Deloitte.

Making bancassurance partnerships work

It takes two to tango

MAKING AN IMPACT THAT MATTERS since 1845

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Methodology

Earlier in June 2024, Deloitte Southeast Asia's Financial Services industry practice hosted an intimate, two-hour roundtable discussion on the state of bancassurance partnerships with industry leaders from the banking and life insurance sectors.

Held in Singapore, the discussion comprised two key components: a sharing of Deloitte's perspectives on the current challenges confronting bancassurance partnerships, and a thought-provoking dialogue with the participants on how banks and insurers can come together to overcome these challenges.

Themes explored during the roundtable discussion included, but were not limited to, root causes of execution challenges in bancassurance partnerships, priority areas for technology investment, and how industry players are navigating the trade-offs between revenue growth and cost reduction, as well as between customer experience and data security.

The findings from this dialogue with industry leaders have contributed to the development of our insights presented in this report.

Making bancassurance partnerships work

The early 2000s marked a significant milestone for bancassurance in Asia Pacific. Following the high-profile launch of a partnership between a global insurer and a regionally headquartered bank, the region was swept up by a tsunami of interest in bancassurance tie-ups seeking to offer customers banking and insurance products under a single financial institution.

Fast forward to today, bancassurance partnerships are the norm rather than the exception, with many insurers willing to fork out huge sums for exclusive access to a bank's extensive customer base and distribution network.

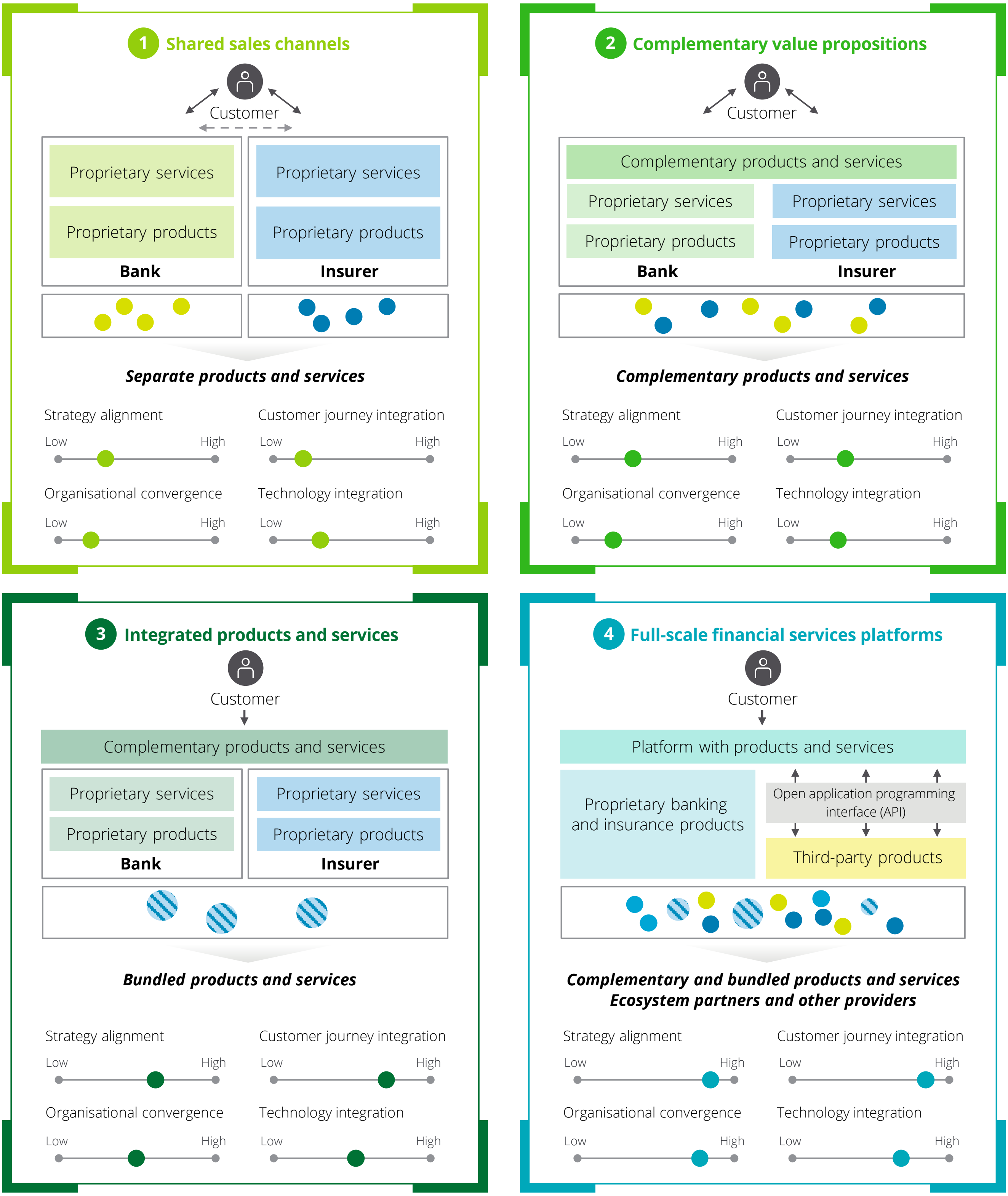
Broadly, there are four main types of bancassurance operating models – shared sales channels, complementary value propositions, integrated products and services, and full-scale financial services platforms – that represent the spectrum of possibilities that banks and insurers can pursue to achieve alignment in their partnerships along the dimensions of strategy, organisation, customer journey, and technology (see Figure 1).

