

# The battle of bancassurance and digital transformation

Industry experts gathered recently in Thailand to look at the twin themes of leveraging technology and customer-centricity to make the bancassurance channel work even harder for the region's insurers.

By Paul McNamara in Bangkok



L-R: Messrs William Malek, Chuchatr Pramoolpol, Kheedhej Anansiriprapha, Ms Nusara Banyatpiyaphod, Ms Na Jia and Mr Tom Duncan

Thailand's Office of Insurance Commission (OIC) deputy secretary-general, examination Chuchatr Pramoolpol struck a warning note during a keynote address at this major international conference when he advised that insurers must "prepare for emerging risks."

Speaking at the 20th Asia Conference on Bancassurance and Alternative Distribution Channels in Bangkok Mr Pramoolpol said, "Technology adoption has led to a change in consumer behaviour," and pointed to developments like AI and blockchain and indicated that they present both challenges and opportunities for "those who can embrace them."

While pointing out that "digital transformation is essential to survival," Mr Pramoolpol outlined how the Thai insurance regulator is embracing change through "sandboxes that help test innovative concepts." Thai sandboxes were being used for "enhancing the business landscape to embrace new technologies for the future," he said.

**Matching regulation with digital**  
"OIC realises the importance of balancing raising supervisory standards and enhancing the business

landscape for the insurance industry in the digital era in order to enable insurer and policyholder to access and gain benefit from those innovative technologies efficiently while maintaining risk exposure at a manageable level," Mr Pramoolpol said.

"One of OIC's initiatives that we have started and promoted is 'the insurance regulatory sandbox' which allows the insurance industry to test new innovative concepts by introducing products to real consumers within a limited environment and scope of services, under a flexible regulatory framework as it deems appropriate and necessary.

"One example of products from the OIC Sandbox is the MuangThai i-drive project, conducted by MuangThai Insurance in collaborations with Inzura company which developed the i-drive system and implements telematics technology to its clients for the purpose of data collection and analyses driving behaviour of clients," said Mr Pramoolpol.

## Non-life growth slows

Thai General Insurance Association executive director Kheedhej Anansiriprapha took up the narrative in his industry address at the conference

when he painted a picture of the Thai non-life sector that saw growth in 2018 of 6.2% shrink to a little over 4% projected for 2019.

Bancassurance in Thailand accounts for almost 14% of a total non-life market that is still dominated by brokers. While the broking market is still going strong, Mr Anansiriprapha pointed out that bancassurance was equally strong and is projected to overtake agency business in the next few years.

Mr Anansiriprapha pointed to digital disruption as a major challenge and issued a warning that all players must be aware of the rising issue of fraud, which had the potential seriously to erode the profitability of the sector.

## Bancassurance driving life growth

Thai Life Assurance Association president Nusara Banyatpiyaphod took up the baton and outlined some of the issues that are keeping Thai life insurers awake at night. Ms Banyatpiyaphod pointed out that the tremendous growth in the life sector in Thailand over the past decade was driven largely by bancassurance, accounting for 30% of new business during this period.

Life insurance growth, including bancassurance growth, has slowed in recent years but there is still plenty of room for more because insurance penetration is still only 4% of GDP – and only 40% of the Thai population has life cover.

Ms Banyatpiyaphod's final words of advice for life players were that, "If you don't stop asking questions, you will continue to grow."

ReMark International CEO Na Jia, in her address at the conference, discussed several trends affecting the industry and concluded that one of the most significant was the fragmentation of the value chain. "Consumer needs are evolving as the chronology of their lives look very different today," said Ms Jia and this means that understanding what the new value chain will look like becomes of great importance.



Ms Na Jia

### Purposeful insurance

While no one can predict with any accuracy what the new value chain will look like, it is important to recognise that 'purpose' must be added into the equation of 'customer, competition and technology'.

