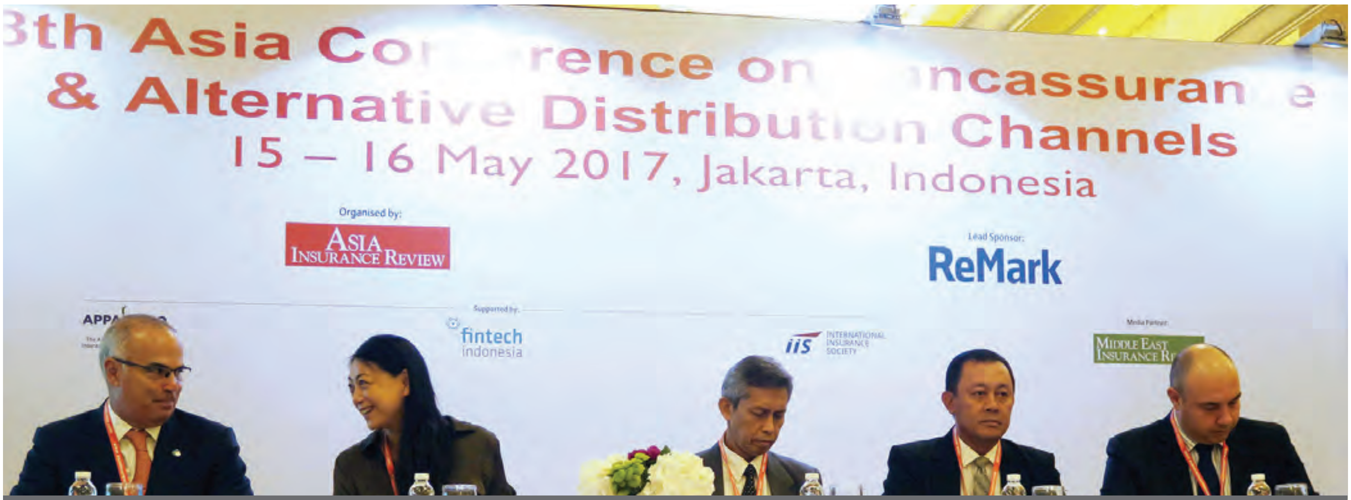
Straight-through winning



(L-R): Mr Marcelo Teixeira, Ms Na Jia, Mr Edy Setiadi, Mr Harry Purwanto and Dr Antonio Feraco.

Although bancassurance remains a compelling proposition for both insurers and banks, it is not cushioned from the impact of disruptive technology that is buffeting the industry. But rather than go it alone, industry players at the 18th Asia Conference on Bancassurance & Alternative Distribution Channels were urged to collaborate with innovators and integrate new technologies to engage customers even more.

By Dawn Sit in Jakarta

Ms Na Jia, Head of ReMark Asia Pacific and SCOR Global Distribution Solutions, noted that insurance is currently facing "a crisis of value and a deficit of trust", although this was more prevalent in developed markets. While the good news is that insurance is more positively viewed in emerging markets, in part due to the lack of a comprehensive social safety net among other reasons, many consumers still did not feel the need for life insurance.

Of these consumers, she highlighted two categories that held potential growth, with improved and better targeted insurance propositions and associated messaging via the use of data. The first, "procrastinators" who understand the need for insurance, but have no push to purchase; thus, a sense of urgency must be created. And the second, "migrating innocents" who may not currently recognise the need for insurance, but through changes in personal circumstance will be more receptive; hence, insurers must develop effective, relevant and personalised communications.

Not just protection, but engagement gap

She said the industry's future must ultimately include a more integrated and digital approach to explaining and illustrating the benefits of protection to customers. Regardless of market or region, all insurance stakeholders must work towards synthesising advice and customer support into a multi-touchpoint, digital journey to encourage consumer understanding and simplify the purchase pathway. But first, Ms Jia urged companies to concentrate on engaging and educating customers. "There's not only a protection gap, but an engagement gap that exists between insurers and customers."

Mr Eiichiro Yanagawa

Mr Eiichiro Yanagawa, Senior Analyst, Asian Financial Services Group at Celent Japan, recommended three key takeaways to make customer engagement more efficient for insurers and bankers, drawn from his firm's proprietary research.

