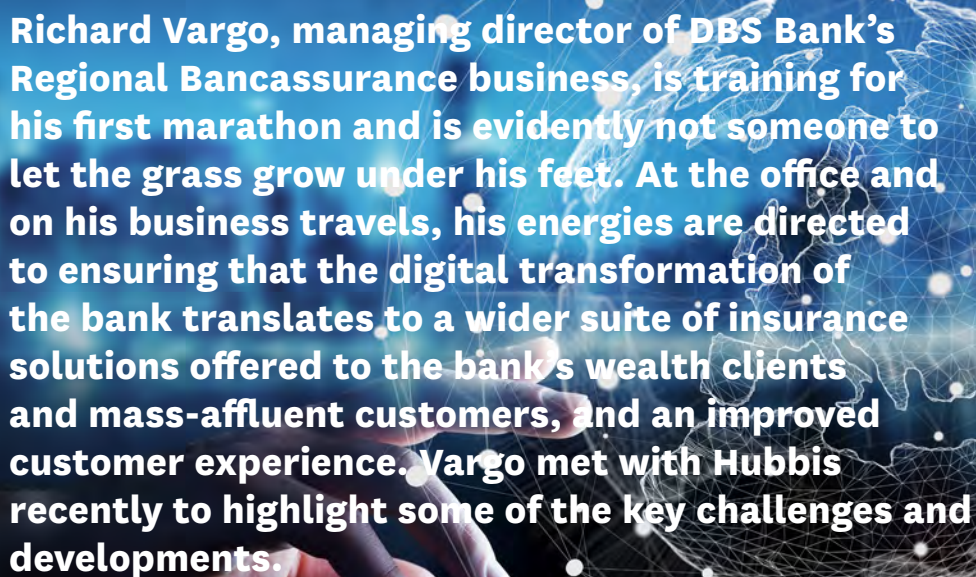


# DBS's Bancassurance business makes strides with digital transformation and serves its customers better

A hand is shown pointing towards a digital globe. The globe is composed of a network of white dots connected by thin lines, set against a dark blue background with light blue bokeh effects. The text is overlaid on the left side of the image.

Richard Vargo, managing director of DBS Bank's Regional Bancassurance business, is training for his first marathon and is evidently not someone to let the grass grow under his feet. At the office and on his business travels, his energies are directed to ensuring that the digital transformation of the bank translates to a wider suite of insurance solutions offered to the bank's wealth clients and mass-affluent customers, and an improved customer experience. Vargo met with Hubbis recently to highlight some of the key challenges and developments.

## Executive summary

Singapore's DBS Bank has been successfully building its regional footprint across Asia and at the same time implementing a dramatic digital transformation. It was recently awarded "Best Bank in the World" by Global Finance and "World's Best Digital Bank" by Euromoney. The DBS bancassurance business is not resting on its laurels, and is continuously adapting its product offerings, its human resources and its strategies to ensure that it is increasingly relevant to the growing number of digitally connected wealth and mass-affluent customers.

Richard Vargo, Managing Director of Regional Bancassurance for DBS Bank has set himself and his colleagues the challenge of leveraging the bank's digital transformation to make the development, purchase, and delivery of insurance products ever more relevant and efficient.

The younger generations in Asia are becoming wealthier and more financially astute and need insurance products that help them organise their lives, their risks and help them plan for their and their families' futures. The older generations, generally healthier and living longer, need properly plan to enjoy their retirement years without undue sacrifice of lifestyle, while also implementing effective legacy planning strategies for their businesses and estates.

As the financial planning industry continues to develop in Singapore and across the region, customers of all levels of wealth are increasingly taking control of their financial futures. Vargo believes that DBS Bancassurance being invisibly embedded in the lives of its customers will help cement DBS' position as a leading Bancassurance provider in the region.



**H**E SAYS, “DBS HAS BEEN making great strides forward in terms of leveraging and taking advantage of data, developing platforms, and building out what we call ‘ecosystems’ to better serve our customers. This has helped us move towards both enhancing and expanding our advisory capacity and also increasingly towards what we call an ‘omni-channel presence’, where our clients can go online to learn about their insurance needs and the solutions we might be able to deliver them.”