While each of these operating models presents its own set of opportunities and challenges, all of them share one important, sobering commonality: regardless of their operating model, not all bancassurance partnerships have performed, or will perform, as anticipated.

In this report, we will distil the observations gleaned from our extensive experience supporting insurers and banks on their bancassurance partnerships in Asia Pacific and beyond to elucidate the key execution and relationship issues on this journey, and provide some recommendations on the way forward.

Throughout our analysis, we will also draw on our findings from a roundtable dialogue conducted with industry leaders from the banking and life insurance sectors, whose inputs have enabled us to hone an even more nuanced understanding of the opportunities and critical success factors of bancassurance partnerships.

Figure 1: Four main types of bancassurance operating models



It takes two to tango

Trust should be the cornerstone of any bancassurance partnership, and both parties must play their part in forging and maintaining the relationship. To this end, it might be worthwhile for both sides to take a step back to consider whether their partners are sufficiently equipped with the tools they need to participate meaningfully in the partnership. After all, as is the case with all partnerships, it always takes two to tango.

Challenge #1: Execution effectiveness

From the perspective of execution effectiveness, we have observed several key challenges – and thereby, opportunities for innovation – that we will discuss in the sections below. Broadly, these opportunities can be understood as 10 types of innovation, which can be further classified into the three categories of Offering, Experience, and Configuration, in no particular order of importance (see Figure 2).

Figure 2: 10 types of innovation in bancassurance

		Illustrative innovations over the last decade
Offering	**Product Performance** *Distinguishing features and functionalities*	From offering solutions for the customer of today *to* cross-selling across the continuum of the customer of tomorrow
	Product System *Complementary products and services*	From static product catalogues *to* enhanced solutions and benefits
Experience	**Service** *Support and enhancements that surround offerings*	From branch-driven channels *to* omnichannel advisory models
	Channel *How offerings are delivered to customers*	From disparate partnership platforms *to* seamless experiences
	Brand *Representation of offerings and business*	From basic support *to* holistic servicing across multiple channels with artificial intelligence (AI) augmentation
	Customer Engagement *Distinctive interactions*	From a single, customer-facing brand *to* multiple segment-centric brands
Configuration	**Profit Model** *The way in which profit is generated*	From an interest/fee income model *to* insights and data monetisation
	Network *Connections with others to create value*	From a product-centric workforce *to* segment-centric, decentralised agile teams
	Structure *Alignment of talent and assets*	From transactional relationships *to* digital ecosystems and platforms
	Process *Signature methods for delivering work*	From low-productivity, manual tasks *to* process automation and streamlined workflow management

Offering

One area of significant divergence between banks and insurers in a bancassurance partnership lies in differing assessments of the suitability of an insurance offering for distribution. While banks tend to be more segment-centric in their orientation and prefer transactional offerings that can be sold in large volumes, insurers are relatively more product-focused and emphasise long-term protection as key to their profitability and return on investment.

One common point of contention, for example, tends to arise in the context of savings or par product offerings at bank branches – otherwise known as "101 products" – that tend to comprise very little insurance coverage, and are typically positioned as deposit replacement products with features such as minimum guaranteed returns and potential upside bonuses.

It is worth noting, however, that there has been a rise in bank sales of regular premium protection products in recent years. These longer-term products are delivered through their distribution networks with segment-specific and channel-specific propositions and offer banks the benefit of annuity income through trailer commission.

To better capitalise on this opportunity, insurers should consider collaborating with their banking partners on the development of joint offering or proposition roadmaps. These roadmaps could be calibrated to specific segment and channel needs – for example, by establishing infrastructural elements, such as payment and policy issuance processes – for a more seamless customer experience.

