DIVERSIFYING THE HNW INSURANCE OPPORTUNITY IN ASIA

2017

FOREWORD

The landscape for HNW insurance products in Asia has become intensely competitive. International brokers, local agents and financial institutions such as banks are all vying to sell life insurance – and a mix of local and global carriers have been entering the market too.

To date, there has been largely a concentration on universal life (UL) policies sold in Asia and there has been limited take-up of alternative offerings.

However, in looking at the evolving requirements of clients' needs for protection, the opportunity may now look different.

A mix of factors from regulation to the macro-economic landscape are leading to greater diversification and choice in insurance solutions for HNW clients in Asia. The pressure on interest rates also changes the dynamic for private banks and brokers in assessing the potential for UL policies.

We view this is the next phase in a journey of transformation for the insurance industry in Asia for HNW clients.

In line with this, we, along with many of the stakeholders, want to help evolve the market and broaden the types and volumes of insurance solutions that get traction and add real value to clients.

Against this backdrop, we are pleased to be sponsoring this first-ever independent survey and white paper in Asia on HNW insurance solutions.

From our understanding – there has been little analysis of this type to date on topics such as:

- The development and growing opportunity for insurance within the HNW space in Asia
- Trends in products and product design
- How client needs are evolving
- The challenges relating to distribution of these products through private banks and other channels
- How distributors are trying to increase their penetration of insurance

I hope you find these insights interesting and valuable.

Most importantly, we greatly appreciate the time and contribution of the participants – especially their frankness – in contributing to this research.

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EXECUTIVE SUMMARY

There is a clear mismatch between the HNW insurance opportunity in Asia and the levels of take-up that brokers, carriers, agents and banks have achieved to date – mainly via universal life (UL) policies.

This is according to over 90% of the senior practitioners representing all types of players from across the industry, when interviewed as part of this research.

The amount of penetration based on estimates from market players is somewhere between 3% to 5%. Yet this is way out of kilter with the region's ability to create new millionaires every year. And especially since many of them – both existing and newly-wealthy alike – have a growing set of protection needs for their ever-larger number of dependents as the region's sizeable inter-generational shift gathers momentum.

Such dynamics should, believe industry stakeholders, offer fertile ground for private bankers to deepen relationships and grow AUM via an array of insurance solutions across all aspects of a client's life and assets.

This, however, depends to a large degree on client-facing advisers.

The consensus among those individuals at private banks, brokers and insurance carriers interviewed for this research was that more of 'client first' mentality is needed as part of the conversations which take place between advisers and clients.

"There is a clear mismatch between the HNW insurance opportunity in Asia and the levels of take-up that brokers, carriers, agents and banks have achieved to date – mainly via universal life (UL) policies."

At the same time, said practitioners, more time and investment is needed in education for advisers. This would then mean their knowledge about all the relevant insurance options is high enough to give them greater confidence and conviction to offer alternatives to UL policies.

The challenge that some of the leading private banks in this space admit they face is that the familiarity with the features and benefits of UL often results in advisers preferring to talk to their clients about this option.

A greater focus on having needs-based conversations is the starting point that industry practitioners, from all types of organisations, say is the force required to foster change.

Coupled with education, this is also key to being able to broaden the offering beyond the focus on UL.

The private banks and multi-family offices (MFOs) interested in growing their insurance business said they can see the benefits of doing this – and therefore filling the gaps as part of taking this next step along the journey of HNW insurance solutions in Asia.

Not only do they believe that they will secure more clients and retain more AUM. They also said they are aware of how they can use a more varied mx of protection-related solutions to facilitate a more robust, long-term and profitable business. This is the foundation for this research and publication.

To understand and shed light on the reality of the market's predicament and highlight some potential options as a way forward – this qualitative study was based on more than 35 in-depth, face-to-face interviews with many of the leading insurance brokers, carriers and distributors such as private banks and MFOs. These were all conducted on an anonymous basis.

"With roughly 95% of HNW life insurance sold in Asia being UL, this has created a market worth somewhere in the range of USD500 million to USD750 million in fees for insurance carriers and brokers."

In need of something new

There is little doubt about the value and influence of UL policies in Asia to date. With roughly 95% of HNW life insurance sold in Asia being UL, this has created a market worth somewhere in the range of USD500 million to USD750 million in fees for insurance carriers and brokers.

And proponents of these jumbo life plans which cater to HNW customers said in the research that they expect them to continue to generate double-digit growth every year in Asia in the coming years. The strong wealth creation and a growing interest in instruments to facilitate wealth transfer are among the key drivers.

The fact that private banks typically offer premium financing, which allows the client to pay a fraction of the premium upfront, increases the appeal. This frees up capital and enables the client to benefit from the interest rate spread – although this means policyholders are subject to interest rate and FX risks. Plus, there is risk that if the collateral value – ie. the policy itself – drops, the bank may require a top-up.

Although the private banks interviewed for this research also don't see any dramatic reversal of interest among customers any time soon, they all also expressed an increasing appetite for diversification of solutions.

Indeed, there are many types of insurance products which are suitable and relevant for HNW clients in Asia. And a growing number of insurance companies seem to be jostling to access this ever-expanding pool.