In due course, Vargo explains, the customers may be able to purchase many of the bank’s insurance products online, on a direct to consumer basis, or via the bank’s ongoing financial advisory route, or through the bank’s relationship managers (RMs).

### **For the wealthier and the mass-affluent**

Vargo reports that the insurance products can be divided roughly into several categories. At the more advanced levels of customer wealth, including high-net-worth individuals (HNWIs), clients continue to mostly lean towards legacy planning products, still priced and delivered largely in US dollars due to the underlying product structure. In the same space, private placement insurance that provides a level of favourable tax treatment in certain jurisdictions is generating more interest.

In the mass affluent space, Vargo notes, governments are seeing the effects of an ageing population and have therefore been encouraging more consumers to plan effectively for their own longer-term retirement needs. Here, DBS has been providing solutions that meet the long-term savings and retirement needs of its clients.

### **Getting Personal**

Richard Vargo is Managing Director of Regional Bancassurance for DBS Bank and is based in Singapore. Working with in-country wealth management product teams, franchise and sales channel partners of DBS, Vargo is responsible for the strategic development and expansion of Bancassurance in the Bank’s six primary markets of Singapore, Hong Kong, China, Taiwan, Indonesia and India.

In his capacity he is also responsible for key insurance partnerships throughout the region. In 2015, Vargo co-led Project Blue, a process to determine the bank’s new life insurance partner that resulted in a 15-year regional distribution partnership with Manulife Financial. In 2017 he co-led a similar process for a general insurance partner which resulted in a 15-year regional partnership with Chubb Insurance. Together these partnerships are valued at more than several billion US dollars in access fees, fee income, bonuses and allowances over the term of the agreements. Vargo was born in the United States, educated in the US and moved to Asia fairly early in his career, working in Hong Kong, Indonesia and Singapore and recently passing the 30-year mark in the region. "I feel very proud of the fact that I have had an opportunity to help contribute to the growth of the financial service industry in this part of the world over three decades since the early days of the dramatic growth of the region’s economies and wealth."

He began his career in financial services more than 35 years ago as an advisor with John Hancock Financial Services in the US. During the last 30 years, he has held senior management positions in Bancassurance, Distribution, Marketing and Wealth Management in Hong Kong, Singapore and Indonesia before joining DBS. He is a graduate of the University of Colorado with a BSc in Finance, and is also a CLU, ChFC and CFP.

Vargo is married with two grown children and will be celebrating his 28th wedding anniversary in December.

His spare time is currently spent training for his first marathon in 2019. Golf and fishing are amongst the more sedate pastimes he also enjoys.

### **Digital tools for the new world**

Digital can make the whole process more efficient and productive. Vargo cites the example Singapore customers logging into the DBS

online portal and within that, they can find ‘My GPS’, a financial planning tool to help them understand their basic budgeting and savings needs. “This,” he explains, “is targeted at the digitally connected segment and is designed to help





RICHARD VARGO  
DBS Bank

that demographic focus more on basic financial planning needs including insurance protection. The tool takes accumulated information from various sources and analyses a client’s income, savings, expenditure to provide a holistic view of the individual’s finances. It is very popular.”

A second digital tool Vargo highlights is called ‘Future Me’. “This works in a similar manner to My GPS in that it is a post-login experience, but in this case is targeted at an older demographic who are looking towards retirement.

Customers can visualize how their retirement years will be like based on their current income and lifestyles, and then speak to a relationship manager for advice on how

conducted a joint research study, the ‘DBS-Manulife Retirement Wellness Study’, which looked closely at retirement preparedness among pre-retirees based on three

## “Digital is a vital enabler in today’s world for all areas of the demographic spectrum.”

best to plan for their retirement.”

Vargo turned the discussion to a key feature he terms ‘longevity risk’. “We know that people are living longer and longer in Asia,” he explains, “so the concern is how to maintain their lifestyle and their standard of living in the longer-term. Accordingly, they need to be properly invested in and planning for the future.”

