

# Report

Roland Berger

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## Crossroads of bancassurance in Asia Pacific

SHAPING FORCES, AND HOW PARTNERSHIPS  
SHOULD RESPOND FOR THE NEW

# Executive Summary

**In the post-covid world, bancassurance remains one of the most significant channels of insurance distribution in Asia, offering a proven go-to-market approach.**

With even the most frontier markets opening up, emergence of wealth and middle class in Asia, pertinent protection gaps, and high savings, a few structural shifts are foreseen for bancassurance partnerships:

- **Regionally: Economic and demographic shifts changing growth trajectories and products:** Asia is a place where the most penetrated, aged markets and the most nascent, emerging markets co-exist, and therefore careful segmentation and crafting of Intra-Asia differences should be appreciated at a strategic planning level.

Another facet of the regional shift is the flow of wealth for high net-worth individuals (HNWIs) in seeking arrangements which are fit-for-purpose, such as forex-denominated policies and offshore arrangements. Existing insurance hubs should benefit, meanwhile offering additional pockets of value for new bancassurance partnerships serving the segment.

**Intra-market: Economic development gap between the key hubs and rest of market:** Bancassurance partners should also be fully aware of the intra-market economic prowess and income may vary significantly within markets, and as the partnerships further expand from the hub, the products may need to be adjusted to fit for a lower income, more SME mix of clientele.

- **On individuals: Trust-based digital adoption:** The COVID-19 pandemic has left us a more digital customer base – yet trust is still, and always will be, the ground for any insurance.

Lower sum, standardized P&C are mostly distributed online; larger-sum products are still trust- and interpersonal-driven, yet also wanting improved selection, sales and servicing enabled digitally.

Therefore, partnerships' ability to digitally "shade" their sales and services under a coherent omnichannel framework is critical to balance cost-to-serve and user experience – At the backdrop of competing channels like mobile wallets, comparison sites, virtual insurers, to even digitally-enabled agencies and brokers.

The emergence of virtual banks may push for further product transformation: simpler to understand, easier to compare, shorter tenors and easier to bundle.

**As such, Roland Berger believes future bancassurance would be anchored on "5+1" aspects deep-diving relationship between banks and insurers.**

The five aspects of such transformation are:

- 1) Evolving linked sales and develop open market across personal and corporate lines,
- 2) Positioning itself as a comprehensive manager of financial well-being,
- 3) Leveraging knowledge and relationship with customers analytically,
- 4) Development of digital aligned with deployment of bank capabilities, and
- 5) Integrating the bank from a mere sales role into the service model oriented to the customer and "banker" experience.

These five aspects, nevertheless, could only be properly planned, balanced and executed with well-thought-out change management in mind.

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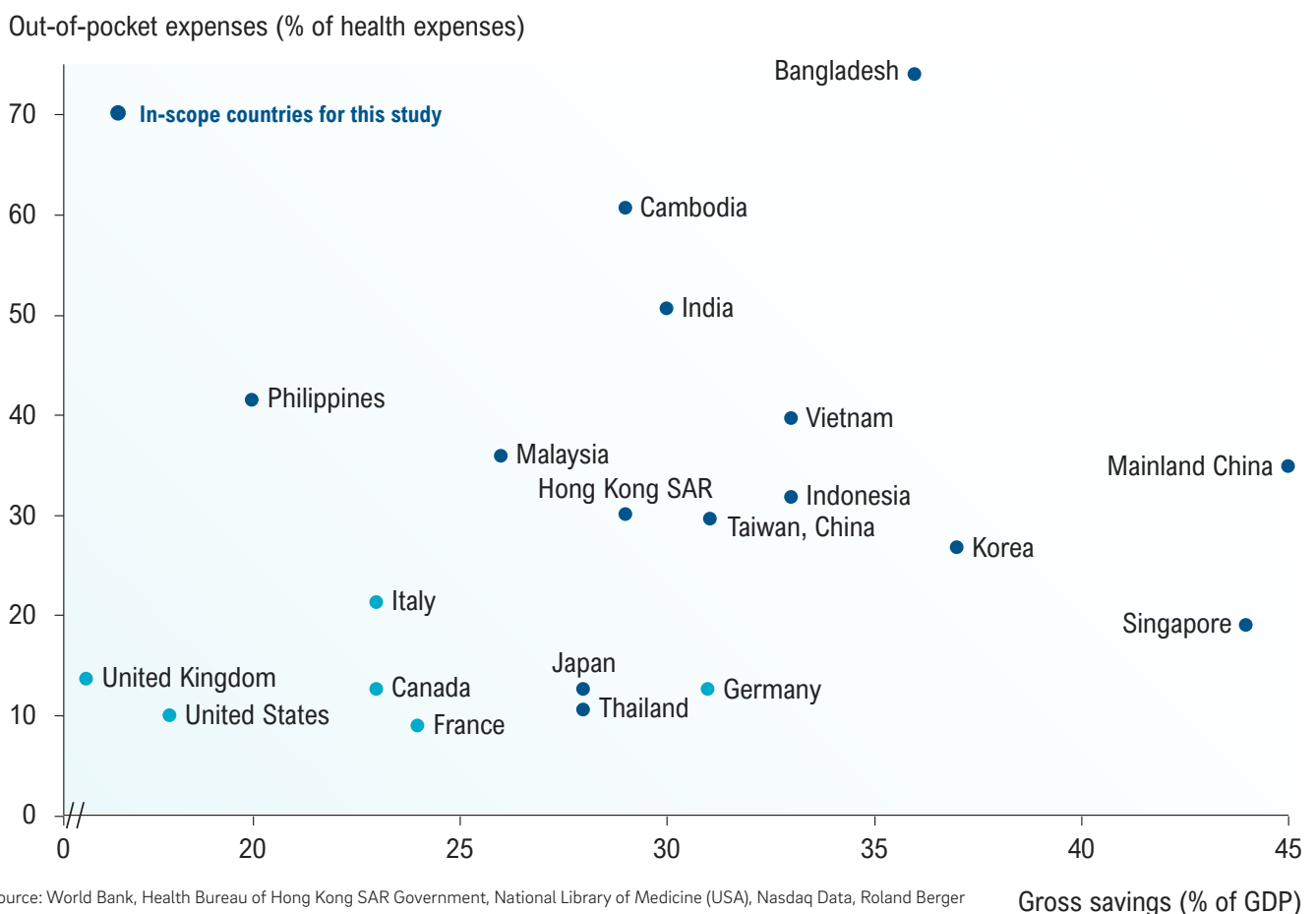
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# 1 / How will bancassurance in Asia become – and what's different?

