INSIGHTS – BANCASSURANCE

Leveraging data for growth

The conventional wisdom about protection cover – that it is sold, not bought – is generally reversed when customers experience life cycle events such as marriage/divorce, retirement planning and caring for family elders. For today's Asian bancassurers, providing more market-customised protection triggered by lifecycle events via sophisticated database mining technologies such as predictive modelling will be key to leveraging these events. **Messrs Andy Hui** and **Ronald Cheng** of **RGA International Reinsurance Company Limited Singapore Branch** elaborate.

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Bancassurance growth in Asia has been surging over the past few years, strongly boosted by the many sizable bancassurance deals signed – several of which have valuations in the billions.

Four typical models

Business models for bancassurance, however, still vary widely across the region. Typical models employed throughout Asia today include:

- pure distributor, where banks permit insurers to be third-party providers and distribute the insurance products in branches;
- strategic alliance, where insurers and banks share some intelligence and information and collaborate on strategy;
- joint venture, where the entity providing insurance products for bank distribution is co-owned by the distributing bank and the providing insurer, with both developing sales and marketing strategy and sharing the value generated; and
- integrated, where the life insurance company providing product is wholly owned by the bank distributor.

Savings products more popular than protection products

Today, the bancassurance products distributed most successfully by retail banks in Asia are primarily savings-oriented insurance products such as single premium endowment life and/or credit protection products. For high-net-worth clients, the key product remains high sum assured universal life insurance, which is primarily bought for legacy planning and wealth transfer purposes.

Standalone protection products such as term life, whole of life, living benefits (ie critical illness, long-term care), or savings products with substantial protection elements, however, have been slower to penetrate Asia's retail bank channel.

There are quite a few possible reasons for this, including: suitability of the bancassurance model for the products and conversely, suitability of protection products for the distributing bank; the underwriting of larger sum assured policies, both medically and financially; the manner in which sales leads are generated for insurance products and how the potential customers can be contacted; whether bank and insurer key performance indicators (KPIs) are aligned; and the sales incentives provided to all relevant stakeholders in the selling process, including branch sellers, insurance specialists, and bank branch managers. The speed and convenience of end-to-end sales execution for all products sold also frequently comes into play.

Banks most effective to identify consumers' lifecycle events

Banks, with the wealth of day-to-day information contained in their customer data, may be the financial institutions most effectively positioned to identify consumers' lifecycle events. That data, leveraged with predictive and user experience analytics, can enable warm leads to be generated for insurance sales at the precise time when that customer's awareness of the need is highest.

It is important to remember that there is no one "best" bancassurance strategy. However, by optimising incentives for the distribution force, proactively identifying suitable customers at times when their protection needs are top-of-mind, designing market-relevant offerings, creating seamless advice and policy issuance processes and then executing efficiently and effectively, banks and insurers can create and develop successful, sustainable bancassurance operations.

Several tactics are available for bancassurers that can both complement product development strategies and provide ease of sales to a range of customer cohorts.

- Subject to specific country data privacy compliance, insurers can use the warm leads generated by banks from data on lifecycle event triggers.

  These can include: graduation from university; first job; marriage (or divorce); home purchase; birth (or adoption) of children; and care for parents or other family elders. Relevant products with simplified underwriting frameworks can be designed for these customers.

- Retirement planning is also an important lifecycle event. More than ever, financial planning conversations undertaken with retail banking customers need to include a discussion of insurance products that can protect retirement assets and ensure customers do not outlive their money.

  Insurers may also want to focus on policy features that are relevant for older individuals, making sure bancassurance protection products for this market can increase coverage at the time of retirement.

- The market segment consisting of small and medium businesses or enterprise owners has its own set of protection needs. These owners, when buying protection cover, typically have neither the time nor the inclination to undergo extensive medical underwriting. They also tend to have a high prevalence of lifestyle-related impairments such as obesity, hypertension, diabetes and/or high cholesterol.

  Protection products can be built to enable customers such as these, as well as others experiencing (or who might experience) mildly impaired health, to purchase protection insurance using a modified underwriting baseline in conjunction with a slightly higher price-point. This may reduce or even eliminate the need to undergo extensive medical underwriting.

- Predictive modelling, when used in underwriting, can, subject to data privacy compliance, leverage a bank's customer data by analysing information about prior insurance purchases in order to identify the common demographic variables that associate with better-than-average health status. The model can then identify lives that conform to those variables and flag them for active sales outreach.

- Banks can also consider alternative underwriting platforms and methods, such as tele-underwriting and electronic underwriting, that can leverage simplified frameworks to help improve protection product closure rates and ultimately enhance the customer experience.

  Improved ease, speed and simplicity of the end-to-end selling process can also strengthen conversion of leads to sales, thereby reducing customer "leakage" ratios. It could also encourage branch-based sellers to spend more of their time on insurance sales, as they would experience more successes relative to the greater time and effort required to close an insurance sale.

  This is particularly important for bancassurers using a more generalist sales model – that is, for banks that sell insurance in their branches without the presence of or input from insurance specialists.

Opportunities and risks

Although there are clearly many opportunities to develop successful bancassurance programmes, it is also worthwhile to mention that such programmes can also present risks.

Execution risk of the strategy is perhaps the most obvious one, given the billions of dollars that are currently being invested in exclusive bancassurance distribution relationships. Other risks and executional challenges may include: lack of insurer access to its bank partner's customer base; sub-optimal lead generation and use of available data; and the potential for non-needs-based advice on the part of the seller which can, in extreme cases, result in mis-selling. If these risks are not managed properly, the programmes risk experiencing poor sales, poor persistency, poor claims experience and other reputational considerations.

All in all, it is important to realise that in its evolution, the core of any bancassurance relationship is moving beyond brick and mortar bank traffic. Rather, it is about customer lead generation using the right data mining tools and analytics, designing appropriate and relevant products, modifying underwriting processes to keep the customer in mind and the need for executional excellence.

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