They include: 1) social media intelligence initiatives, which need clear strategy definitions, scopes and action plans, and insurers are advised to "anticipate cultural changes that could emerge from these initiatives"; 2) Big Data analytics, which the insurance industry need to continue investing in to realise its potential; and 3) legacy modernisation, in which ubiquitous data, customers' increasing expectations and their need for improved communications are currently changing the way insurers react with clients.

"Win-win-win-win"

For bancassurance to be both successful and sustainable in the future, the industry must be able to achieve a "win-win-win-win" proposition: not just a lucrative partnership between banks and insurers, but a beneficial relationship that includes customers and countries as well, said Mr Marcelo Teixeira, Global Head of Bancassurance and Head of Strategic Development Emerging Markets at QBE.

The industry needs to pay close, if not more attention, to the latter two stakehold-

Bancassurance brims with potential – Indonesian regulator

"Bancassurance is evidently still a compelling and relevant option when it comes to distribution," said keynote speaker Mr Edy Setiadi, Deputy Commissioner of Non-Bank Financial Institutions, Indonesia Financial Services Authority (OJK). In 2016, the channel accounted for the lion's share of life insurance premiums (51%) in Indonesia.

Although bancassurance's contribution to general insurance premiums was significantly lower at 3.57%, the regulator maintained that the channel continues to hold great potential, given that it allows for the provision of multiple services with one touchpoint. "This makes it one of the most effective distribution channels that also helps increase insurance penetration in the market."

He noted that in markets like Turkey, Taiwan, South Korea, Hong Kong and Thailand, bancassurance has captured a majority of life insurance consumers, comprising more than 40% of premium income. Meanwhile, among China, Malaysia, Philippines, Singapore and Indonesia, the channel dominated more than 35% of total premium income last year.

Seek to integrate new tech

Notwithstanding the success and potential in bancassurance, Mr Setiadi noted changes that the industry continues to face. With the rapid adoption of technology by society, he recognised that the traditional insurance model is being disrupted by changes in many aspects including consumer expectations, regulations and FinTech/InsurTech, which insurers should not undermine. And while FinTech/InsurTech might be perceived to be more attractive, he said bancassurance can still benefit by integrating new tech into its business model.

"Insurance companies will have no choice but to adapt; it is not the strongest or the most intelligent that will survive, but those that can best manage the changes who will triumph," he added.

ers in the widened bancassurance ecosystem. Given the shift in consumer demographics, with the younger generation's preference for instant gratification, for customers to win, their interests and needs will have to come first. "Countries, like Indonesia, win when insurance penetration levels increase significantly and the existing protection gap narrows," he added.

While banks in recent times have been compensated handsomely for access to their distribution networks, he said the sale of access to their customer bases is not a long-term business model to maintain customer satisfaction. "For banks to win in the longer term, they need to match evolving customer needs and preferences."

Insurers can win by finding the right strategic partner and differentiating themselves by the customer experiences they create throughout their service offerings. Aside from working with banks, insurance companies will also need to embrace non-traditional partners to accelerate channel integration and increase business process automation.

FinTechs mostly complement, not compete

Mr JP Ellis

Indeed, Mr JP Ellis, Co-founder of the Indonesia FinTech Association and CEO, C88 Financial Technologies Group, noted that while factors such as a general dissatisfaction with financial institutions post-GFC, and shifting demographic behaviours, led to the rise of the disruption hypothesis, a deeper examination shows that most FinTech is not disruptive. Most tech startups are in fact, new forms of distribution or greenfield methods of existing services, which could help reduce customer friction, he said.

"Truly disruptive tech, like bitcoin, is rare," he said, and advocated for financial institutions to embrace FinTechs as distribution and sales partners in a "techassurance" model, which is essentially a mash-up of bancassurance and non-traditional players. Because primary (ie insurer or bank) and secondary digital distribution channels target different customer types, Mr Ellis said the different offerings complement, rather than compete.