Given high saving rates and protection gaps, Asia is one of the hotspots for insurance and protection development. Characterized by protection gaps, high gross savings ratios, and growing economic hotspots – significant life, annuity and health insurance potential are observed. → [A](#)

It is, therefore, of no surprise that most of the Asia economies are already well covered in terms of bancassurance partnerships. The collaborations are already so extensive that even the frontier Asia markets are increasingly covered, save for Bangladesh – which the Bangladesh Bank (BB), the central bank, has finalized bancassurance guidelines in Jun 2022, setting out how the banks can participate in the distribution channel.

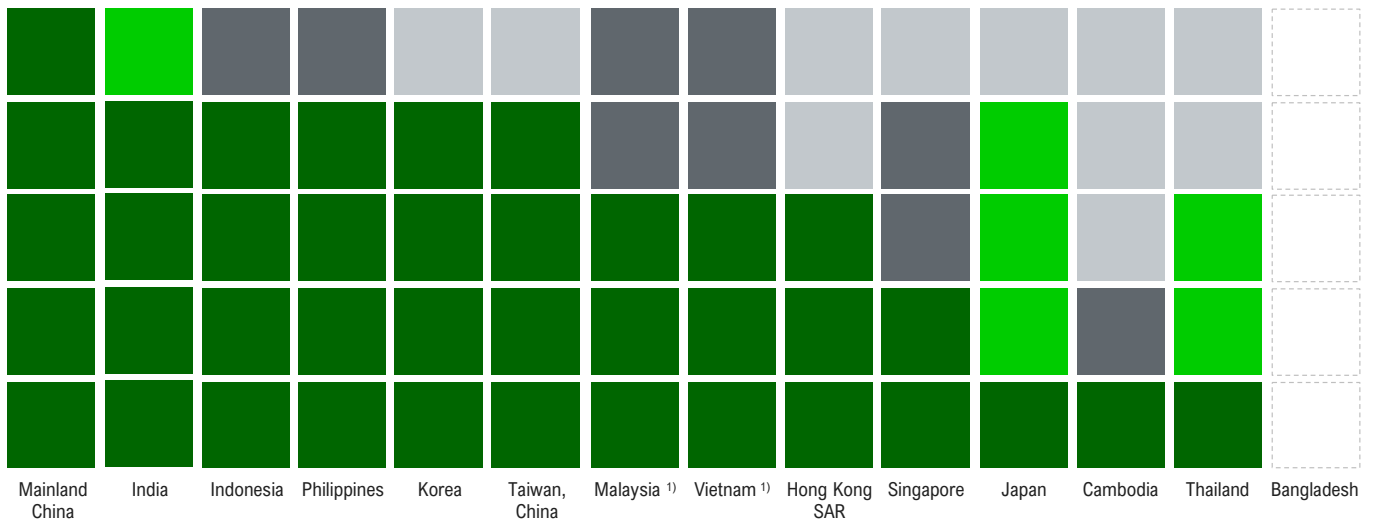
**A:** Out of pocket expenditure [2020 or 21, % of total healthcare expenditure] and Gross savings as % of GDP [2021, %] (Asian markets and some mature market counterparts)



Deeper levels of integration also emerged, especially for more populated markets like Mainland China where largest banks have their own insurance arms or JVs with foreign partners, India, and Indonesia. In these cases,

the local partners' extra market, branding, language and legacy rationales can be similarly considered for new markets with comparable magnitude, for example Bangladesh and Vietnam. → [B](#)

**B: Bancassurance landscape for top 5 banks across 14 APAC markets (2023)**



**93%** of banks sampled are engaged in some form of bancassurance partnership

**56%** have their JVs or subsidiaries operating as a insurer<sup>2)</sup>, and another

**13%** of banks are engaged in exclusive partnership with insurers

- Same parent / Controlling interest / JV
- Minority Investment / Keiretsu companies
- Exclusive agreement
- Non-exclusive agreement
- No bancassurance agreements

1) For banks under research in Malaysia and Vietnam, non-life insurance is internal while exclusive commercial agreement with life insurers is respectively signed  
 2) Some banks set up own (often non-life) insurance subsidiary but still partner with other life insurers  
 3) The Bangladesh Bank (BB), the central bank, has finalized bancassurance guidelines in Jun 2022, setting out how the banks can participate in the distribution channel.