### Are you financially fit for retirement?

In January 2016 DBS Bank and Manulife Financial Asia Limited launched their 15-year regional distribution agreement covering Singapore, Hong Kong, China and Indonesia, following which Manulife became the core provider of bancassurance solutions to DBS customers in these four markets. The two companies at that time

key pillars: namely health, wealth and social aspects.

“The study at that time proved what we knew and still is valid today, that there are immense challenges faced as populations age and hence the need to better plan for longer retirement years,” Vargo comments. “Key needs include critical illness and long-term health insurance, as well as retirement income and legacy planning. It is vital to be prepared for the efficient transfer of assets, with greater liquidity, at the time of one’s demise, so that heirs can support their business and family needs, as well as increasingly fulfilling philanthropic intentions people might have.”

Vargo then addressed the changing dynamics of insurance for HNWIs. Due to the narrowing of the interest rate spreads financing

and the use of leverage will eventually become less attractive for Universal Life Insurance (ULI) and other products for HNWI in general, and alternative products such as Variable Universal Life (VUL), pure term assurance, and certain other products will likely increase in market share, he believes.

“However,” Vargo adds, “ULI remains an attractive product solution because of the potential high death benefit and the liquidity it provides for those who focus on legacy planning.

### Financial advisory market matures

Vargo believes the financial advisory market will continue to become more sophisticated, especially as customer needs expand. He notes that Singapore has recently celebrated its 20th year of the establishment of The Financial Planning Association of Singapore, which is tied to the North American Certified Financial Planner designation. “This has been an outstanding initiative and I most certainly see a continuing growth in the entire financial planning industry as RMs and advisors continue to improve their expertise and professionalism.”

He believes digital channels will also help consumers become more aware of their need to properly plan for the future and more fully understand the need for professional advice and therefore professional services. “Even while digital proliferates, I therefore see the role of professionally trained financial advisers expanding.”

Vargo also touched on the role of insurance agents and the efforts to convert them more into financial advisors as more distribution avenues arise, including digital.

### Key Priorities

Richard Vargo’s three-decade-long career in Asia, most of which has been spent helping develop the region’s insurance markets, has not diminished his energies and enthusiasm for the business. He has set himself and his teams three key priorities for the foreseeable future.

The first priority is to leverage the value that DBS, as a major financial institution, is creating for itself and its consumers. He notes that DBS was recently named in Global Finance as the “World’s Best Bank” and by Euromoney as the “World’s Best Digital Bank” and explains that the bancassurance business is positioning itself to take full advantage of the digital transformation that the bank is going through to boost the insurance and risk protection solutions for customers.

The second priority is boosting human resources. “The various teams, from frontline to head office to support functions need to be able to deliver and execute the solutions that arise from the leveraging of our digitisation,” he explains. “The ability to serve the customer better is premised on developing our people and our resources to ensure maximum benefit to all parties from the digital transformation.”

The third priority, he reports, is to integrate and serve customers from the retail businesses of ANZ Bank that DBS acquired in five key markets. “We doubled the size of our bank in Indonesia, as well as Taiwan and we need to make sure we fully onboard our new customers and the businesses acquired, which will certainly also boost the bancassurance business.”

“Pure, independent, fee-based financial planners continue to be a very small part of the market, but consumers will likely drive the market more towards pure fee-based independent financial planning and financial planning advisory so that segment of the market will grow. As long as there is fair and proper disclosure to the consumer about the products that are being marketed, and whether those products are being marketed under a purely independent basis or a pure fee basis, the consumer can decide. The essential factors are trust and transparency and the delivery of vital information to the consumer.”

### DBS harnesses multiple resources

With DBS focused on the digital transformation of financial services, the bank is clearly well positioned to grow its bancassurance business. “Digital is a vital enabler in today’s world for all areas of the demographic spectrum,” he concludes. “For us, as we continue to develop insurance solutions across the region, digital allows us to scale our engagement with clients. This engagement results in leads for our RMs which facilitate quality conversations with clients with the goal of delivering tailored insurance solutions that meet their needs.” ■