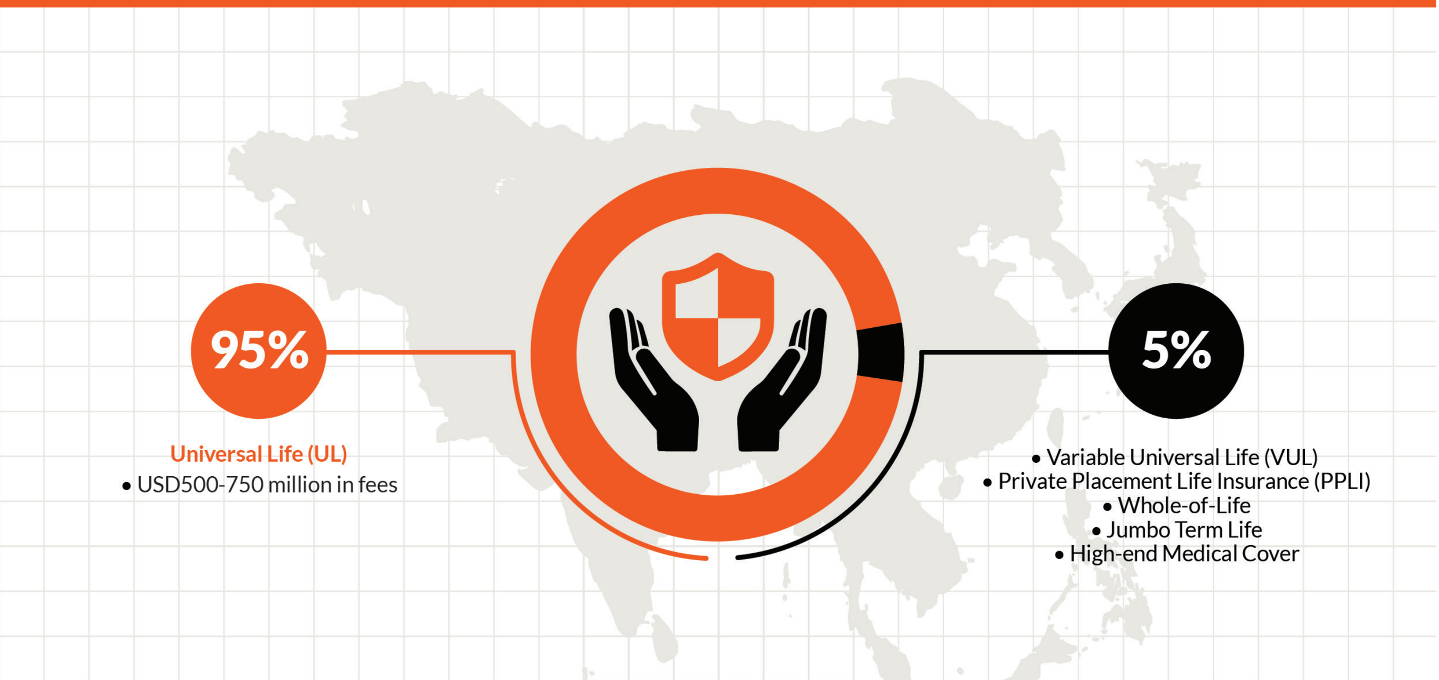
Many of the UL carriers interviewed for this research also privately acknowledge the need to reinvigorate and expand their product line.

Beyond UL policies, exploring segments such as retirement and medical, for example, is a priority.

Industry practitioners were unanimous in predicting that planning for these inevitabilities will be one of the next big things for Asia's wealthy, given they haven't been properly addressed so far, yet clearly represent gaps in their ortfolio.

Such new solutions – along with innovative distribution strategies with digital at the core – are becoming increasingly important given the need for diversification and increased regulation of insurance products.

Finding alternatives for HNW insurance



At the same time, industry practitioners said during the interview process that one of the upshots of the period of recent economic uncertainty and volatility – especially in late 2015 and during 2016 – was a shift in focus among HNW individuals and families from asset growth to wealth preservation.

This has contributed to there being an increasing realisation and emphasis on the need to find new ways to transition wealth to the next generation.

Top of mind for many clients, said all types of market players in this research, is ensuring business continuity and peace of mind as they expect to pass on their wealth to the younger generation.

“8 of 10 clients with real needs walk away with no solution.”

Making it count

In general, all signs and observations point to the fact that a lot more work needs to be done in deliver on the HNW insurance promise that Asia offers.

Anecdotal evidence from several providers interviewed for this White Paper suggests that only 2 out of every 10 bank referrals for insurance products actually get closed.

In short, to highlight the extent of the shortcoming, 8 of 10 clients with real needs walk away with no solution.

Part of the challenge is ensuring that clients get shown the options they have – plus receive the help they need to understand how and why they might make sense and add value to them.

Changing habits in this way, combined with adding to the mix via proactive efforts of education, will change the fortunes of everyone – the bankers included.

DRIVING DIVERSITY

There are some clear shifts in the insurance landscape in Asia which are encouraging insurers to expand their HNW offerings to meet the diverse needs of HNW clients.

Key among these are the fact that markets across the region – and globally – are becoming more regulated. Further, there is greater emphasis, partly in response to this but also other trends, on tailoring solutions to the needs of individual clients.

In line with this, and supported by the right training internally and externally, some private bankers are increasingly seeing the potential to evolve their own knowledge and pitch-book.

Some of the newer products that have the potential to emerge today in the context of the Asian HNW segment, include variable universal life (VUL), private placement life insurance (PPLI), whole-of-life products, jumbo term life and high-end medical cover.

