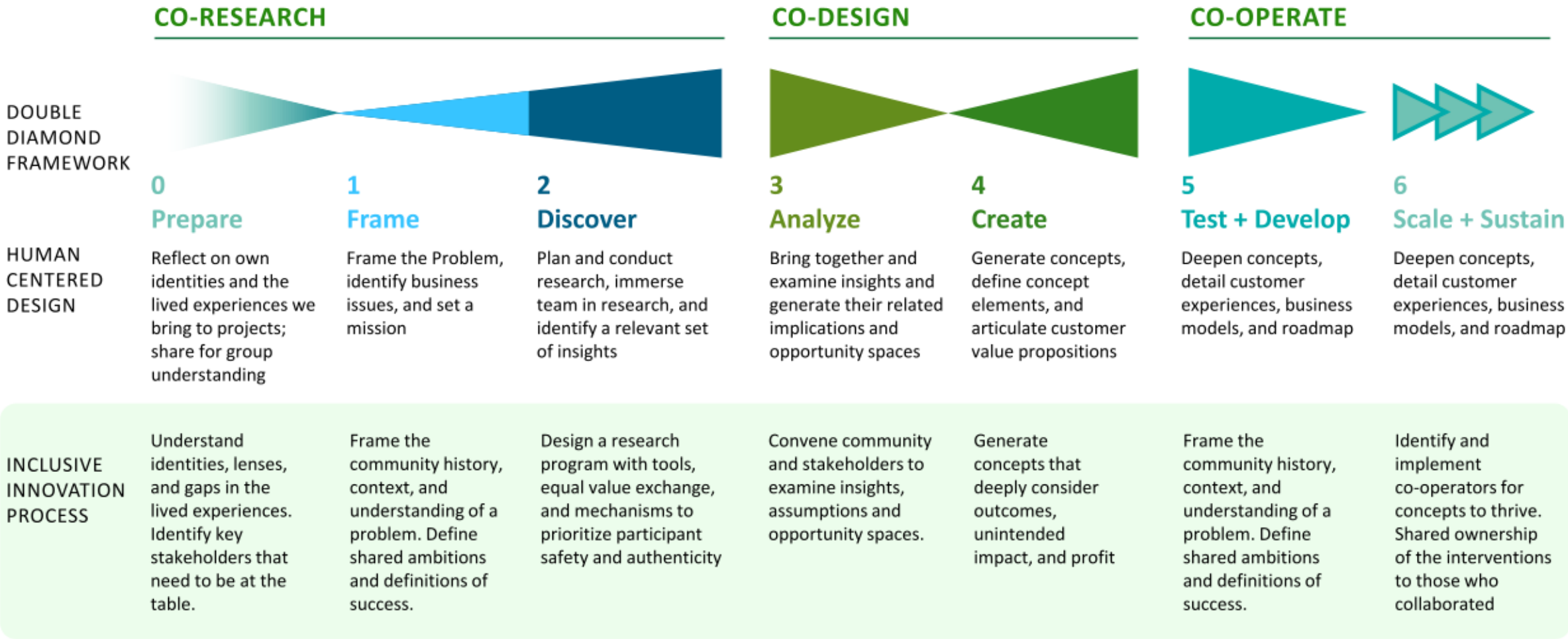


Know that your impact goes beyond your bottom line

- Anticipate unintended consequences.
- Account for your impact beyond the financial.

Activating inclusive product design: Our Inclusive Innovation Process

A reimagined innovation process framework that integrates bias-checks and equitable considerations into every step. Human-Centered Design is transformed into Inclusive Innovation by familiarizing and facilitating teams through the process.



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