Source: The Asian Banker, Annual Reports, Capital IQ, Roland Berger



## Regional paradigm shift: Economic and demographic shifts

Given the different stages of growth and unique context of individual Asian markets, it is expected that the penetration of insurance will vary. In fact, Asia is the region where some of the most established and nascent insurance markets co-exist: → [C](#)

Within the huge intra-regional variations, Roland Berger believes the Asian markets should be considered across four segments "developing markets", "mature markets" are commonly spoken terms, the emergence of "stars" and sub-continental "giants" will command separate approach of tackling the market. → [D](#)

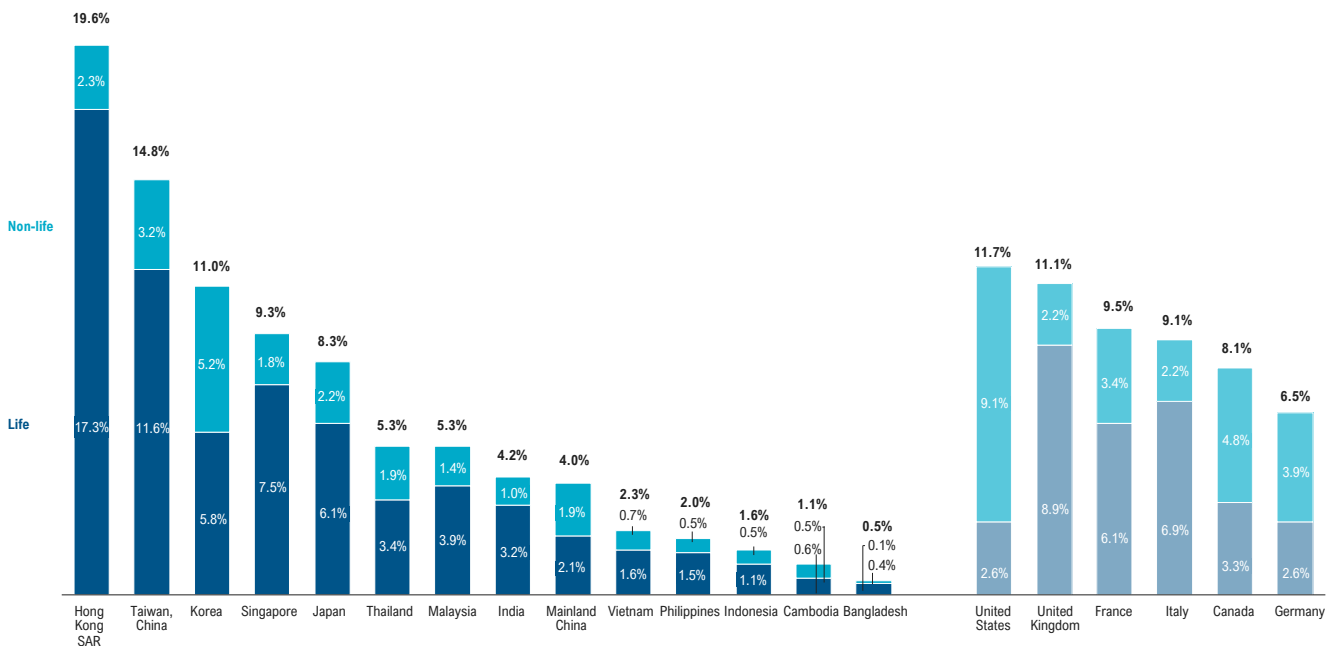
**Developing markets** in Asia typically exhibit promising growth in economy – but contrary to its “developing” status, they will have significantly penetrated in bancassurance already. These markets may present good testbeds for innovative tech strategies given their lower cost, balance between market maturity and significance.

**Mature markets**, on the other hand, are often key battlefields for careful optimization given larger cost bases, and defense against disruptive play for its significant market size. Mature markets also warrant higher levels of attention for HNW products, and even offshore arrangements. Typically, mature markets also face issues re aging, and rising costs of insurance.

**Stars** are emerging markets with stellar economic prospects and in the process of rapid bancassurance open-up. While selecting partnerships requires careful thought, this process will take place quickly as partnerships evolve into a differentiation in product relevance, network, and customer interactions.