The good thing for the insurers, as well as bankers and brokers, is that it is not an either-or decision; a combination of solutions is often the most suitable option for clients.

This enables the banks to take on board these alternative insurance solutions as a way to diversify or complement their UL sales.

“There are some clear shifts in the insurance landscape in Asia which are encouraging insurers to expand their HNW offerings to meet the diverse needs of HNW clients.”

Client needs evolving

What all the private banks interviewed for this research said that they need from insurance providers is also changing.

This is based on evolving client expectations and situations, such as the trends and momentum in terms of developments like wealth transfer between generations and the need for legacy planning.

As a result, the HNW distributors said during interviews that they are looking for their carriers to deliver solutions that facilitate the following:

- Attract a wider selection of HNW clients
- Diversify and build passive income
- Hold more HNW client assets
- Keep assets and bank accounts within the bank
- Work with the bank's trust unit (where relevant)
- Create premium financing opportunities
- Enable the bank to sell discretionary portfolio management (DPM)

All of this also further exacerbates the importance of a needs-based approach in providing optimal solutions for clients.

Overcoming over-concentration

The rapid growth in UL sales in Asia has continued to attract new HNW insurance providers into this space – with around 14 to 16 carriers jostling for market share. While this has been exciting and profitable for those players involved, the level of UL penetration is still only about 3% to 5%.

Further, UL, although an incredibly popular and worthwhile product in the region, is an offering potentially better suited to an environment where interest rates stay low. And it is that low interest rate environment that has been key for private banks, brokers and insurers alike in being able to offer clients gearing and premium financing to drive the UL market to where it is today.

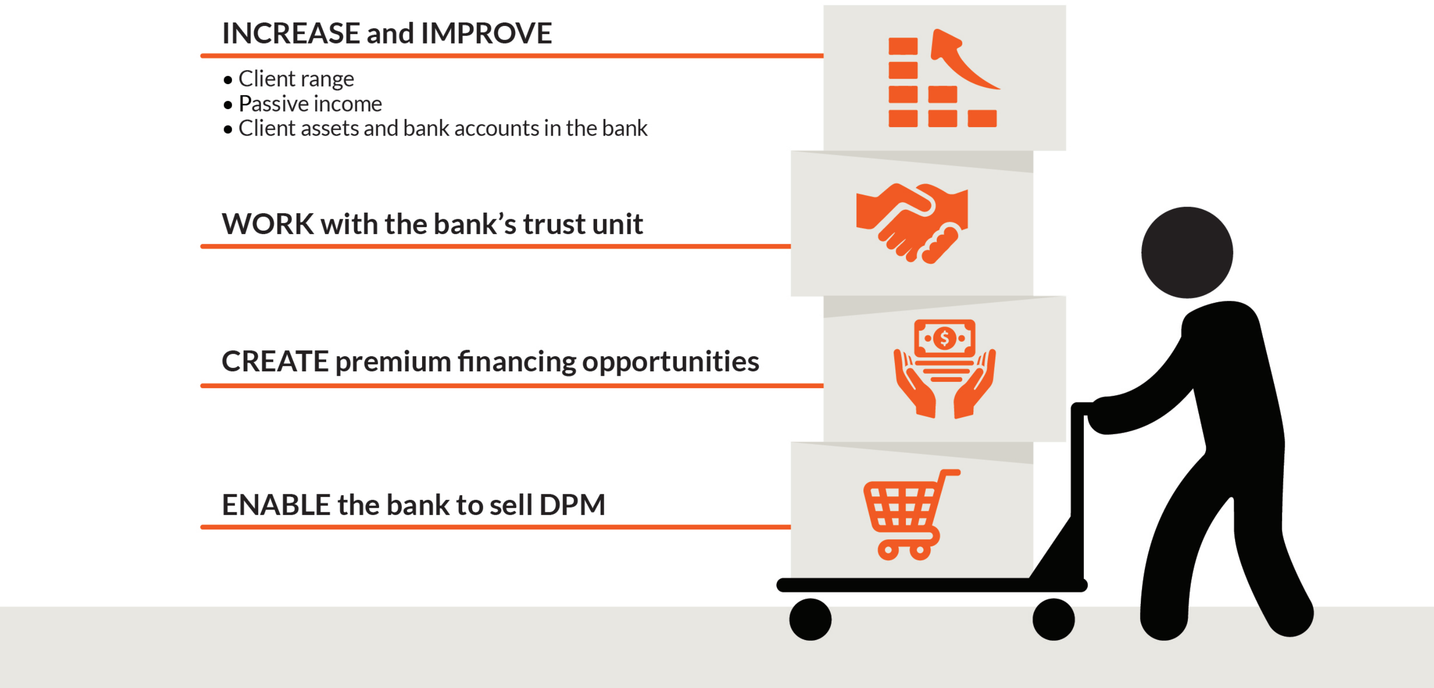
Today, over 80% of the industry practitioners involved in this research cited this factor as a key driver for change. This is linked to what some market players say is the existence of concentration risk.

For instance, UL has in some cases been sold more as an investment product, rather than a focus on the life cover as the most important aspect of the policy. And given the propensity of clients to take out loans to pay premiums, a relatively large amount of risk is strapped to these policies in a rising interest rate environment – as the loans will potentially get more expensive to service.