Lack of digital tech adoption in sales aid

Mr Harish Vaidyanathan

Separately, Mr Harish Vaidyanathan, Product Management & Marketing Lead at software startup Vymo, noted that despite the prevalence and importance of bancassurance in business growth – with a stunning amount of data available to financial institutions – the level of data-driven intelligence is surprisingly low. While core policy issuance and customer relationship management systems are automated, those are back-office systems that do not add direct value to the insurance sales process, he said.

Thus, whether on the bank's side or insurer's side, he highlighted a several things that all parties should seriously consider. They include implementing mobile systems to enable sales forces;

INSIGHTS – BANCASSURANCE FOCUS

Take a leaf from McDonald's book

Insurers can pick up a thing or two from fast-food giant McDonald's to realise the full potential of bancassurance, QBE's Mr Marcelo Teixeira reckons.

Mr Marcelo Teixeira

Upsell supplements

First, on upselling, the key is to embark on a constant journey alongside the customer. It is about ensuring that any additional upsold product or service provides a benefit, or enhances whatever the customer initially desired – like fries with a burger. But insurers must also exercise restraint, he cautioned.

"Upselling fails when the extra cost of the additional product is too much, and the customer goes away thinking they have made a second big purchase rather than simply supplementing their original intended buy."

Paying special attention

Whether it is a Happy Meal, an Extra-Value Meal, or coffee-house style fare from McCafe, the Golden Arches has a product and place for customers "no matter what phase of life" they may be in. "And to realise bancassurance's potential in truly serving the masses, insurers need to do the exact same thing."

The industry, he said, must move away from the traditional product view and see it as a journey with customers, and to provide products that responds to needs at various life stages. "Our products must evolve as consumer needs and economies evolve."

Banks have data edge

As data and analytics advance, Mr Teixeira expects the introduction of more sophisticated approaches to develop customer offerings. In fact, he believes most banks already know a lot about their customers and thus, should soon be able to generate insurance policy quotes for customers without the need to even ask any additional questions.

Dr Jung Kee Hong

Likewise, Dr Jung-Kee Hong, Asia Regional Head of Business Development, AXA Partners, said that at the end of the day, the entity who owns the data and has the technologies to manage them will emerge victorious. He thinks banks are well-placed to utilise Big Data in their product offerings and cross-selling strategy, given the continual data updates they receive from customers.

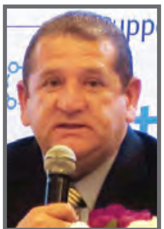
intelligent interventions that optimise opportunities; as well as using data to determine lead allocation and sales teams' behavioural and performance tracking.

Tips for a successful collaboration

Turning to a panel discussion, which among other topics, broached the question on how best to forge successful collaborations, speakers underscored the importance of keeping the long-term partnership goals in mind, as well as putting customer journeys and interests first.

Mr Jeffrey Cheung

Mr Jeffrey Cheung, Chief Operating Officer of PT Asuransi Allianz Life Indonesia, referred to Mr Teixeira'a four-win proposition, wherein the latter had highlighted that the regulator's concerns must not be overlooked, given its symbiotic relationship with the industry. Mr Cheung said: "Insurance companies must keep coming back to answer this: are we eventually creating value to the country as a whole?"



Mr Pieter Van Zyl

Meanwhile, PT Asuransi Allianz Utama Indonesia CEO Pieter Van Zyl candidly stated that the most successful partnership he has seen is his marriage, and that similar traits in his personal relationship could be applied to business. "Listen 24/7, offer support and make sure you understand all needs, likes and dislikes. If you can understand these of your partner, the collaboration will be successful."

Ms Grace Fong

Despite the strong tech emphasis in the conference discussions, CXA Distribution Leader Grace Fong cautioned market players to refrain from assuming that technology is a silver bullet. Tech, she said, is just an enabler for any collaboration, and that both insurers and banks must first define clearly the objectives or pain points that they wish to solve.

The 18th Asia Conference on Bancassurance & Alternative Distribution Channels, held in Jakarta, Indonesia, was organised by *Asia Insurance Review* and supported by the Association of Indonesian Insurance & Reinsurance Brokers (APPARINDO), fintech Indonesia, and the International Insurance Society, with ReMark as the lead sponsor.