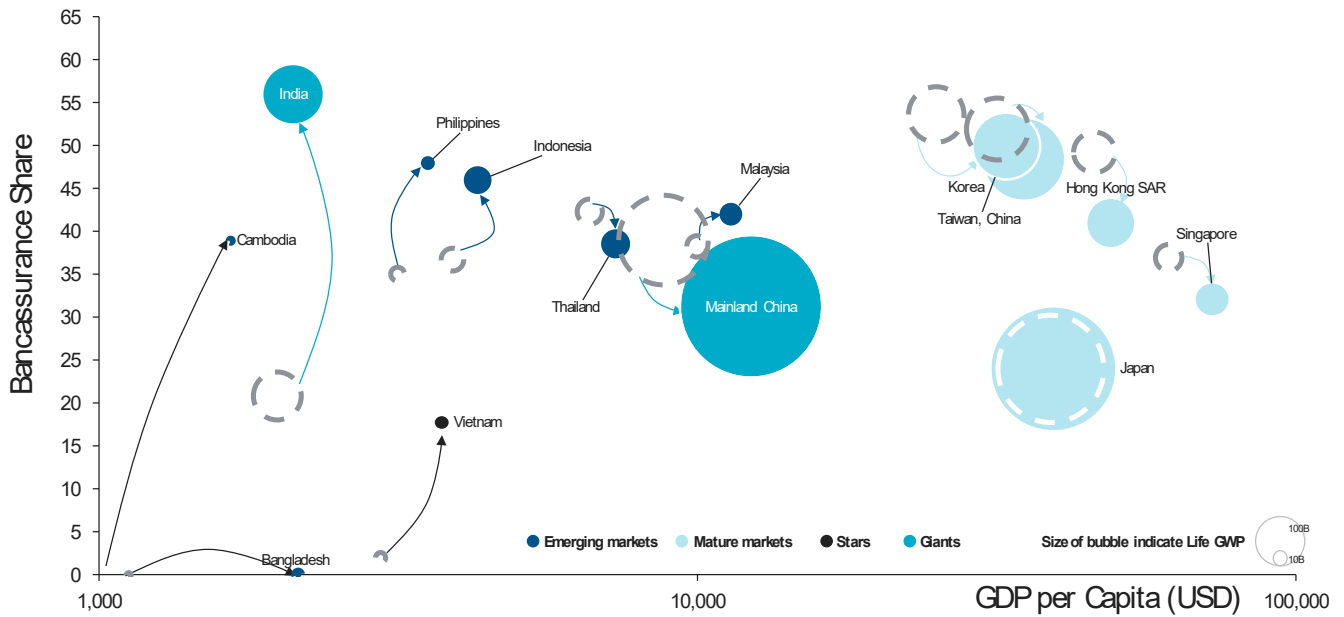
Last but definitely not least, **Giants** should be considered individually with differentiated challenges. Separate considerations for regulatory regime, fierce homegrown competition for international players, and complexly-tiered market landscape will require meticulous strategic planning and careful partnerships execution.

**C: Life and Non-life insurance penetration [2021, % of GDP] of selected markets**  
(Asian markets and some mature market counterparts)



Source: Swiss Re Institute, Atlas Magazine, Roland Berger

**D: GDP per capita [USD], bancassurance % of total life insurance, and total life GWP per country [B USD] (2015-2021)**



Source: International Monetary Fund; Falia Bancassurance Survey; FitchSolutions Insurance Report 2022, Desktop Research, Roland Berger

Bancassurance would continue to be important in the emerging economies of Asia as the economy grows continuously, yet both sides of the table shall be prepared

that higher level of sophistication will be required to optimize results.