At the same time, although market experts interviewed said UL remains suitable for HNW clients who need legacy planning, business continuity, asset liquidity and premium financing – these policies don't necessarily suit HNW clients who seek medical cover, want to be active in their investment selection, or hold illiquid / non-bankable assets.

"UL, although an incredibly popular and worthwhile product in the region, is an offering potentially better suited to an environment where interest rates stay low."

What distributors want from their carriers



A case for alternatives?

VUL was highlighted by a number of individuals interviewed as being an attractive offering. This is for the reason that as banks and HNW clients look for solutions that don't involve premium financing but can still secure high life cover and offer a wide choice over assets, the flexibility to wrap complex or illiquid assets, custodians, currency, top-ups and withdrawals.

Returns to clients can also remain high, plus the bank can retain the custody of assets and provide DPM services and advice. Such a benefit for a bank of deepening its relationships with clients, and at the same time earning more fees and for longer, is hard to overlook, said the private banks during interviews for this research.

This is especially at times such as now, when margins across the board for most products and services remain compressed.

From a client perspective, VUL can offer greater investment control and flexibility than available with a UL proposition. For example, clients can choose the bank and investment manager they want to custodise and manage their assets, creating more comfort and trust in the parties they are using.

PPLI, meanwhile, exhibits many of the benefits found in VUL – although with lower life cover, but this means at a lower cost.

At the same time, the bright spotlight on the use of fiduciary structures such as trusts and other corporate vehicles has turned the attention of some HNW clients in Asia towards insurance wrappers as robust and secure planning and structuring tools for their wealth.

When it comes to the other insurance options such as whole-of-life, the appeal for some clients is that the premiums, cover and cash value can be guaranteed.

This highlights – as did industry practitioners during the research – the importance of being able to match the right insurance solution to the client need, as well as the ability to offer proper advice that is long-term in nature.

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Transparency in mind

The treatment of insurance solutions under the Common Reporting Standard (CRS) and the looming Automatic Exchange of Information (AEOI), makes it even more important to diversify, according to industry practitioners during interviews.

They added that this should also serve as motivation for clients to review their structures and to understand and rationalise their reporting obligations.
For example, many insurance policies that have a cash value or cash surrender value are reportable assets under CRS.

Information about the account holder to be shared includes items like their name, address, taxpayer identification number and date of birth. Plus, the insurance policy value, partial and full surrenders, and all policy proceeds at the claim, need to be transparent.

With a VUL, rather than UL, however, assets that are transferred can benefit from tax deferral; capital gains tax is deferred until the distribution of policy proceeds.

In addition, there is a lower withholding tax, suggesting more efficient portfolio growth. It is also possible to bypass probate, with a relatively quick and efficient distribution through insurance nomination.

Weighing options versus needs

For example, clients can choose the bank and investment manager they want to custodise and manage their assets, creating more comfort and trust in the parties they are using.

UL – suitable for clients who need legacy planning, business continuity, asset liquidity and premium financing. But not suitable for clients who need medical cover, want to do active investment selection, or hold illiquid / non-bankable assets.

PPLI – suitable for clients who need legacy planning, who want to be active in investment selection, hold illiquid / non-bankable assets and who seek confidentiality. But not suitable for clients who need high life cover and guaranteed returns.

VUL – suitable for clients who need PPLI, high life cover, investment control and confidentiality. But not suitable for clients who need low life cover, premium financing, guaranteed returns and medical cover.

Term life – suitable for clients who need high life cover, a low premium and business continuity. But not suitable for clients who need investment returns, premium financing and cash liquidity.

Whole-of-life – suitable for clients who need legacy planning, cash liquidity and high life protection. But not suitable for clients who seek asset selection, asset control and wealth planning.

International medical insurance – suitable for clients who need global medical cover, protection against out-of-pocket health expenses and high levels of medical protection – both inpatient and out-patient. But not suitable for clients who need high life protection, wealth structuring and cash liquidity.

Diversifying distribution

The insurance brokers operating in Asia are – by their own admission in the research – overly-reliant on private banks for referrals.

However, aware of this issue, some of them have moved to broaden their universe of potential clients; they have on-boarded referral partners such independent/external asset managers (IAMs) and MFOs.

This is a natural extension, given that these are generally run by ex-private bankers. And they have more experience in having the types of needs-based conversations with customers that are required to deliver new types of insurance solutions – effectively and consistently.

The cross-generational perspective of many IAMs and MFOs also fits well with many of the relevant life insurance solutions for HNW customers.

The pitfall in the meantime, however, is that insurance solutions still comprise – for the time being, at least – a relatively small portion of the offering and conversations that these high-end advisory firms have with their clients, a according to research done with more than 50 of the key players across Hong Kong and Singapore.

The upside, however, is that an IAM or MFO can use existing assets to pay the premium for a life policy, plus they don't have the same infatuation with UL as a private bank tends to.

Onshore opportunities

The scope for a more balanced insurance business for insurance providers and brokers extends beyond the traditional wealth hubs of Singapore and Hong Kong.

Appetite for such solutions is also growing onshore in key developing markets in Asia, such as the Philippines and Thailand, for instance, said several individuals during this research.

Similar to many countries across the region, these markets continue to experience rapid growth in the number of wealthy individuals and families. What comes with this, said market players, is a wider and more complex set of needs in managing their business and personal assets – both for today and in the long-term.

