

Future of Bancassurance Asia Digital Opportunity

5 June 2023

Authors: George Kesselman, Rajat Sharma

Brief: Future of Banca in Asia

The rapid growth of Asia's internet economy is reshaping industries, accelerating during the COVID-19 pandemic, and expected to gain further momentum due to the global AI race. The value of the internet economy is on track to reach US\$1 trillion by 2030⁽¹⁾ in Southeast Asia alone, more than 3X from 2022.

A major notable trend among banks is the move towards developing into "superapps", incorporating a wide range of financial and non-financial services within a single platform, effectively becoming a one-stop-shop for their customers' needs. This shift is driven by the need to stay competitive in an increasingly digital economy, where customers expect seamless, convenient, and comprehensive services at their fingertips.

From utilizing advanced data analytics for superior customer experience to leveraging AI for personalized experiences, risk assessment, and improved operational efficiency, the future of banking is undergoing a massive transformation.

Bancassurance, also known as Banca, is insurance sold through banks and has achieved a substantial **US\$450 billion** in sales as of FY 2022 in Asia across Life and General Insurance⁽²⁾. We stand on the verge of significant innovation in Banca, with insurance and protection propositions offering a vast potential beyond the current scale and becoming a major growth and value generation engine for insurers and banks.

This new reality is explored in our latest report, incorporating insights from trailblazers in the banking, fintech, and technology sectors. We go deeper into the nature of this exciting opportunity, explore components for successful partnerships, and elucidate the operational requirements for value generation, drawing from a range of partnerships in Southeast Asia and globally.

The traditional model of the Banca, though effective in the past, finds itself amid disruption

due to the rapid pace of banking digitalization. Conventional face-to-face sales at bank branches are increasingly replaced by digital transactions, putting Banca at the forefront of transformation and novel opportunities.

As we step into the future of Banca, the successful execution of a Minimum Viable Proposition (MVP) becomes paramount. This concept introduces a simplified offering that allows partners to test, optimize, and adapt their products according to data-derived insights. This strategy focuses on establishing the correct product-segment fit and continuously refining it through data-driven optimization and setting the stage for a more robust, customer-centric, and efficient insurance distribution approach.

Whether you are an insurance executive looking for the next growth engine, or a banking leader working to unlock a significant value-creation vertical via insurance for the business and your customers, we hope this becomes a valuable reference for you.

The first edition of the playbook for the Future of Banca is based on successful examples such as Chubb - Nubank in Brazil, AIA - Touch n' Go in Malaysia, Tokio Marine - Revolut in Singapore, and most recently Ageas - Federal Bank in India.

The right framework for success is critical for effective collaboration and long-term value generation in Banca. Insurance companies must evolve their culture, technology, and product development to engage with the new generation of faster-moving banks. This needs to be underpinned by mutual commitment, new collaboration models, and capabilities.

Let's take a deeper look at the nature and scale of the opportunity, frameworks for successful partnerships, and operational requirements to drive value, drawing on research and client experience across a broad range of partnerships in Southeast Asia and globally.

(1) Asian Development Bank: Google-Led Study Sees a \$1-Trillion Digital Economy in Southeast Asia by 2030

(2) Estimates provided by BCG Insurance research

(3) 2022 Sigma Global Insurance Report by Swiss Re

Digital Banca Spring - Discussions with banking and fintech leaders reveal that the majority want to offer more products and services to their customers, with insurance and protection propositions among the top three of their priority list. Banking executives recognize the considerable growth potential beyond the current scale of the Banca.

Banca has been around in its current form for the past 20 years. It has become a significant source of growth for insurance in Asia, reaching nearly 30 cents for every insurance dollar sold in the region.

As a model, it had many parallels with traditional agency distribution, with face-to-face sales at bank branches being the predominant approach. As the core of banking becomes digital, the Banca channel is at the forefront of transformation and new opportunities.

Historically, it was assumed that digital distribution via banks was suitable for a limited set of simple insurance products, such as travel, and personal accident, thereby capping the associated potential for revenue and profits.

The emergence of digital Banca is an influential opportunity to enhance the value of existing partnerships and pave the way for the new generation of future digital-first Banca partnerships.