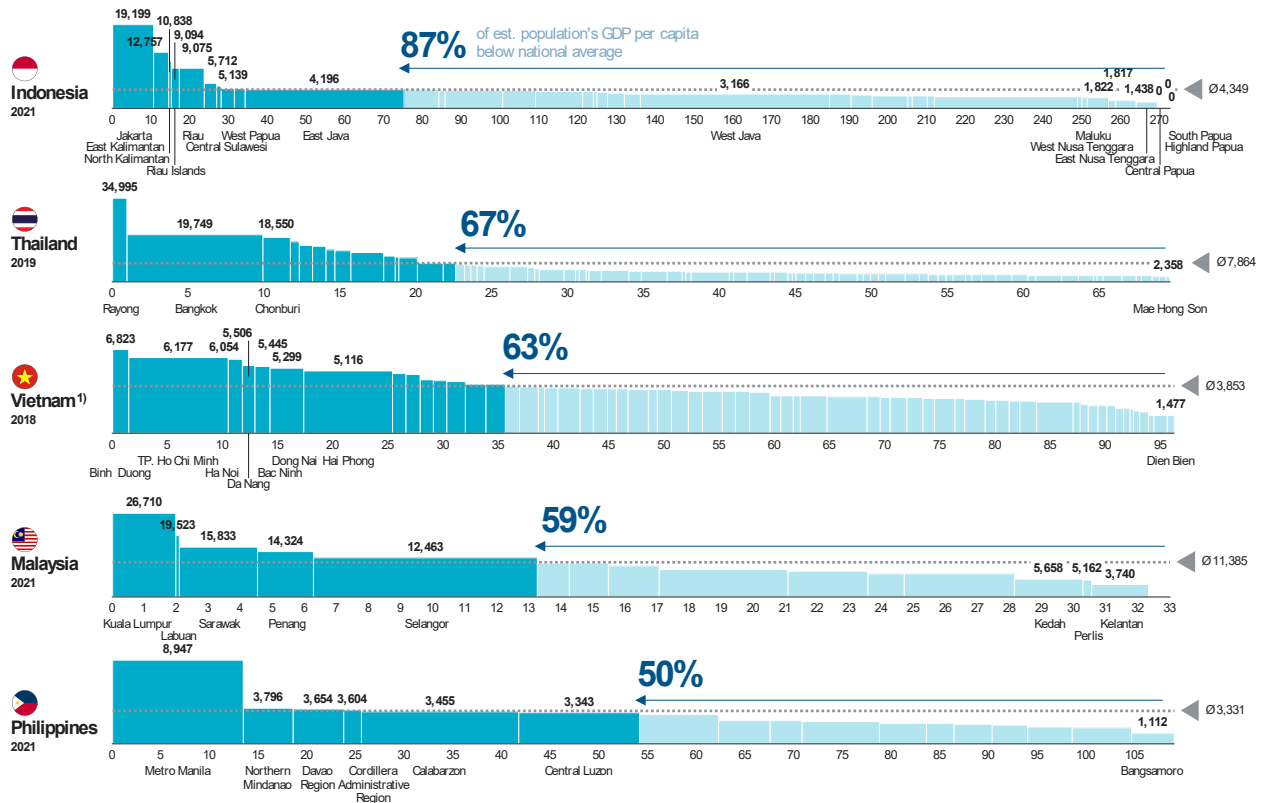


### Intra-market level: Tiered-market Requires Tiered-thinking

Economic and demographic variations do not only apply across different markets, but also within each of them. Bancassurance partnerships should therefore understand such intra-market variations, as the stories of developmental success are often portrayal of export-oriented region(s), usually being the capital-metropolitan region at the same time.

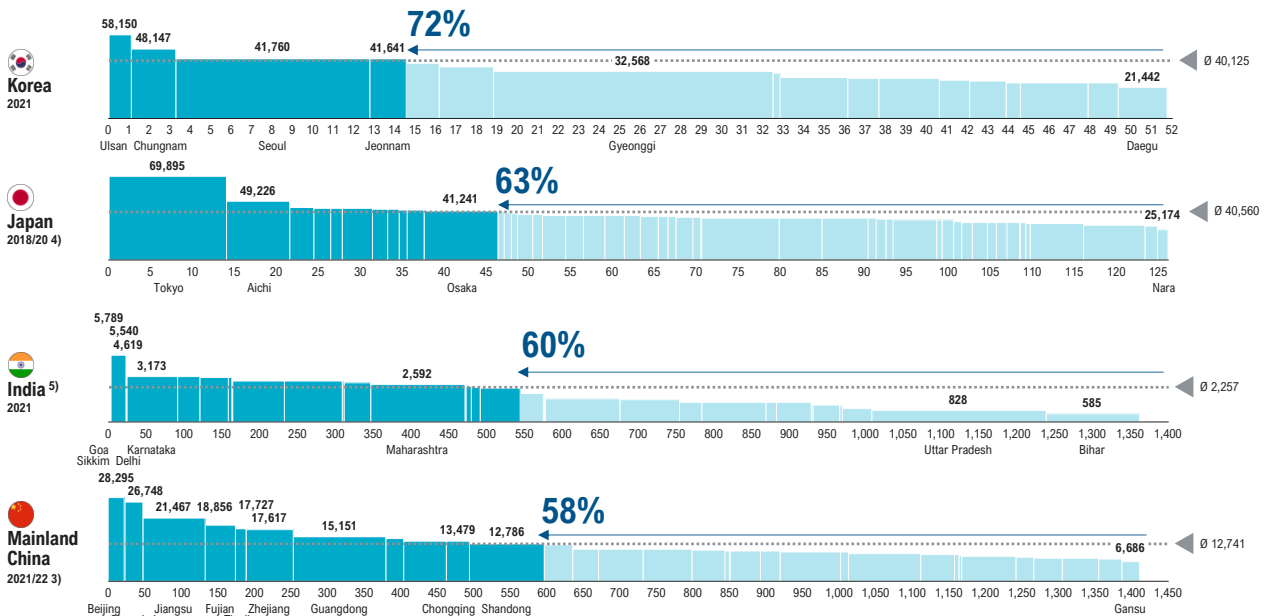
Such gaps may be very significant especially for emerging markets. The following is a presentation using GDP per capita per administrative region-level breakdown as proxy, but similar logic can be applied easily to intra-administrative region variations: → [E](#), [E](#)

## E: Population and GDP per capita [USD] <sup>1)</sup> per each province / region <sup>2)</sup> of selected in-scope countries South-east Asia



Source: World Bank, Open Development Mekong, National Statistic Offices of various countries, Roland Berger

## E: North Asia and India



1) Per capita income data adopted for VN, GDP per capita used for other countries  
 2) used as a proxy to indicated relative income across regions, income level differences within each province / region are generalized due to limited data, but variations are expected to exist  
 3) GDP per capita from 2022, population from 2021  
 4) GDP per capita from 2018, population from 2020  
 5) No data is available for Dadra and Nagar Haveli and Daman and Diu, Ladakh, and Lakshadweep  
 Source: World Bank, Open Development Mekong, National Statistic Offices of various countries, OECD, Roland Berger



Bancassurance partnerships and insurers should “demystify” the impression of under-penetration in the lower-tier regions within APAC markets, as for instance high lump-sum life / health insurance may sell better for few affluent regions but much lesser so across the whole market.

Products for mass market like microinsurance, SME commercial products may be viable alternatives if bancassurance partnerships would like to penetrate these regions.

## Consumer preference: Digital Done Right – with Trust

Apart from the considerations pertaining to the market themselves, a few cascading effects from the COVID-19

pandemic towards digital are also observed.

