

Asia's banks and insurers seek innovation in partnerships



Bancassurance's attractiveness in Asia continues to strengthen, as insurance consumers from all demographic and income cohorts increasingly turn to banks for their life protection needs. As the competition heats up, banks and insurers are partnering to develop the right products and services to attract customers. **Mr Shih-Nin Low** of **RGA Reinsurance Company Hong Kong and Southeast Asia** provides some insights and perspectives.

Over the past 20 years, demographic trends coupled with rising incomes have made Asia's bancassurance market the fastest-growing in the world today.

Whether populations skew younger, in countries such as Indonesia, the Philippines and Malaysia, or where baby boomers dominate, as in Japan, Hong Kong, Singapore and Korea, protection needs are rising, and Asians are increasingly turning to their banks to meet these needs.

For insurers, banks, with their robust client cohorts at every income level, are attractive institutional partners. From mass market and mass affluents through to the high-net-worth and business customers, partnering with banks gives insurers a broad range of markets to target.

Evolving with increasing rapidity

In addition, the overall bancassurance market in Asia is large, growing, and evolving with increasing rapidity. Two decades ago, bancassurance in Asia dealt primarily in credit life products, covering risk for mortgages and credit card balances. Early in the 2000s, incomes began to surge, creating a swell of popularity for insurers' savings products. Indeed, taking credit life products out of the equation, 90% of all bancassurance products sold in Asia today are insurer-provided savings products.

We believe tremendous growth is available for bancassurers in every market, and especially for high-net-worth protection needs. As bancassurance moves from an emphasis on savings products to protection products, more comprehensive underwriting will be required. Bancassur-

ance's evolution into this developing environment has already begun, but there is still some distance to go.

The market

Since bancassurance's beginnings in Asia in the early 1990s, the entire nature of the market has undergone fundamental change. Until a decade ago, bancassurers served primarily as conduits for off-the-shelf insurance products. Tellers and platform staffs received some training, but otherwise, what banks sold was similar to what their insurance product providers also distributed through agents and call centers.

Banks in Asia today have come to see life and credit insurance as a means to improve profitability in a range of market segments. Banks now seek to partner with insurers to maximise their ability to investigate the insurance needs of their customers in each market, and then customise the right solutions. In addition, bank branch personnel, in-house financial consultants and private bankers today are all more familiar with selling life insurance products to their customers.

Today's bancassurance market can be segmented by age, income, and needs. The four main segments are:

- **Mass market**, generally made up of younger individuals, usually embarking on their adult lives, needing simple savings products and insurance protection.



- **Mass affluent**, which generally consists of a somewhat older population who have already amassed property, savings and offspring. They have similar (but more defined and costly) needs than the mass market, and focus more on post-retirement needs.
- **High-net-worth (HNW)**, a cohort of individuals whose main lifecycle expenditures have generally concluded and whose needs are more likely to be lifestyle protection, legacy planning, estate conservation and taxation planning.
- **Corporate bank customers**, consisting of owners of small and medium-sized enterprises (SMEs) and of corporations. SME owners and their key employees have enhanced personal and business protection needs. In addition, the worksite market, a mass market with rising protection needs and a great deal of development potential, is emerging as a powerful opportunity available within this channel.

Clearly, each market segment is unique, requiring distinctive, customised approaches to selling, product design, and servicing from their insurer partners.

The mass market, for example, needs simplified products that can be distributed effectively through call centres and the Internet as well as from the branch platform. For HNW customers, banks and insurers need to customise products with preferred life underwriting and pricing structures that can leverage the bank's customer information and provide the right life insurance protection while helping banks reinvigorate these customer relationships. Mass affluents, meanwhile, with market characteristics of both the mass market and the HNWs, need to have high premium products with simplified or full underwriting available to cover their post-retirement savings and protection needs.

For the corporate bank customer cohort, insurers and banks will need to determine how best to create the broad range of products and services and the targeted underwriting approaches that will suit the needs of and facilitate sales to both standard and rated clients. Corporate bank customers also need sales and underwriting processes that can leverage bank information to simplify financial underwriting for high sum assured products such as keyman and preferred term, policies funding buy-sell agreements, and credit life for their business loans.

To the future

Asian banks and insurers are increasingly partnering to develop the right savings and protection products and services for these markets. Banks want help maximising their customer relationships, and entering into bancassurance relationship will enable success here. Still, while the ability to offer innovative and competitive products is important, bancassurers also need to differentiate their offerings in this increasingly competitive market.

For banks, this means finding partners with the underwriting, pricing, product design and servicing expertise that will enable the development of innovative and creative solutions to market needs. This requires partners with substantial depth of knowledge in the Asian market, expertise in customer analytics, and the ability to provide a range of sophisticated capabilities such as electronic underwriting that include rule sets customised for the country, a knowledgeable predictive modelling approach to underwriting, and the analytic strength to ensure that the products remain competitive.

For insurers, bancassurance success will require far more than just connecting with the right bank. It will require deep local knowledge, an understanding of their bank partners' culture, customers and needs, compensation alignment of the two organisations, and the capability, experience and expertise to innovate and develop a range of customised insurance solutions, products, underwriting, training, and distribution strategies tailored for every market's needs.

Partnering with experienced reinsurer can be beneficial

Overall, product offering and underwriting are the principal differentiators for the success of bancassurance. Bancassurers can also benefit by bringing in a knowledgeable partner, such as an experienced reinsurer, which can further strengthen the effort's competitiveness by providing product development capabilities, expert underwriting support, and by introducing broad-scale market knowledge and best practices.

Most importantly, success in bancassurance means not taking a one-size-fits-all approach. Every customer counts, and every customer's needs count. ■

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