"Appetite for [insurance] solutions is also growing onshore in key developing markets in Asia, such as the Philippines and Thailand."

“Not every client should be taking on debt to put in their legacy planning strategy.”

As a result, the scope for more comprehensive planning, support and education is clear. In line with this, the use of insurance solutions – in some cases combined with structures such as trusts – is expected to be more important going forward.

Some HNW insurance providers said during the research process that they are also increasingly-focused on transitioning more of their business to China, once they determine the most effective approach in terms of their distribution network.

Local offerings are also necessary, given are different needs of the domestic customer – some of which is based on their desire to keep assets onshore in anticipation of initiatives like CRS.

Creating a culture of innovation

Around two-thirds of market practitioners interviewed for this research also expressed a strong views that they believe the HNW insurance space in Asia has generally been starved of innovation.

These industry players said this should be high on the agenda for all providers, especially since tailored solutions are critical in meeting the needs of HNW customers.

A move away from premium financing is one such request from some of the interviewees.

Not every client should be taking on debt to put in their legacy planning strategy, believe some specialists. Further, managing that legacy planning strategy with debt raises concerns since loans would have to be paid out at some point, and interest serviced.

Some industry practitioners also said they would welcome more innovation in the form of accumulation-type solutions, and possibly some return of premium-type products – where the premium is paid and after a certain period of investment or certain timeframe has elapsed, a portion or all of the premium gets paid back as income or returned to the policy owner.

At the same time, however, they also added that traditional ideas shouldn’t be forgotten.

FOSTERING THE RIGHT CONVERSATIONS

To provide wealthy individuals with the protection and investment solutions that certain types of insurance can offer, the key for over 90% those industry practitioners interviewed for this research is knowing these clients' expectations, and then matching these with professional advice and correct product selection.

A key reason that the private banks during their interviews said for focus in Asia on UL is largely due to the fact that it is widely accepted by HNW clients; they like the idea of it and they understand it to a certain extent (more than many of the insurance alternatives).

This highlights one of the biggest shortfalls in the HNW insurance space in Asia: private bankers having more holistic conversations with clients.

Most industry players privately admit that for too long a relationship manager (RM) has imposed on clients his or her own view of their needs, instead of entering into more in-depth, fact-finding-style conversations.

If banks truly look at their clients' needs, the opportunities for other types of insurance are there – whether for life protection, critical illness or medical, for instance, said senior insurance specialists within some of the top private banks.

The banks said many RMs have gotten used to focusing on what many some of those interviewed called "low hanging fruit" – where they select only one or two standard products when talking to clients.

This might be because they lack the knowledge about alternatives and therefore don't feel confident to discuss them with clients. Or it might be the result of the shape of their financial incentives or target structures that lead RMs down the UL route.

Regardless, if bankers dig a little deeper to understand the needs of the client from a more holistic analysis, then all product specialists in the research said these advisers would find that there are much greater opportunities for insurance coverage.

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Changing mind-sets and approaches

A fundamental flaw, claimed most industry insiders during the research process, is that many RMs are unfamiliar with – and not particularly interested in – insurance.

They think it's the job of brokers and agents. This is despite the fact that their role is to trigger a client's protection-relation needs by introducing the individual to a broker, who in turn explains the solution to a client in detail.

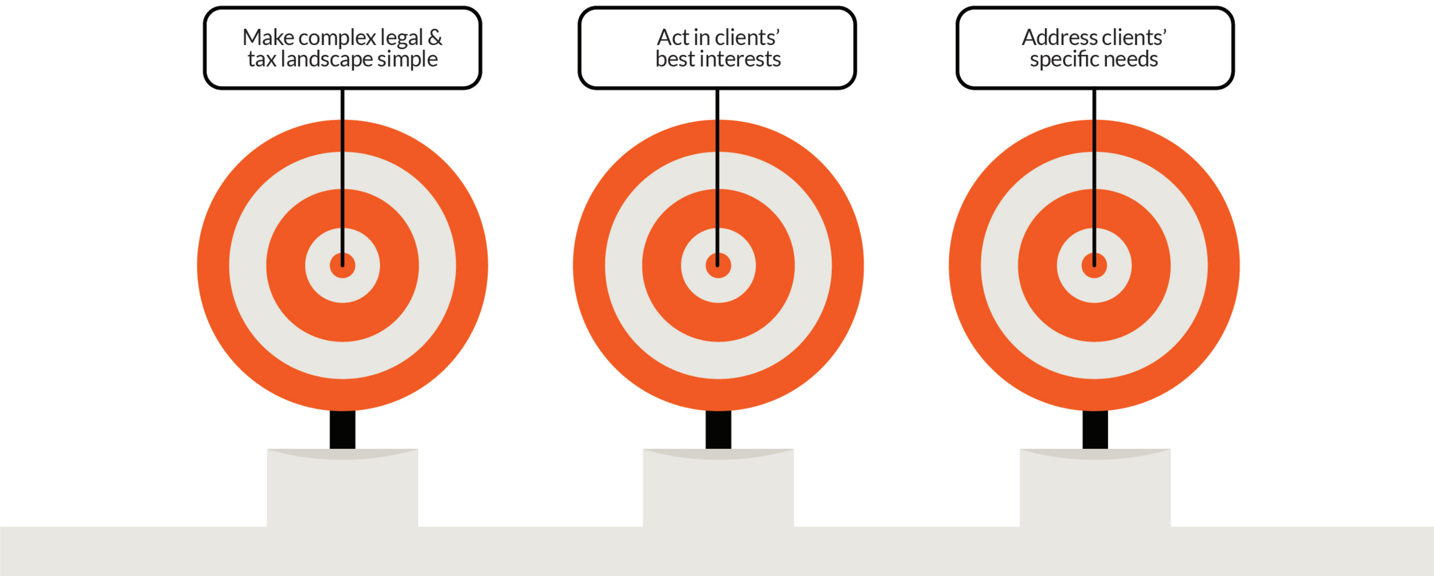
Without an RM's buy-in, therefore, the obstacle will remain in place, said insurance specialists during the research.

