PEAK INSIGHTS

Narrowing insurance protection gaps through building trust and customer centricity

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Contents

Summary

Between 1980 and 2015, and according to the International Monetary Fund, World Economic Outlook Database, emerging Asia reported an average annual real economic growth of over 7%. This performance has attracted companies' attention all over the world. With such economic development came rapidly increasing risks and premium volumes. Insurance penetration (life and non-life combined) grew more than fivefold to 3.3% between 1980 and 2015, according to Swiss Re's Sigma World Insurance Database. During the same time period, life and non-life insurance penetrations skyrocketed from both 0.3% to 2.0% and 1.3% respectively.

At the same time, the insurance protection gap widened across the globe, but – despite rising levels of penetration - the shortfall is more significant in emerging Asia. This is primarily a result of inefficient public policies and poor insurance covers that do not properly address customer needs. Typically, insured risks are major natural catastrophes such as storms, floods and earthquakes which remain virtually uninsured: on average, only 5% of economic losses in emerging Asia were (re)insured from 1975 to 2014. In an unfortunate event, for example, around 60% of the financial resources required to recover private property damages come from private sources and not from governments and insurers according to a survey from the Gallup Organisation Europe. This puts a significant burden on the population and can easily drive the affected people and their families into poverty.

Other influencing factors in emerging Asia include a longer life expectancy, the continued reduction in fertility rates and a growing middle class: as current generations are expected to live longer, have less children and grow wealthier, future social, health and financial challenges could become similar to those faced by developed nations in Europe today. Unfunded or underfunded social welfare systems and insufficient prevention can have a major adverse impact on public finances and social development alike. However, governments have various means to manage such negative impacts. The transfer of certain risks to the (re) insurance sector is one of them and can be viewed as an alternative source to finance future projects (using the concept of opportunity cost).

In addition, there is a clear lack of awareness, understanding and thus demand for insurance products. In emerging Asia, many people are not well educated on the benefits of insurance and therefore do not see the need to buy such products for the protection of their possessions and livelihoods.

To address this issue effectively, (re) insurers need to understand the root causes of insufficient insurance demand in Asia – which are actually not that dissimilar from those in developed countries: the lack of risk awareness and affordability of insurance policies. We believe that one of the key underlying factors in this context is the missing trust from policyholders towards insurance companies. There are many ways in which trust can be gained, for example through greater transparency of information provided by the insurer, increased presence and visibility in the market, the positive reinforcement of insurance benefits towards the customer, simple and customer-friendly products and purchasing channels as well as regular, personal interaction. We strongly believe that it is time for insurers to place more emphasis on the needs and expectations of their customers, especially in the digital age where customer centricity is an even greater imperative.

1. Measuring the insurance needs in Asia – status and consequences

Over the past few decades, emerging Asia has experienced an impressive economic growth, substantial demographic change and rapid urbanisation, creating huge business opportunities for both insurers and reinsurers. Unfortunately, this potential has not fully translated into a truly customer-centric approach by the insurance industry, with new and innovative products addressing the needs of a growing customer base and increased risk exposures. This is particularly relevant as emerging Asia is also one of the most exposed regions in the world prone to uninsured natural catastrophes losses such as storms, floods and earthquakes (Exhibit 1).

Additional influencing factors have been the consequences of the recent sovereign debt crises that affected countries at all developmental stages, jeopardizing public finances, fiscal stability and social balance, severely challenging local economies as well as countries' financial stability. Fortunately, politicians in emerging Asia are increasingly starting to understand how (re)insurance can alleviate the burden on public finances through insurance-based risk transfer. There is also an increasing awareness that insufficient insurance protection can create huge vulnerability to both property risks and changing societal risks (e.g. aging populations, longevity and diseases).

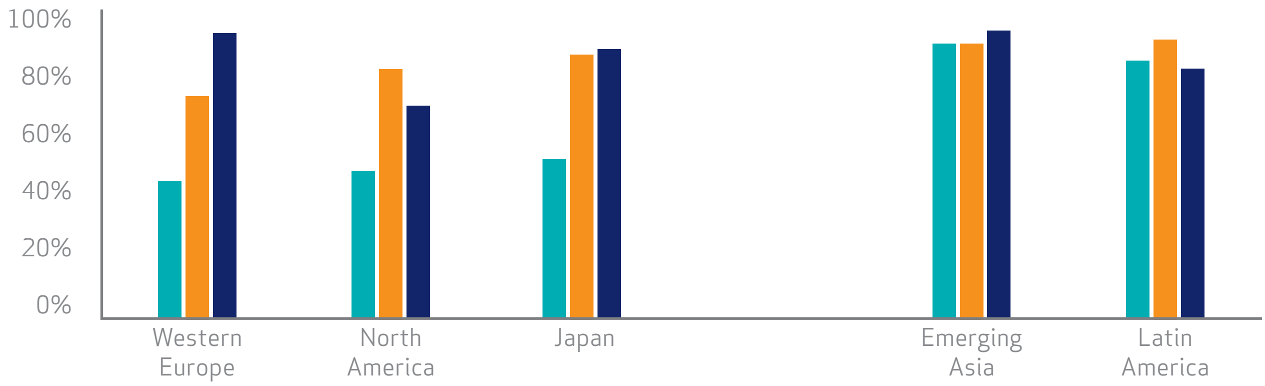
1.1. Protection gap for property risk

Urbanisation has led to increased property development and wealth concentration, and as a result, to higher concentration and accumulation of risk exposures. When a natural catastrophe strikes in such a place, the economic losses can be significant. On average and according to Swiss Re Sigma (2015), total economic losses from natural catastrophes have increased from 0.09% of annual GDP in 1975-1984 to 0.27% in 2005-2014. Arguably, risk awareness has grown at a slower pace than the underlying exposures, leading to a widening insurance protection gap over the past four decades.