Soon, the majority of Banca will transition to digital platforms due to the numerous advantages such as streamlined operations, reduced costs, and enhanced customer reach. This digital transition necessitates that existing Banca structures re-

evaluate and upgrade their user experience, adopting a customer-centric approach that is characterized by seamless interactions, personalization, and convenience. Banca could involve providing more related services to cater to diverse customer needs and forging strategic partnerships to provide a comprehensive suite of products and services.

Banca presents a substantial potential for the inception of new businesses across different business verticals for banks. This includes exploring emerging insurance categories, creating bespoke insurance products, integrating insurance into existing banking products, or even venturing into sectors such as wealth management or health services. This could mean a significant source of new revenue and increased customer retention.

“The strategic convergence of bancassurance, technology, and ecosystems holds the promise of hyper-personalization within insurance industry.

By leveraging advanced analytics, strategic partnerships, and cutting-edge technology, banks and insurers can strategically tailor their offerings to meet the unique needs of individual customers.

The integration of customer data insights and predictive analytics enables institutions to deliver enhanced experiences that drive customer satisfaction and loyalty.”



Anuraag Sunder
Chief Growth Officer APAC
Strategy and Technology Group



BANKING	INSURANCE	FUTURE BANCA
Loans	Motor - Gadgets - Credit Life	Credit Life - Loan Protection - Gap Insurance - Extended Warranty
Payments	Credit Insurance for Merchants	e-Wallet Insurance, Device Warranty, Purchase Protection, Personal Cyber
SME Banking	Cyber - Public Liability - Theft Glass - Electronic equipments	SME Tailored Package Micro-Employee Benefits
Credit Cards / BNPL	Hospital Cash - Medical Insurance Gadget - Travel - PA - Theft - Golf	Credit Life, Loan Protection, Payment Protection, Disability
Savings	Endowment, Investment Linked	Health and CI Family Package, Micro-investment, Term, DI

The examples of the existing and newer Banca propositions illustrate just how flexible and versatile insurance is, being able to fit alongside core banking products and offering the impactful progression and potential for Banca partnerships.

Minimum Viable Proposition - Unlike a static one-fits-all model that was a staple of traditional insurance distribution, the future of Banca necessitates a fundamentally different approach. The approach focuses on identifying the correct product-segment fit through an iteration and follows that with ongoing data-driven features and marketing optimization to increase conversion.

Based on the experience from successful Banca partnerships, it is best to start with the simplest coverages to create Minimum Viable Proposition (MVP), and the faster Digital Banca go-to-market with the first MVP, the better.

This allows partners test and optimize the proposition using data quickly. Adding and removing coverages, claims services, and value-adding services helps to measure conversion, acquisition costs, and customer lifetime value.

Insurance products can be bundled as part of a larger financial product, such as a loan or savings account, and are typically more straightforward, lower-ticket items, offering customers an easy entry point. These products are an organic extension of the existing banking product. Examples include Credit Life insurance, which pays out in the event of death or disability, and home insurance, often bundled with a loan product. More recent innovations, like e-wallet-protect, daily travel, and million-dollar health insurance, have all gained traction with healthy double-digit conversion rates.

For example, Nubank and Chubb Life in Brazil launched a highly successful \$2/month Life insurance proposition recently enhanced with a funeral cost benefit to make it even more attractive.

Another example, KoinWorks, Indonesia's SME fintech leader with services, including banking, loans, and BNPL. KoinWorks team identified insurance as a key strategic priority for the business and has developed an innovative Credit Life proposition and is working on a portfolio of additional protection products for SME customers and their employees.

The success of a bundled insurance proposition hinges on several factors: the alignment of the product with consumers' concerns related to the core banking product, the purchase ticket size, and the simplicity of the purchase process. It's vital to make iterative adjustments during the initial phase to optimize conversion, monitor fraud indicators, and adapt product features accordingly.

On the other hand, the larger-size Life insurance products, particularly those with a more complex savings, investment, and health elements present an ideal fit for an assisted sales that seamlessly blends online and offline experiences to give banking users additional trust and support, leading to a 10X increase in sales conversions.

The next evolution of Banca requires redesigning products, making them easier to understand and transact. This change can be

achieved by leveraging the vast data within the digital bank ecosystem. Underwriting for Life and Health insurance must be straight through by design, pre-qualifying users and only showing propositions to the relevant users.