Above all, however, industry leaders in our roundtable discussion also emphasised the importance of customer-centricity and putting customers at the centre of bancassurance value propositions. This is not to say that insurers and banks do not currently think that the customer is important – on the contrary, we have all heard of instances where banks have excelled in customer experience delivery, and where life insurers go out of their way to support customers in dire circumstances – but that bancassurance partnerships lack specific and compelling customer value propositions.

Nevertheless, focusing on the customer is only the first step. Within a partnership, the bank and insurer must be able to align their perspectives on the customer and their needs. Having this shared view is critical to informing the joint development of cohesive financial solutions and customer experiences to not only create 'wow' moments for the customer, but also enable the customer to develop an emotional connection to the shared bancassurance value proposition.

Experience

It is widely acknowledged that banks have an edge over insurers in the realm of digital capabilities. As a result of this asymmetry, few bancassurance partnerships have been successful at delivering a seamless customer experience, let alone seamless end-to-end transactions. To make it work, both sides must commit to putting customers at the centre and invest in the development of capabilities and resources fluent in both sides of the banking and insurance equation.

In terms of experience, one key challenge – especially for the life insurance segment – is the ability to design a seamless purchasing platform that is not only compliant with regulatory requirements, but also capable of integrating the bank's platform with the insurer's underwriting engine for the direct issuance of life policies. Similar models have already been implemented in the general insurance segment, although this has proved to be more challenging for life insurance products due to underwriting requirements.

From a customer perspective, however, most products are already connected to user interfaces (UI) via APIs, with the result that they now have ready access to product features, benefits, and other application requirements. Taken together, we believe that the integration of an insurer's middle-office and back-office functions with the bank's front-office through the joint development of a platform unique to the partnership could go a long way in differentiating a bancassurance value proposition and increasing insurance penetration rates within the bank's customer base.

Other potential opportunities for collaboration also include areas such as data and analytics. As highlighted by industry leaders during our roundtable session, banks and insurers both have massive and under-utilised databases that can be leveraged to better understand their customers and financial priorities. By working together to develop the capabilities to analyse this data, bancassurance partners can benefit from more meaningful insights on how they can better provide the right advice, products, and services to their customers, and enhance their reputation as trusted financial service providers.

Configuration

Managing the end-to-end customer sales journey from lead management to application submission is more art than science. Every bank has its own set of processes – shaped by its specific governance requirements, which are in turn influenced by its idiosyncratic risk appetites – and this could vary even within the same bank at a market or regional level. Such variation poses a fundamental challenge for insurers engaging in bancassurance partnerships, as there is never a one-size-fits-all solution.

It is also for this reason that we have witnessed in our own experience an abundance of 'hand-offs' in bancassurance sales processes that invariably result in lead leakages and low conversion rates – and with these, higher operating costs and loss of revenue opportunities. On average, the conversion rate of a branch sale from the initial generation of customer leads to lead qualification and policy issuance can be as low as 2%. Based on a mapping exercise that we conducted, we noticed that 'hand-offs' – such as from branch counter staff to customer service, and then to insurance specialist within the branch environment – effectively 'killed' leads and dampened customer enthusiasm for the purchase.

One potential solution to keep a customer engaged and informed throughout the process is to develop and introduce a common platform. This could help to minimise the number of 'hand-offs' and enable leads to be more effectively harnessed; however, pursuing this option will first require a thorough, hands-on review of the end-to-end process to identify critical gaps and uncover meaningful insights on the customer experience and bank relationship managers' selling pain points.

As life insurance products are long-tenure financial solutions that seek to fulfil both functional and emotional needs, there was also widespread consensus amongst industry leaders at our roundtable that bancassurance partners will need to work together on personalising the sales experience to specific customer needs. This, however, requires two mindset shifts on the part of bank relationship managers and their sales teams.

First, relationship managers must shift away from viewing insurance products as merely third-party, commission-paying products, and move towards an understanding of these products as an extension of the set of holistic financial services that a bank provides to its customers. Second, relationship managers must shift away from product-centric sales approaches, and move towards more advisory-centric approaches where they assume the responsibility for managing their customers' entire financial portfolios.

Given that bank sales teams tend to be more adept at advising customers on their investment needs, rather than insurance needs, their sales delivery approaches will also require some work. To this end, insurers will need to invest in better training for their bank counterparts; on the part of the bank, there also needs to be greater commitment to driving product proficiency across the sales organisation.

Challenge #2: Relationship issues

While performance issues are complex, relationship issues might prove to be even trickier to navigate. Cultures and motivations inevitably differ between organisations – and these differences tend to become more pronounced in an exclusive bancassurance partnership.