### Callout 1

#### How the pandemic has (not) changed the customer

While COVID have changed the habits of consumers in both soliciting information and procure insurance digitally – trust and human touch are still as important. While more people acquire insurance from non-traditional digital channels like e-wallets or platforms; most of these cases are still featuring simpler, P&C products, in standalone or embedded forms. → [G](#)

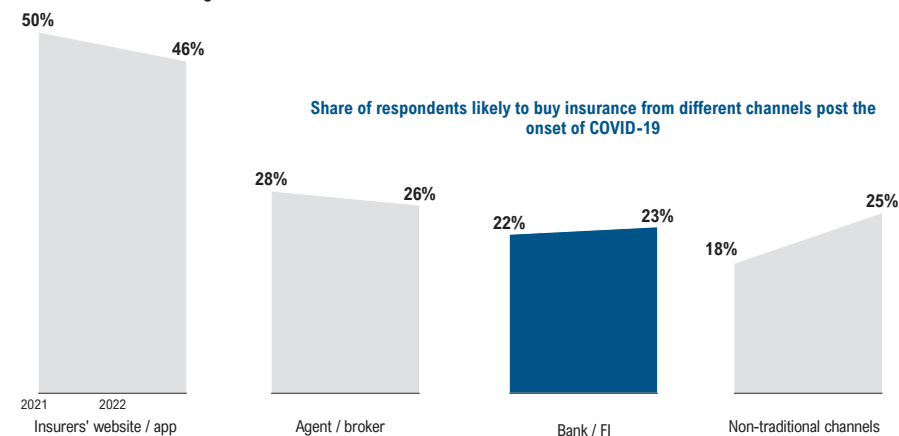
sales due to its long tenor, financial significance, and often-bundling nature, for example mortgage life. Even for smaller lump sum products, for example critical illness or health products, T&C complexities may mandate significant customer interaction in closing deals effectively.

These human touches and trust are important especially in high-value, complex products: Bancassurance's typical portfolio of life / annuity are subject to close personal touch for

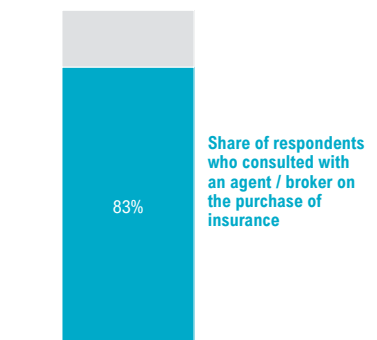
To upkeep customer stickiness against encroachment from competing channels, Bancassurance partnerships' response to digital transformation, and their capability to integrate for O2O sales across products are critical factors. This will be further explored in the next callout.

### [G](#): Insurance acquisition channels and importance of human touch

Banks may not be the most popular channel to acquire an insurance if considered in general...



...But its human touch is irreplicable by digital



Source: Swiss Re Institute, Roland Berger

## Callout 2

### Traditional banks going digital, and emergence of virtual banks

In response to digitalization, there are two scenarios for bancassurance partnerships: "when banks go digital" and "emergence of virtual banks" – with slightly different implications.

#### 1. When banks go digital

Facilitation of effective exchange is the key in this type of transformation – in which partnerships' primary motives of digital are to improve cost-efficiency and sale-effectiveness. For example, **leads and opportunities** are increased by targeted advertising and preserved through more accessible, visually driven, and interactive product proposals. **Automated administrative process** minimizes repetitive work. **Sales tools and analytics** enables relationship managers to improve conversion by selling the right products. **Online customer service** carries out claims and

servicing, while optimizes front-office resources.

#### 2. Native-virtual banks, e-wallets

Adaptation is the key to this alternative context – as insurers consider **designing products tailored for pure-virtual interactions**, with modular characteristics, simpler T&Cs, embedment into virtual events, and clean sales messages. On the other hand, usage data collection at each step of the banking process can be expanded and used for marketing and pricing. Virtual banks' tech edge may also support insurers in saving servicing cost and avoiding fraud.

**While implications of bancassurance partnerships to these two types of institutions are subtly different, both would require treating banks as a collaborative partner, instead of a mere sales channel.**



### Callout 3

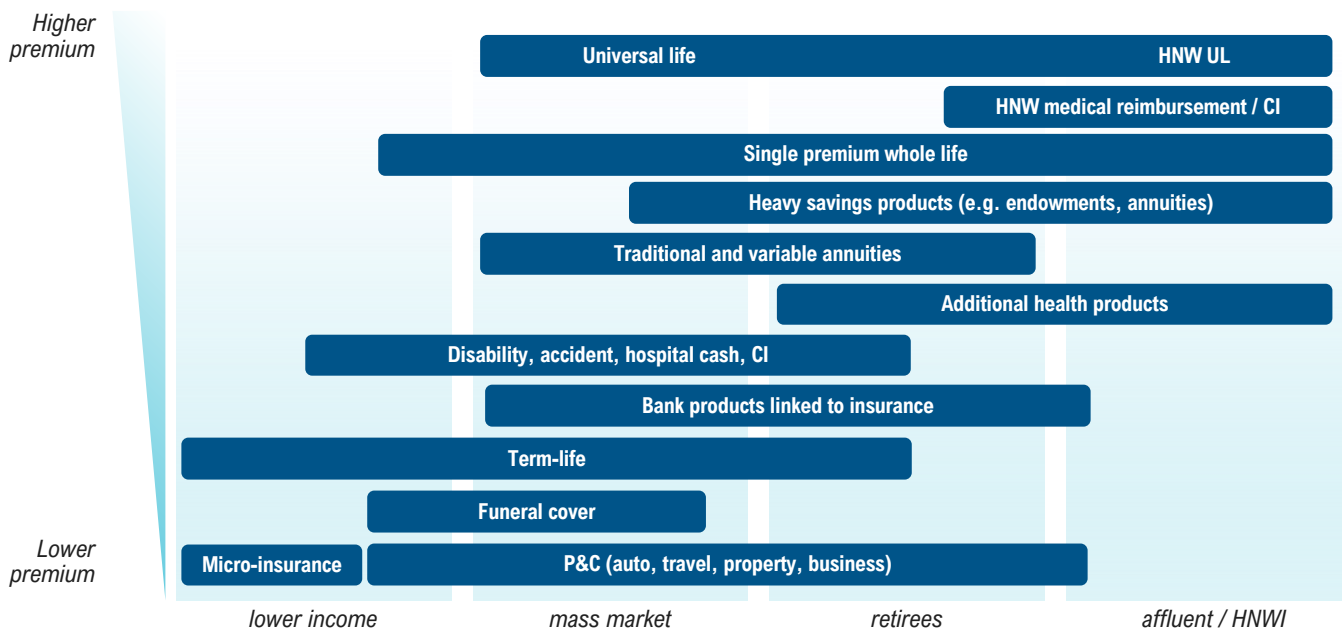
#### Product adaptation and diversification