ReMark's approach is to "make life insurance relevant and desirable," said Ms Jia. "We want to incentivise people to take care of their health," she said, "and being self-aware is central to this."

A panel discussion on bancassurance lessons from the worst and the best saw Thai Life Assurance Association executive director Aman Chowla hold that success in bancassurance "is all about trust and transparency ... agility is also very important these

days, as is being customer-centric."

Standard Chartered Bank, Malaysia managing director Sammeer Sharma stressed the importance of "how well do you really understand each other" in a bancassurance partnership and concluded that "small things can help in building a relationship."

This view was echoed by Aon Inpoint director of strategy consulting Tobias Schneider who said that "short versus long-term view" was critical in understanding the nature of the bancassurance relationship. "You have to treat your customers fairly," he said. "You need to take a long-term view of customer servicing."

Having a shared purpose was the most important element in ensuring the success of a bancassurance relationship, as is understanding each other better – together with asking fundamental questions and not jumping to conclusions too quickly.

Partner Re chief medical underwriter, L&H, Asia Pacific Dr Kamakhya Das switched the focus of proceedings when he proposed a dynamic underwriting approach to bancassurance – which he said would generate greater value for both the insurer and the bank by making sales easier. He also spent time debunking some myths around bancassurance partnerships and outlined the three steps to success – use what the bank is already doing – use data analytics – and use advanced modelling.



Dr Kamakhya Das

The second day of the conference kicked off with SCOR GDS Asia managing director Vincent Shi discussing biological age modelling (BAM). "The shift towards dynamic underwriting

can be undertaken on a continuous basis – so that pricing can be more competitive," he said. BAM is one such solution that can leverage data from multiple sources like physical activity, location patterns, social media, lifestyle data, medical data, genomics and genetics.

Collectively this can be considered a new risk assessment tool, or as Mr Shi referred to it, a "magic mirror mechanism," that allows consumers to monitor their own BAM and compare it with their peers.

Mr Shneider made a return for a session that championed using banking relationships with SMEs as a growth channel for bancassurance which he described as a "huge opportunity ... if you get it right, there is huge money to be made." The critical element lies in taking the time to understand the SMEs first – awareness, investigate and consider, choose and buy, service and renewal – are the important steps to follow in tackling this market. "Focus on providing services that meet client needs," he concluded.

Celent analyst Zao Wu tackled the issue of leveraging AI in bancassurance. "In the past, banks and insurers spent a lot of time looking at cash flows," he said. "This is still important, but they need to spend more time looking at data flows too."

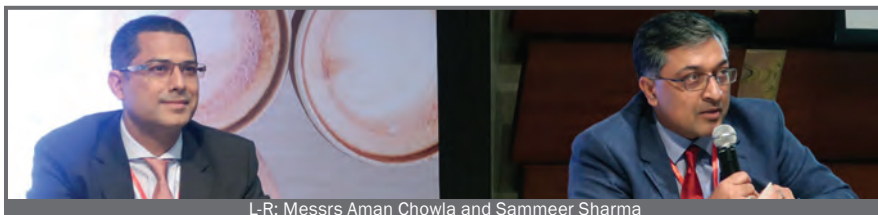


Mr Zao Wu

Insurers and banks need to understand the types of skills and talents involved in modelling and machine learning (ML), he said. The questions we should be asking are, "What data do we have to drive ML in bancassurance? How does the data flow and how should it be maintained with an eye to the future," he said.

The final big question that still needs to be answered was what type of talent should insurers be employing? Considering that the starting salary for data scientists in the US at present is \$200,000 a year – with top flight graduates starting on \$300,000 and above – this is not a question that insurers in Asia will want to get wrong.

The 20th Asia Conference on Bancassurance and Alternative Distribution Channels was held in Bangkok and was sponsored by ReMark International. ■



L-R: Messrs Aman Chowla and Sammeer Sharma



L-R: Messrs Vincent Shi and Tobias Schneider