Common sources of friction include, for example, the fact that insurers may be more focused on bottom line profitability given their product-centric sales orientation, while banks are more focused on fees and commissions given their transaction-based sales orientation. At the same time, while insurers may be more interested in seeking access to a captive customer base, banks may prefer to leverage their distribution channels to generate risk-free income – and both sides may find it difficult to appreciate each other's point-of-view.

Complicating bancassurance relationships are also several recent developments over the last decade. For example, the trimming of bank branches – catalysed by a rethink of customer engagement strategies and touchpoints, as well as escalating cost pressures – have resulted in unilateral changes being made to the distribution models that their insurer partners had initially signed up for.

To navigate these relationship issues, industry leaders at our roundtable emphasised the importance of setting the right tone at the top. In particular, they believe that leaders at the respective banking and life insurance organisations should take it upon themselves to foster a sense of mutual respect. This means centring their partnerships around their shared motivations and commonalities, and demonstrating empathy for each other's pressures, constraints, stakeholder expectations, and key performance indicator (KPI) metrics.

At the working level, teams should also be encouraged to develop a clear understanding of their partner's comparative advantages and disadvantages, as well as the skills and experience gaps that would need to be filled in order to enhance the partnership's synergies. Indeed, the ability to understand and leverage each other's comparative advantages is a critical competency both for conflict resolution and innovation development in a bancassurance partnership; however, it is also a competency that tends to get lost along the way over the duration of a long-term partnership.

Ultimately, notwithstanding differing incentives and motivations, both partners must find a way to coalesce around a shared, central focus on the customer. After all, both the insurer and the bank are jointly responsible for the sale, revenue, and associated risks of any given insurance product sold through a bank. Both stand to gain when a customer maintains a policy; conversely, both stand to lose when a customer surrenders a policy.

Moving forward in lockstep

For a bancassurance partnership to succeed, the insurer and bank must share a long-term commitment beyond their initial investment – not least with the mutual agreement to undertake continual, ongoing efforts that will enable them to move forward in lockstep and grow with each other throughout the entire lifetime of their partnership.

Move #1: Commit to a regular cadence of objective reviews

As an immediate next step, we propose that bancassurance partners commit to an objective, third-party review of existing systems – one that takes into account differences in timeline orientations, relevant regulatory requirements, and underwriting requirements – to assess whether their existing systems are fit-for-purpose, and identify areas where the partners can better align their capabilities with each other.

Establishing a regular cadence for such a review process is key, as it would enable issues to be addressed as soon as they are identified. Furthermore, keeping in mind that there are no one-size-fits-all solutions, it would also allow both parties to extract lessons from the latest best practices or common pitfalls as they emerge.

Based on our cumulative experience, we recommend that these reviews focus on the following non-exhaustive list of long-term transformation enablers: product suite customisation, propensity and data analytics, platform digitisation, process reengineering, playbook development, and people upskilling (see Figure 3).

Figure 3: Six enablers for the long-term transformation of bancassurance partnerships

Product suite customisation
Hyperpersonalised offers and instant underwriting for relationship manager-led interactions, bundling of credit and wealth solutions, and embedding insurance into the financial product ecosystem

Propensity and data analytics
Artificial intelligence/machine learning (AI/ML) transaction and event-trigger actions, intelligent cross-selling with next best offer (NBO), and customer lifetime value (CLTV) analysis and churn predictions

Platform digitisation
Marketing automation, collaborations with InsurTech and Big Data, and AI-driven personalisation capabilities

Process reengineering
Simplifying customer experience journeys, lead and funnel management, and remote claims handling

Playbook development
Unified customer experience, global unified operating model, and common governance framework

People upskilling
Agile ways of working, recruitment and retention strategies, and commission structures