Increasing partner-enablement for better customer targeting is a pre-requisite for product adaptation. While varieties of high-premium products such as high-net-worth (HNW) life and health, even forex-denominated or offshore arrangements, are critical for priority / private banking segments; microinsurance (P&C, health) are critical for emerging mass market in the developing world.

Some lower-sum P&C lines may warrant automation for balancing cost-benefit and pace of delivery, or simply integrating over third-party platforms. → [H](#)

These three interrelated shaping forces will drive the transformation of bancassurance towards deeper integration, which will be illustrated in the next section.

#### H: Product diversification of bancassurance offerings



Source: RGA, Roland Berger

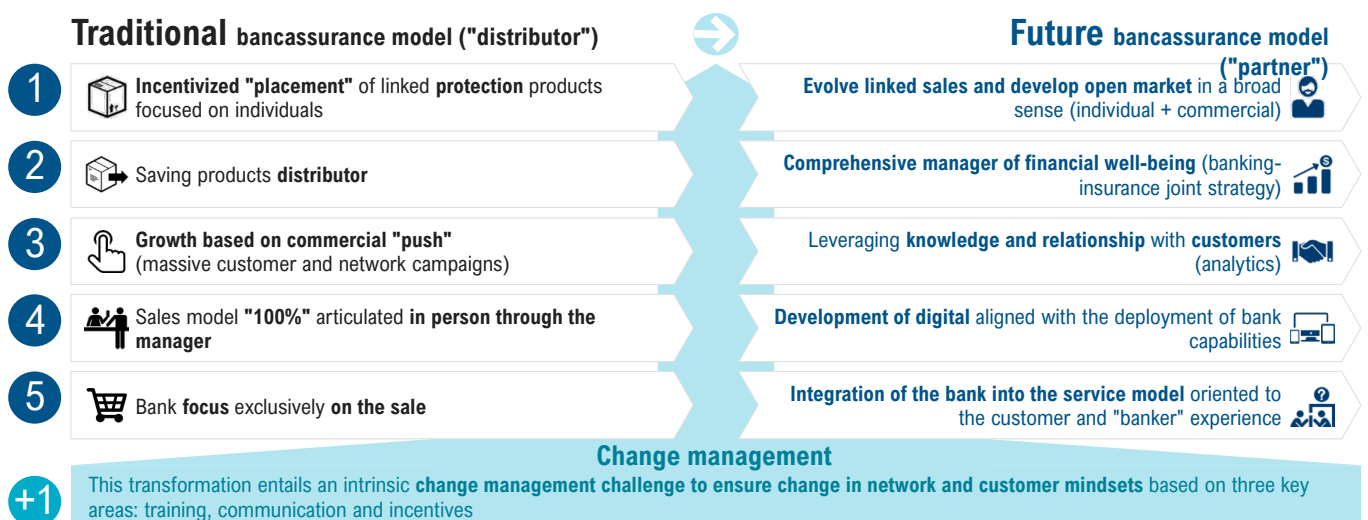


## 2 / The "5+1" aspects of the next generation bancassurance for action

As a result of these forces, Roland Berger expects bancassurance partnerships to transform in the following 5 aspects, given proper change management as the enabler. The five factors include: →

- 1. Evolve linked sales and develop open market:** The "linked sales" is anchored on the customer-centric philosophy, involving both clear product value proposition and coherent sale process. These eases open market activities and reduces attrition. HNWI, for example, may be coherently covered from P&C, HNW products to EBs and commercial lines for these individual's businesses – nevertheless, this will involve collaborating multiple BUs of banks and insurers, requiring coherent integration.
- 2. Comprehensive manager of financial well-being:** As banks are increasingly positioned as a manager of financial well-being, its extensive product portfolio should be viewed complementarily to such positioning. As Asian banca partners are likely already geared with good product mix per risk appetite, tax advantages, life-stage, and accumulation / deaccumulation (for instance, reverse mortgage); it is just a matter of rationalizing these products under a personas-based lens to avoid cannibalization. Competitive benchmarking may also facilitate differentiation with competitors.
- 3. Leveraging knowledge and relationship with customers with data-driven, personas-based marketing and underwriting – per propensity and risk.** Some partnerships are already

### Transformation of the bancassurance model



Source: Roland Berger

leveraging the banks' CRM for targeting optimal clients in terms of risk, and other entities are tapping into banks' big data in actuarial tasks.