So changing this mind-set is the starting point, according to many industry practitioners interviewed.

This is related to the education needed – mainly in terms of their knowledge.

Needs-based conversations critical to drive alternatives

3 Key RM Goals



Armed with this, an RM must be able to achieve three key things for a client:

1. Guide them through an increasingly complex legal and tax landscape
2. Genuinely act in their best interests – which sometimes means saying “no”
3. Recognise the client’s situation to address their specific needs, rather than focus on a specific product to sell

“Most advisers recognise that helping clients navigate the changing landscape is now a critical part of their role.”

1. Guiding clients through an ever-complex legal and tax landscape

Most advisers recognise that helping clients navigate the changing landscape is now a critical part of their role.

In practice, this means helping them understand the regulatory implications of their jurisdictional touchpoints and make decisions regarding their asset holdings to achieve the objectives of the family and business compliantly.

Advisers also need to help clients understand that these discussions need to occur on an ongoing basis – both because of the fluctuating and ever-changing regulatory environment, as well as evolving needs of the clients themselves.

The ability to give the right advice, sometimes, also requires working in partnership with appropriate third-party professionals who specialise in specific aspects of tax, legal or structuring, depending on what solutions are required.

2. Genuinely act in their best interests – which sometimes means saying “no”

An advisory approach means looking at clients’ circumstances and understanding their needs and objectives – whether these relate to, for example, understanding the regulatory environment and its implications in relation to disclosure, or mapping out a holistic succession plan in relation to their various asset classes.

By focusing on a client’s objectives, a seasoned adviser would be able to suggest that the client thinks about bigger-picture questions.

Some of these might include, for example: what are their short-term versus long-term needs? And, what are the client’s aspirations for the family and the business? Understanding what is important to a client, and why, and addressing that particular need, is the only way to give suitable advice around protection.

This may, in some situations, mean advising a client against taking a certain course of action – especially if clients have a certain idea in mind based on what they have heard from friends or the marketplace.

It is the task of a trusted adviser to explain how these concepts at times could be misguided or ill-placed in the context of the tax regimes, asset classes or specific circumstances that are applicable to them.

3. Recognise the client's situation to address their specific needs, rather than focus on a specific product to sell

World-class advisers do not start a conversation with the client with a pre-set product or service they intend for the client to take up.

A better place to begin, recommend practitioners, is to ascertain what kind of handholding and assistance a client needs.

Where a client's situation can be resolved simply with a more basic form of insurance, this is what an RM should recommend that they discuss with their broker.

If a more complex insurance solution is required, then they need to coordinate that too. The focus, therefore, should be on meeting clients' objectives, whatever they may be.

Creating the right client experience

"The typical HNW client wants a solution that creates an experience warranted by the wealth bracket or segment they belong to."

Essentially, the typical HNW client wants a solution that creates an experience warranted by the wealth bracket or segment they belong to.

This comes down to a combination of an effective process, in terms of sales, medical and financial underwriting, documentation and servicing.

What HNW clients don't want, is to wait three months for an underwriting decision or to have to provide tax returns dating back several years.

The client also seeks transparency in the product they're buying plus a certain pedigree in the product provider.

For instance, clients need to know if the product provides any guarantees and, if so, what specifically those guarantees are. For example, is it a life cover guarantee? Is it a guarantee on the cost of insurance? Or is it a guarantee on the policy administration fees? Also, how do those guarantees work?

Further, clients want to know about aspects such as if the product can be financed, and whether it is what practitioners call 'structuring friendly', based on if it can be held within a trust.

The focus on due diligence should be key to a private bank in delivering on all of this, said over 75% of practitioners during the interviews.

For example, they explained, best practice would be to review all life insurance carriers and products approved for policy collateralisation and monitors the Cash Surrender Value of each policy.

HNW clients, after all, seek fast, efficient, professional turnaround in terms of the service offering. They want comfort at the end of the day; to be able to review their plan when a life event happens, and be reassured the plan they put in place five or ten years ago, for instance, is still going to continue to serve their stated purpose.

This is where the effort that goes in to the review process can pay off in improving the overall client experience.

Meeting client expectations, in delivery and service of best-practice protection and lifestyle preservation solutions, is fundamental for private banks.

This is especially important, so that clients know that their holistic financial plan connects with their values, needs and goals, added the private banking product specialists interviewed.

"The client seeks transparency in the product they're buying plus a certain pedigree in the product provider."

"The HNW client must understand their options well enough to determine for themselves if the solution on the table is palatable for them."

Back to basics

What many practitioners suggested during the research would be most effective in achieving all of the above, is to return to basics.

This requires insurance providers and brokers to work towards helping bankers understand the opportunity with their customers, rather than viewing them as just a 'sales' opportunity.