Each additional user effort leads to decreased conversion due to increased friction. Simple protection products, including health, term life, and critical illness insurance, resonate strongly with specific customer segments. These can be tested and optimized using advanced data analytics.



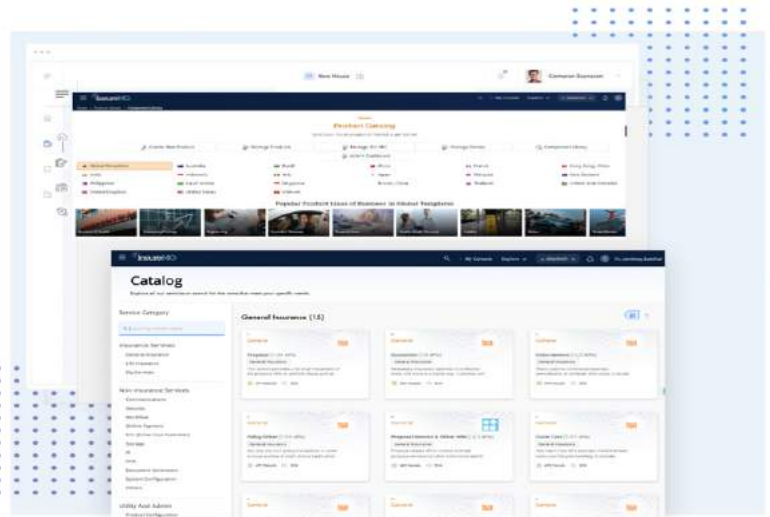
KoinWorks Indonesia Fintech

Technology Infrastructure -

Successful upgrade of Banca and implementation of Banca digitalization requires a robust and flexible technological infrastructure. This infrastructure must be capable of quickly configuring new insurance products and providing integration points across digital assets, fostering high product iteration velocity, and facilitating flexible connectivity.

As Banca transformation accelerates and it grapples with significant constraints by legacy insurance back-end systems. These systems are characterized by excessive latency, recurrent downtime, and inflexibility in configuring new insurance products.

An innovative AI-ready technology infrastructure has emerged as a solution to these challenges. This new-age approach offers product versatility, expeditious operations, unwavering reliability, impressive scalability, and adaptable distribution designs, making it particularly well-suited to support innovative Banca models.



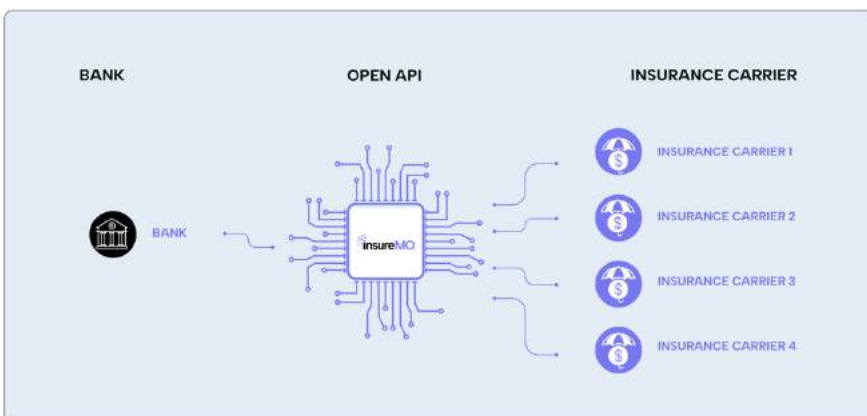
and circumventing the need for expensive and time-consuming migration initiatives from the vital Banca partnerships' go-to-market.

InsureMO is a leading global insurance infrastructure platform, powering over US\$20 billion of insurance premiums annually. With a comprehensive suite of over 3000 pre-configured products, InsureMO offers a robust, flexible technological infrastructure that integrates various insurance products across multiple digital channels. It's the technological catalyst trusted by Banca front-runners such as Ageas, Aegon Life, and SBI General.

In the quest for a suitable technology solution for the future of Banca, insurers should seek a technology partner with a proven solution ready for quick validation via proof of concepts and an active user community.

InsureMO's infrastructure platform is designed to enhance interoperability, velocity, and scalability for digitally powered insurance products. It provides a vast

selection of raw assets for creating unique insurance products and the ability to connect these products across any digital distribution point, providing scalability as your business grows and evolves.