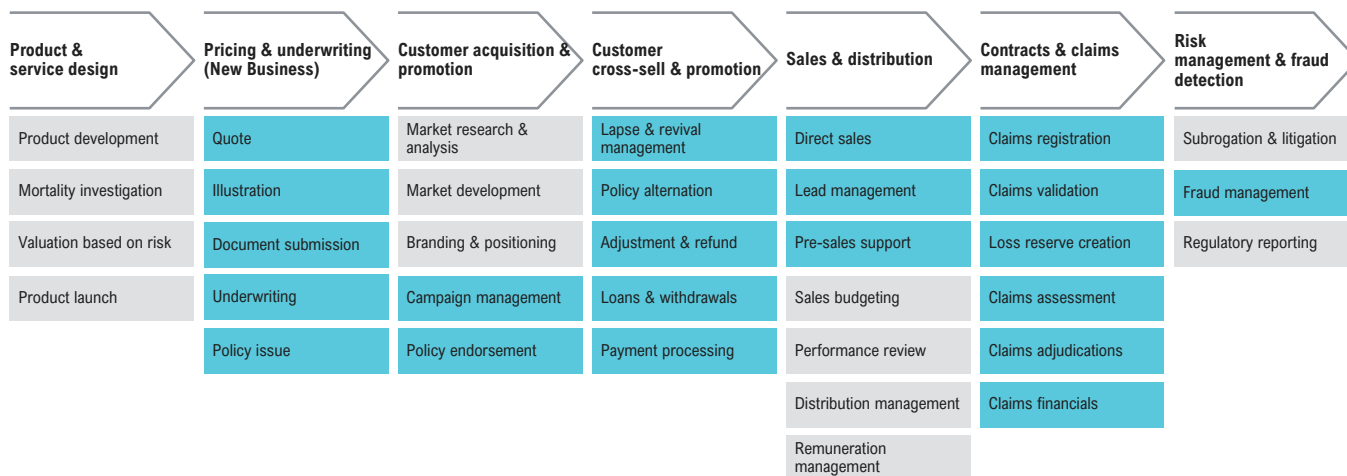
**4. Development of digital aligned with deployment of bank capabilities:** While improving distribution is almost always the premier driver for digital initiatives, being omnichannel is a more permeating approach that provide benefits across the insurance value chain. Areas like pricing, underwriting, claims, and fraud management all warrant integration between the partners for tangible benefits for both. It also helps to rethink how digital can integrate with the critical human touch in providing service differentiation and closing high-impact sales. → J

**5. Integration of the bank into the service model, with customer and "banker" experiences:** Transforming from a

**pure sales unit, banks' service model must be consistent with the experience it aspires to offer to per customer tiers.** For examples, communication strategy and level of proactivity can be decided based on predictive models of the customers. Setting clear roles between the insurer and the bank is critical – in more and more cases, the bancassurance JV would demand more freedom to freely decide service level provided to clients, avoiding potential incoherence among partners.

**+1. The importance of change management:** Due to the collaborative nature of the bancassurance partnerships, effective change management must be planned to balance benefits of the partners. This often entails traditional change management planning, but compounded with aligned monitoring of progress, iterations to fit business environment changes, and clear indication and measurement of outcomes.

**J: Application of digital solution to potential pain points along value chain**



■ Potential area that could be significantly optimized and integrated via digitization

Source: Roland Berger

### 3 / Closing remarks

**N**avigating the unique Asian bancassurance scene requires balancing among multiple dimensions: regional mandate vs. market-level adaptation; intra-economy variations; and technology vs. human touch. Insurers and banks alike should develop along the unique Asian fabric of differences. \*



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## AUTHORS

### LAURENT DOUCET

Partner, Asia Insurance  
laurent.doucet@rolandberger.com Office: Hong Kong

### DENIS DEPOUX

Senior Partner, Global Managing Director  
denis.depoux@rolandberger.com Office: Shanghai

### DAMIEN DUJACQUIER

Senior Partner, Managing Partner Southeast Asia  
damien.dujacquier@rolandberger.com Office: Singapore

### JOHN LOW

Senior Partner, Managing Partner Southeast Asia  
john.low@rolandberger.com Office: Kuala Lumpur

### JIRI KRIVACEK

Partner, SE Asia Investor Relations and Insurance  
jiri.krivacek@rolandberger.com Office: Singapore

### YUZURU (JOE) OHASHI

Senior Partner, Managing Partner Japan  
yuzuru.ohashi@rolandberger.com Office: Tokyo

### SOOSUNG LEE

Senior Partner, Managing Partner Korea  
soosung.lee@rolandberger.com Office: Seoul

### SAUMITRA SEHGAL

Senior Partner, Managing Partner India  
saumitra.sehgal@rolandberger.com Office: Mumbai / Doha

**Sunny Yap** Senior Consultant also contributed to the article.

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**[www.rolandberger.com](http://www.rolandberger.com)**

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**ROLAND BERGER**

23/F Jing An Kerry Centre Tower 1

1515 West Nanjing Road, Shanghai

+86 21 5298-6677

[www.rolandberger.com](http://www.rolandberger.com)