Move #2: Set in motion pathways to innovation

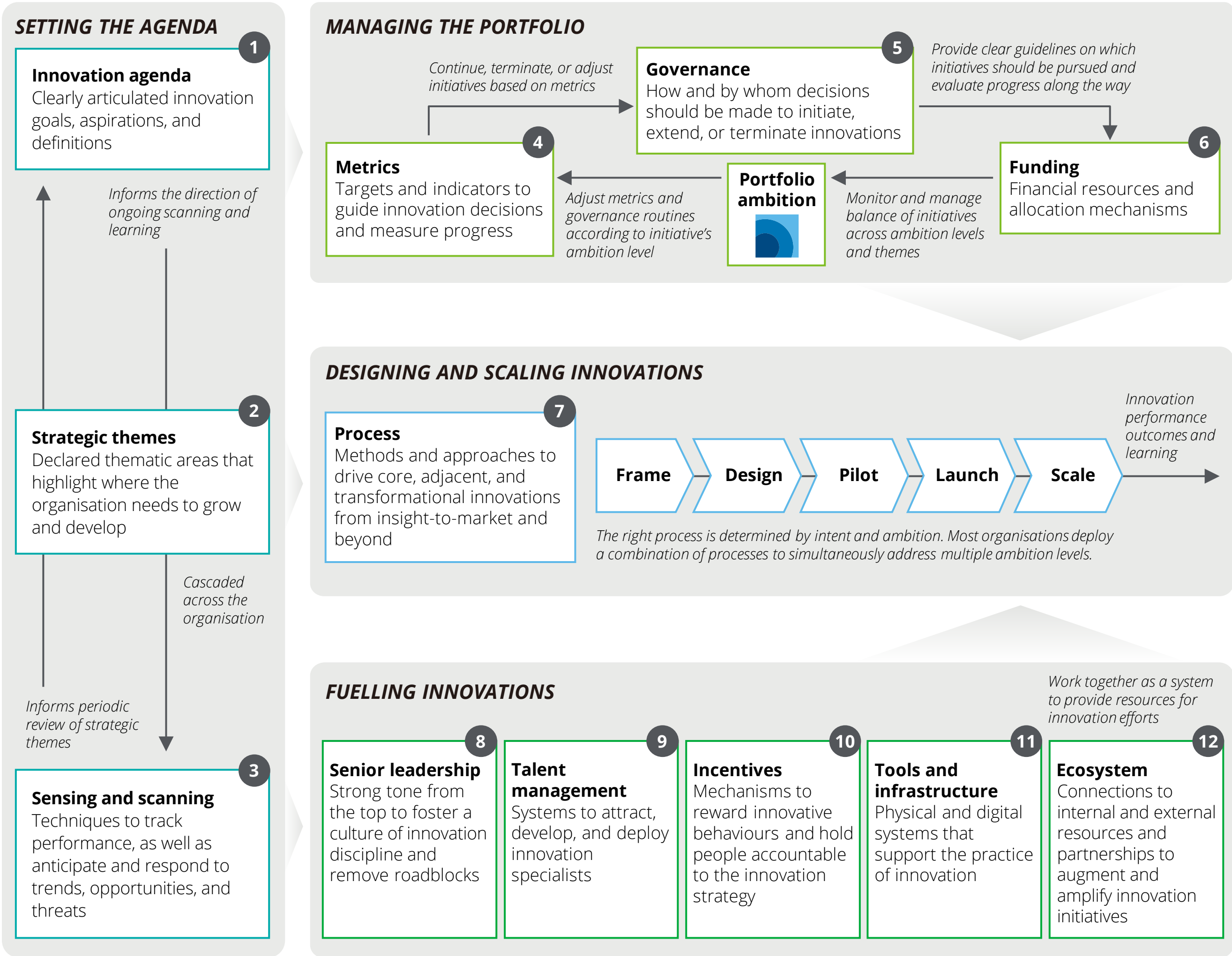
While tactical reviews are critical in the short-term to maintain ongoing momentum, strategic innovation should be the point of focus for bancassurance partnerships over a longer-term horizon. Having alluded to the 10 types of innovation earlier in this report, we propose that bancassurance partners move forward by setting in motion several innovation pathways towards a new bancassurance paradigm (see Figure 4).

As bancassurance partners embark on the innovation journey, they would also do well to consider the following questions: Are our capabilities and technology platforms on par or compatible with our partner's? What are the digital tools that are required to support relationship managers on their sales approaches? Should we invest in these tools, and who should pay for it? Do our approaches align with our partner's processes, priorities, and focus segments? How can we better collaborate with one another to leverage data analytics to derive meaningful customer insights?

From a skills and talent perspective, there is also the need to invest in bancassurance-specific talent: while there is an abundance of expertise in the individual domains of banking, insurance, and technology, it is rare to find talent that is skilled in all three domains. Further considerations also include regulatory and security considerations regarding the feasibility of leveraging customer data to inform product development efforts; our view, however, is that tokenisation could be a viable way forward in this regard.

These are no doubt complex considerations to navigate, with no easy answers. For one, the asymmetries that exist between banks and insurers in terms of technology, capability, and competency may create challenges in integrating any new digital innovation and its accompanying systems. Even if we assume that these asymmetries do not pose significant roadblocks, there is also the outstanding question of who in a partnership should be responsible for funding the innovation and owning it thereafter, given that all partnerships are inherently finite.

Figure 4: Innovation pathways towards a new bancassurance paradigm



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