Rather than completely overhauling their incumbent systems, insurers are increasingly opting to run a digital middle-office infrastructure in parallel with their legacy systems. In this model, the legacy core continues to serve as a 'system of record,' thereby removing the painful dependency



Digital Banca Lessons - Ageas is no stranger to the world of Banca, with a strong track record of performance and successful partnerships with major banks around the world. As a core component in its strategy, Ageas works with its banking partners to share important changes in customer demographics and related product needs. But in seeking to grow in a changing digital landscape and to remain relevant, Ageas also needs to add the requisite new skills as it morphs from a pure insurance provider to a digital insurance collaborator.

Ageas recognizes through its Impact24 strategy that a changing digital landscape impacts the way it works with its partners. Joint campaign management, and closer interaction on the core interface and product design are fundamental. New digital skills including data & funnel analytics, UX/UI, digital insurance products, and innovative pricing and underwriting strategies are key drivers for success.

Speed and agility matter, be that time to market or the ability to innovate quickly. To enable this, Ageas has created an internal service entity to support the digital transformation of local operating companies made up of a multidisciplinary team and supported by a

partnership with InsureMO providing the technical platform and expertise.

To meet demand for Digital Banca, Ageas has applied InsureMO infrastructure solution in India, with other markets in the pipeline. This creates product scale and drives tech synergies across markets, which in turn reduces the time to market and the cost of implementation. Moreover, it provides the benefit of a modular infrastructure with the capacity to tailor the offering to the specific needs of different local operating companies and distribution partners, even beyond digital Banca.

Hello digital Banca billions - Future of Banca offers exciting growth and value creation potential for banks, fintech platforms, and insurers. This remains a nascent collaboration area, and we hope the insights shared in this report will help all stakeholders accelerate progress.

The future of Banca will increasingly become a seamless blend of technology and human-assisted elements that deliver the experience that consumers and businesses grew to expect.

It will not happen overnight and will be a journey. Speaking of journeys, there is a saying that if you want to go far, go together. With the suitable partnership models, and the key enablers in place, Banca offers a new frontier that promises access to an exciting needle-moving multi-billion market opportunity that can be shared between Banca partners.



Insurtech Asia Insurtech Asia Association is an independent membership-based industry initiative that aims to advance insurance in Asia through the impactful application of technology.

We are here to accelerate digital transformation of the insurance industry in Asia by removing innovation hurdles and increasing collaboration between InsurTech startups and Insurance companies.

In partnership with:



InsureMO® (for "Insurance Middle Office") is designed to accelerate insurance innovation, improve connectivity among stakeholders, and handle the massive volume, variation, and velocity of data in the "Digital Age."

InsureMO is a platform-as-a-service (PaaS) that acts as middleware for the insurance industry, freeing insurers from legacy constraints, and unlocking their ability to innovate and connect to stakeholders. InsureMO has a full set of insurance APIs and microservices for general (P&C), life, and health insurance businesses covering the entire policy lifecycle.

InsureMO supports Open API collaboration, is managed via Cloud Container (based on Docker and Kubernetes), and enables third parties to develop applications.

About the Authors



George Kesselman is a Founder and President of Insurtech Asia. A leading voice in insurtech in Asia, he works with leading insurance and startup ventures to help them build long-term value for their businesses.



Rajat Sharma is the CRO for InsureMO platform globally. He has been a part of InsureMO journey since its early days of establishing the “Middle Office ” way of transforming a rapidly changing Insurance landscape.

Acknowledgements

Viola Zsédely-Takács – Business Development Director – New Engines, Ageas

Ethan Zhang – Head of Strategy and Strategic Projects, KoinWorks

Anuraag Sunder – Chief Growth Officer APAC, Strategy and Technology Group, Aon

Disclaimer: This report is intended for informational purposes only. It is not intended to be a substitute for professional advice. Please consult with a professional advisor before making any decisions based on the information provided in this report.



For information or permission to reprint, please contact Insurtech Asia - team@insurtechasia.org

To find the latest insurtech content, please visit www.insurtechasia.org

Follow [Insurtech Asia on LinkedIn](#).

© Insurtech Asia Association 2023. All rights reserved.



For information about InsureMO - contact@insuremo.com

<https://insuremo.com/>

Follow [InsureMO on LinkedIn](#).