The new digital era for bancassurance
Reimagining efficient customer engagement
The new digital era for bancassurance

Introduction

Digital technologies are disrupting the traditional bancassurance business model, enabling and forcing bancassurance partners to reimagine effective customer engagement over digital channels. New high-tech, low-touch business models are emerging to more effectively convert bank customers into insurance policyholders by leveraging insurtech solutions. To achieve value-added growth in this digital era, co-investment in the end-to-end capabilities with a common goal of enhancing customer-centricity will be the bancassurers’ winning card. This strategic investment will also be critical to help mitigate the risk of declining insurance sales, as customers are increasingly moving away from face-to-face branch interactions, preferring instead the convenience and flexibility of digital experiences.

We have seen that both banks and insurers in recent years beginning leveraging data analytics to monitor and observe the needs of their clients, and provide them more personalised propositions and engagement. While this paradigm shift has some risks as it disrupts the traditional bancassurance distribution model, it also introduces enormous opportunities with the potential to significantly transform bancassurance partnerships and enable them to recreate radically more efficient targeted and relevant engagement with customers through the power of combining data.

For example, a leading bancassurer in Asia has been actively working on a simple, purely digital solution that is unmatched in the market in terms of value for money and ease of online application. Another global insurer added that advances in technology, particularly the adoption of mobile devices, is one of the biggest consumer trends for all insurers. While going digital is critical, what cannot be lost is the need to retain customer-centricity at the core of the digital transformation among bancassurance partners.

Many bancassurance executives believe that up to 15-30 percent of the premium generated through the bancassurance channel could be from new digital channels in the near future. The engine for this growth will be simple protection and health products for the mass markets.

"Mobile devices have made it possible for banks and insurers to get to know their clients more and engage with them much faster and more effectively."
What customers increasingly want is convenience, responsiveness, and the ability to have their critical information readily available. We expect the demand for better customer experience in the insurance sector will continue to drive technology change in the coming years, including a wider use of blockchain-enabled bancassurance platform\(^2\). These platforms allow the insurer and its bank distributors to share policy data and digital documents in real time, streamline the onboarding process, improve transparency, and reconcile commissions automatically through smart contracts. Although this may sound futuristic, we have already seen successful implementations in the market.

While bancassurance is moving to digital channels, we see that this change will also have significant impact on its product portfolio. Although complex bancassurance products would still require people interaction for terms and conditions explanation, the digital channel would gather for simple products, such as travel insurance and car insurance.

In addition, bancassurers moving to the digital channel would be able to have a lower cost structure for the untapped market. We believe that the change will enable the bancassurance partnership to expand their target customer segments in a more scalable manner as opposed to the previous setup where it is not worth going for due to low ticket size versus high acquisition cost.
Bancassurance has been an effective distribution channel of cross-selling insurance products and services through bank branches, particularly in places with sizable banking populations. However, given the extent to which banks currently reliant on face-to-face interactions with customers in branches and via the relationship managers, it is clear that something needs to change if the potential of the partnership is to be fully realized. Customer preferences for flexible digital experiences is only going in one direction, and as this velocity increases the long-established bancassurance business model also needs to be rejuvenated.

As digital transformation within financial services accelerates, traditional banks are under pressure to rapidly transform their banking models, including coming to terms with fewer people wanting physical bank branches. Interestingly, we have seen that, while banks who are aggressively adopting a digital banking business model, there is strong evidence showing that their insurance sales are significantly dropping—in direct connection with the closing of branches, or transforming branches from sales centers to service centers.

To address this challenge, both bank and insurance partners need to work closer by leveraging more on new technologies for bancassurance product distribution in a strategic way, given that mobile banking apps are effectively the new bank branches, with the benefit of enabling customers to visit them—the digital "bank branches"—on their phones at any time of the day.

The key factor that will make a digital bancassurance business successful is the commitment from both the bank and insurance company to co-invest in end-to-end solutions with integration to both partners' systems supported by strong data analytics foundation leveraging joint capabilities.
Co-investing in digital business models is key

In this new approach, the bank partner must build insurance knowledge into their customer profiling and lead generation analytics, while the insurer partner must provide insurance specific models and campaign insights. This will allow targeting the right customers at the right time via their trusted digital banking platform with the most suitable insurance product. Having the end-to-end digital capabilities in place will be crucial for the conversion of distribution channels from one to another, as well as ensuring a simple and fast process, reducing barriers to sales in digital channels. Meanwhile, the bancassurance partners must collaborate to build capabilities allowing quick launch of products, enhancing product developments and positions in order to quickly adapt to changing customer needs and feedbacks while reducing barriers to relationship managers.

"The new way of building co-owned processes and technology solutions also requires new approach to the bancassurance partnership governance and capital expenditures."

In fact, developing new business model requires the bancassurer to have a complete rethink of how to segment customers with more customer-centricity, define the most appropriate engagement model, new products and services, and underlying supporting assets. Meanwhile, seamlessly moving across online channels (e.g. bank and insurance apps) and offline channels (e.g. call centers and relationship managers) will be important for improving conversion while tackling complex operational and technology challenges.

In addition, to truly meet the expectations of digital consumers on top of offering seamless in-app experience, bancassurers in the digital era need to leverage their data and interaction points to provide an insurance product tailored to their customer life events, such as change of address or the birth of a child, in real-time, as well.

Bancassurers moving towards the digital channel will also have an impact on how banks and insurers collaborate to develop new insurance propositions, and decide what speed they need to be able to launch new products. This requires an effective joint product team bound by a single governance structure. This would allow them to break down silos and enable better customer data sharing and maximize the value of the partnership. In addition, the partnership should invest in joint digital marketing with a common goal. Improving time to market for new products and enabling more rapid proposition and pricing change will be challenging given the current way of working and governance in most insurance companies and banks; however, driving this change and improving collaboration is key to success of a digital bancassurance model.
Key takeaways

The traditional bancassurance business model has now been disrupting by digital transformation and new technologies. This challenge has created a unique opportunity for bancassurance partners to redevelop effective customer engagement over digital channels via a new high-tech, low-touch business models. This covers developing effective customer segmentations, defining the best engagement model, new products and services, and underlying supporting assets. To achieve high value-added growth, co-investment in the end-to-end digital capabilities and solutions with a common goal of enhancing customer-centricity and better customer experience will be the bancassurer’s key to success.

We expect this change will require both the bank and its insurance partner to transform their business models, and adopt a digital ecosystem approach in alignment with the partners’ own strategies. It will also have a significant impact on not just the customer segments being targeted, the product portfolio and value-added services; but also the setup and governance of the partnership.
References

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3. "Mobile apps are the new bank branch...will this kill the current bancassurance model?" Coverager.com
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