This means knowing, for example, a client's future obligations, along with their concerns such as debt replacement, estate equalisation and family security in a worst-case scenario.

Indeed, market experts said a fresh look at the needs of existing and potential clients is the answer, coupled with new product offerings to address those needs. Although UL will continue to play a role in the mix going forward, term insurance or other solutions will likely come to the fore as suitable options or alternatives.

Ultimately, the HNW client must understand their options well enough to determine for themselves if the solution on the table is palatable for them.

Further, do they see the value in it? Do they want it? And, how do we build it in a way that drives value to them and gives them some security?

By focusing on the customer and on what their true needs are, it is not a one-size-fits-all solution.

EDUCATION TO GROW MARKET SHARE

There is no shortcut to making the most of the HNW insurance opportunity in Asia.

Although the need is there, almost all industry practitioners repeatedly stated during the research that bankers must be able to communicate that need to the customer. Until now, they have generally been overly-focused on the sale rather than on educating their client to bring them along what is a necessary and essential learning curve for the longer term.

This will take time. A HNW client, despite their savviness in other ways, will typically lack understanding in insurance compared with investments where they have had more experience and are more motivated by the possibility of more immediate returns. As a result, practitioners said they expect clients to potentially be unconvinced initially.

Plus, with some of the sales of the relevant insurance solution, the numbers are fairly large – possibly more than the client has invested in a single product.

Even if they understand the basics of why they are buying the insurance and what it can do for them, the level of knowledge will be surface level at best, said private banking product specialist during interviews.

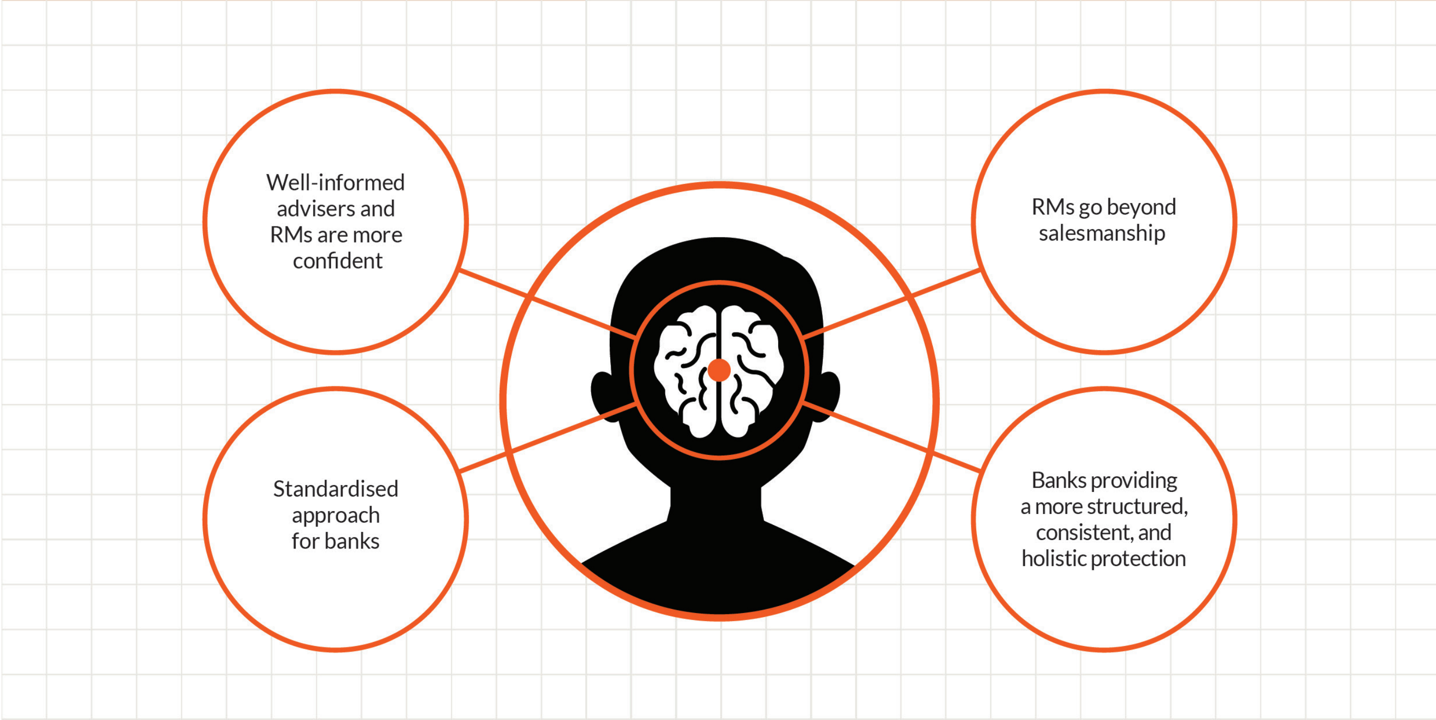
They added that if RMs view their role as akin to a salesperson and don't take on the additional fiduciary responsibility of educating the customer, progress will be limited.

Tailoring

For HNW clients, they need products which do a bit more to reflect their often more complex and multi-dimensional needs. Business owners, for example, are typically heavily invested into their company. Plus, Asian HNW individuals generally have multiple bank accounts, with investments often spread across different jurisdictions too.

"HNW clients need products which do a bit more to reflect their often more complex and multi-dimensional needs."

