

Evolving with bank customers



(L-R): Mr Widrawan Hindrawan, Mr Eiichiro Yanagawa, Mr Yulius Bhayangkara, Mr Edy Setiadi and Mr David Cook.

The importance of innovation and being digitally ready permeates all aspects of the insurance business and the urgency for insurers to catch up is even more pronounced in bancassurance as they are inevitably compared to their banking partners. We bring you key highlights of the 17th Asia Conference on Bancassurance and Alternative Distribution Channels in Jakarta, Indonesia.

By Dawn Sit



Bancassurance has proven to be a prolific distribution channel particularly in emerging markets with low insurance penetration and limited distribution channels. However experts at the 17th Asia Conference on Bancassurance and Alternative Distribution Channels said there is a need for insurers to continually evolve this channel digitally as customers' needs and expectations change.

In a panel discussion touching on InsurTech/FinTech in bancassurance, Mr Guillaume de Gantes, Partner at McKinsey & Company, Indonesia, noted that the banking sector is similarly being disrupted as FinTech startups have moved into the banking space and customers today are less inclined to physically visit bank branches.

Hence, Ms Na Jia, Head of Global Distribution Solutions, ReMark Asia Pacific, emphasised that insurers must note the evolving elements in its markets – wealth, demographics, regulations, use of devices, media consumption among others – and evolve alongside.

Understanding the customers' motivations and how they differ between developed and emerging markets, she said, can help insurers fine-tune product structure, understand specific customer segments and then develop more effective

distribution strategies. In this, data analytics plays an instrumental role in developing comprehensive customer propositions and ultimately deliver real-time pricing and customised product designs.

Understanding digital transformation

Meanwhile, Mr Srin Venkat, Vice President of Insurance & Healthcare, Financial Services Global Business Unit at Oracle Corporation, touched on digital transformation within bancassurance and that digital transformation was “not just about using digital media” but rather about “transforming operations using digital”.

He noted the top challenges faced in bancassurance include ensuring competitiveness, being compliant with regulations and guidelines, and maintaining agility. He also mooted the idea of a comprehensive bancassurance platform that would bring about closer collaboration between banks and insurers.

This platform would consist of a core foundation for bank originated insurance policy record-keeping, commission calculations and reporting; a carrier-bank interface to connect banks and insurers in real-time for life-cycle transactions to achieve full straight-through processing; and a bank-agent front-end tool to empower sales representatives to provide financial needs analysis, quotes and policy delivery among others.



Mr Guillaume de Gantes



Mr Srin Venkat



Ms Na Jia

Similarly, Mr Daniel Hutahaean, Regional Manager for Indonesia, Munich Re, and Mr Eiichiro Yanagawa, Senior Analyst, Asian Financial Services Group, Celent, made the case for automation and modernisation of the business which will in turn bring benefits including improving scalability and profitability, reinvention of the customer journey and operational efficiency.



Mr Daniel Hutahaean

Comprehensive touchpoints

Mr Sendy, CEO of PT Futuready Insurance Broker shared expert tips on developing a digital and mobile bancassurance strategy which should encompass what he termed “four ‘O’s” – online, on site, off site and offline, each targeted through different methods and devices such as banking apps and websites (online); product experts and e-kiosks (on site); video calls (off site); and events (offline).



Mr Sendy

On developing mobile apps, among other features, he emphasised the importance of flexibility. His advice to delegates is to “start simple, update often” – the key is to make the app available fast. “Customers don’t need perfection; they need availability,” he said.

Crucial elements

Notwithstanding, at the heart of succeeding in bancassurance, Mr Simon Price, Head of Propositions at PT Zurich Topas Life, noted that insurers must centre their focus on customer needs and values, among the other requisites in the “recipe” he shared for growth in insurance bancassurance which included a need for insurers to be relevant to its bank partner’s needs as well. This includes maintaining its obligation and responsibility to



Mr Simon Price

bancassurance products and training; and keeping simplicity in its messages.

Mr Edy Setiadi, OJK Deputy Commissioner of Non-Bank Financial Institutions (NBFIs) Supervision 1, who delivered the keynote address highlighted similar concerns – bank sales representatives’ product knowledge and explanation to consumers, data privacy, and transparency in disclosing commissions.

He said the OJK is currently drafting a regulation on “Marketing Distribution Channel for Insurance Products through Banks (Bancassurance)” which would “govern the requirements of using the bancassurance scheme for insurers and allowed models in bancassurance”.

“It will be well-rounded safeguard by providing the rules on consumer protection as well as risk management for insurers. Moreover, to ensure the bancassurance scheme is done accordingly, the draft regulation also set the provisions for procedures for bancassurance approval by OJK and the content of bancassurance agreement. OJK is also in the process of developing a one-gate e-licensing programme for financial institutions. Bancassurance licensing will be the pilot project for this programme, and is expected to go live by July 2016,” he added.

The Internet of Me

During his presentation, Mr Richard Collis, Managing Director, Regional Leader of Risk Consulting and Software for Asia Pacific at Willis Towers Watson posed several points for consideration including the question of “who owns the customer?” in bancassurance – the banks or the insurers?



Mr Richard Collis

Elaborating on the concept of “The Internet of Me”, he said consumers – whose behaviours have been changed by ubiquitous connectivity and the digital revolution – will create their own digital ecosystems that are accessed and managed through mobile; it is up to insurers to redesign and simplify its

products, improve on its technology and customer interfaces, and develop strong data privacy guidelines in order to catch up to banks which have advanced ahead of insurers in customer engagement.

Mr Collis’ thoughts were shared by KPMG Financial Services Advisory Practice Lead Chia Tek Yew who noted that the “new normal” today is where the customer is king and will force “outside-in approaches to product and distribution”. The agility of insurers’ operating model is a key factor, he said, as market developments and shorter innovation cycles will force companies to constantly challenge themselves.



Mr Chia Tek Yew

As banks’ interactions with customers change – with branch and telephone use having declined by 27% whilst internet and mobile use risen by 36% since 2007 according to McKinsey statistics – Mr Chia questioned if insurers can really ignore FinTech startups and technology providers as alternative partners.

Incorporating psychological insights

Bringing a psychological perspective to the innovation discussion, Mr David Cook, Head of Distribution Solutions, Life & Health Asia at Swiss Re, mooted the idea of using behavioural economic insights to improve digital interaction and engagement with customers in various aspects including sales, underwriting, claims and retention.

In understanding the influences that impact customers’ behaviour and their decisions, and then making small inexpensive contextual changes (“nudges”) in the design of interaction and engagement can make disproportionate differences to customer behaviour, he said.

The conference, themed “Innovative & Smart Deals to be a Winner”, attracted more than 120 participants from 16 countries. It was organised by *Asia Insurance Review* and sponsored by ReMark International and Oracle Corporation. ■



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