Education key to growing market share



Most of these clients are, however, unaware of the need to create an independent portfolio for lifestyle preservation upon retirement, that is separate from their business assets, and independent of their family's assets. Or, they might not think they need protection via the various forms of policies such as UL and others.

As a result, this is the segment where an RM or adviser – and should – make the biggest contribution, according to industry practitioners during the research process. For example, their role is to not only know their client but to also review their potential financial needs and discuss the value of seeking expert advice tailored to their selected financial priorities.

They need to encourage their clients to think about concepts such as risk mitigation, lifestyle preservation and segmenting their assets to create a pool to provide a lifestyle income which is separate from their legacy plan, and clearly delineates business assets from their retirement assets pool.

At the end of the day, the client needs to feel the tangible benefits of both the planning service and also implementation of their holistic financial plan.

A specialist role

A big challenge for many banks to provide a more structured, consistent and holistic protection offering is the limited infrastructure.

But increasing their penetration of insurance products is unlikely to happen if they don't look to hire insurance specialists in-house.

Even if they still deal with brokers, having the right talent internally which truly understands the insurance solutions can in turn help them educate their clients.

By the time they talk with a broker, therefore, they have already done a lot of the work and have given more adequate thought to the relevant issues which are driving their insurance-buying decision.

Educating clients on how and where insurance fits into their portfolio, and about why it is an important to their current and future needs, will go a long way to solving the industry's challenges in these areas, said the majority of industry players when interviewed.

With insurance specialists in roles such as this, rather than positions with sales-related KPIs strapped to their performance, the consultancy-type role they will play will breed success.

"Educating clients on how and where insurance fits into their portfolio, and about why it is an important to their current and future needs, will go a long way to solving the industry's challenges."

Standardised approach

The approach that institutions need to take involves a mix of framework and governance; policy and procedures; and business management.

This is important for private banks, they said during interviews, to ensure they have a standardised approach in all these areas.

In particular, uniformity in front-office protocols and policies with regard to HNW insurance protection business in the region is key in laying the foundations for what they hope will be solid growth going forward.

As a result, the need for standardised policy frameworks is being felt more strongly than ever.

An inevitable starting point, is to look at the various offerings through the lens of compliance in different markets.

New avenues

At the same time, bankers need to rethink ways to engage clients in the HNW protection business, to ensure the offering stays refreshed and relevant, according to brokers and private banking product specialists.

In China, for example, the rules of engagement when it comes to offering such solutions have changed drastically, with several entrenched carriers making way for new ones.

With the demise of China UnionPay, new entrants and new carriers with familiar brands to mainland Chinese customers have emerged.

Perhaps the most important component of doing this effectively, is the quality of advice and the strength of the product solution.

DIGITAL AS A KEY DISTRIBUTION DRIVER

The need to spend big on keeping up with industry initiatives on the digital front is an important priority for all insurance providers, according to the interviews.

They said they cannot ignore the demands of their target HNW customer base, which is used to interacting on multiple devices and via various digital channels in most other aspects of their lives.

Creating a compelling customer experience and finding new ways to educate, inform and brand themselves, for example, all fall under efforts for distributors to increase their penetration of insurance in Asia.

Indeed, digital transformation has been the mantra for many players over the past few years.

This is part of their plan to be big disruptors in the market. They believe they can gain significant market share by offering something innovative that's different from what people see today.

Following the China lead

The rationale and potential in Asia are both clear to see. In China, for example, the digital insurance business has quickly gathered momentum in recent years.

The total number of digital insurers jumped from 44 to 61 from 2013 to the end of 2015, with the market's total premiums growing 27 times to RMB146.5 billion (USD21 billion) during the same period, so said figures from Warp Speed Capital.

And in the first half of 2016, total premium incomes for PRC digital insurers were RMB143 billion, just over 5% of the entire domestic insurance industry, according to the Insurance Association of China.

"Creating a compelling customer experience and finding new ways to educate, inform and brand themselves, for example, all fall under efforts for distributors to increase their penetration of insurance in Asia."

"The key, it seems, is to make targeted technology advances while still retaining the personal touch that many HNW clients prefer when communicating with their private banker."

Foreseeing such opportunities, Tencent and rival e-commerce firm Alibaba Group joined forces with Ping An in 2013 to launch Zhong An, the country's first online insurance company.

In late 2015, Baidu teamed up with Germany's Allianz, as well as Hillhouse, to from a nationwide digital insurance company.

The right blend

The strategy to build a digital ecosystem has been all about making financial services more tailored and accessible for customers.

The key, it seems, is to make targeted technology advances while still retaining the personal touch that many HNW clients prefer when communicating with their private banker.

With these objectives in mind, digital garages have been an example of a popular initiative for some players. These give a space for technical specialists, creative designers and business leaders to collaborate and test new insurance ideas and services.

Upgrading the client experience is a prime motivator for many providers, ultimately with the goal of making it easier to do business.

Portals where brokers can submit policies electronically through a secure system is one example where it speeds up the ability of all stakeholders to do business.

Meeting emerging demand

Where there is certainly also scope for disruption, is among the next generation of wealthy clients.

They will definitely change the way they do things and the way they access information, predict industry players.

This is even the case within the HNW segment, which remains very much a face-to-face service environment for the time being.

But this is expected to change, said industry practitioners in the research, because the client has a unique requirement that service providers need to support.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