Compared with other regions of the world, the insurance protection gap in emerging Asia is particularly worrying. On average, 95% of economic losses from major natural catastrophes (namely storms, floods and earthquakes) remained uninsured from 1975 to 2014. If no action is taken, the adverse impact of a natural catastrophe on emerging Asian economies could be even more disastrous than suggested by urbanisation rates (Exhibit 2).

One example thereof is the Nepal earthquake which hit the Himalayan region in April 2015 with a magnitude of 7.8 on the Richter scale. It was the worst natural disaster in that region in the past 80 years, claiming 8,000 lives and causing severe damage to the country's economy. The total losses from the earthquake were estimated at about USD 6 billion, which equals almost 30% of Nepal's estimated GDP in 2015. Only USD 160 million thereof was insured. Sadly, a year later, little progress has been made in reconstructing buildings and rehabilitating the country's infrastructure.

Exhibit 1: Uninsured losses as a % of economic losses for natural catastrophes (1975-2014)



	Western Europe	North America	Japan	Emerging Asia	Latin America
Storms	44%	47%	50%	94%	85%
Floods	73%	82%	88%	94%	95%
Earthquakes	97%	69%	89%	98%	82%

Source: Swiss Re Sigma (2015)

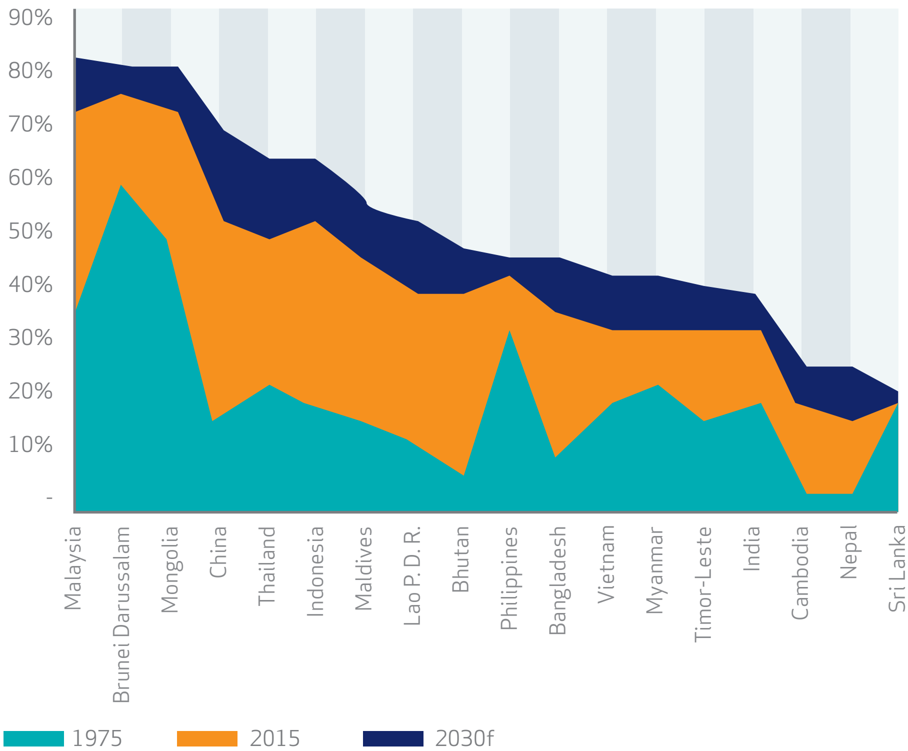
1.2. Protection gap for mortality and longevity risk

Economic development and urbanisation are also accompanied by people's lifestyle and dietary changes. These are influenced by the quality and availability of food, eating habits and nutritional regimes and have led to an increase in diseases, for example, says the World Health Organisation (2014). Accordingly, some countries in emerging Asia are now confronted with an aging population, an increasing cost of living and healthcare as well as rising health concerns. As a result, benefits from social welfare, economic performance and insufficient mortality protection have contributed to a widening of the mortality protection gap. Exhibit 3 demonstrates that, on average, only around 20% of protection needs associated with premature death are covered by existing insurance products and personal savings. In terms of range, the ratios for mortality protection fluctuate between 8% and 28% in emerging Asian countries.

Another result of economic development and urbanisation is a decline in fertility rates. For instance, the median fertility rate in 1960 for certain Asian countries (Exhibits 4 and 5) stood at 5.8. It decreased to 3.1 in 1980 and stabilised at around 1.6 between 2000 and 2015. Such rates are considered too low to maintain current population levels. Accordingly, South Korea, Hong Kong, Singapore, Thailand and China are expected to see their old-age dependency ratios[1] double over the next 15 years (Exhibit 4). Health concerns, consumerism, higher costs of living, and property ownership at a later stage in life result in overall lower savings compared with older generations. This could lead to insufficient funds for retirement and a higher risk of old-age poverty, a pattern already observed in developed countries.

With a growing aging of society, governments need to carefully manage public spending on pensions and healthcare. At the same time, ensuring adequate pension and healthcare benefits will be required to prevent the retired population slipping into poverty. Given the current demographic dynamics and falling fertility rates, the old-age dependency ratio is expected to rise even faster than in Europe, leading to massively higher spending needs related to pensions, followed by healthcare and long-term care. Assuming

Exhibit 2: % of population at mid-year residing in urban areas in emerging Asia



Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanisation Prospects, the 2014 revision (Interactive Data)

Exhibit 3: Mortality protection gap in 2014

	In USD bn	CAGR (2004-2014)	As % of protection needs
China	32,074	17 %	88.3 %
India	8,555	11 %	92.2 %
Japan	6,579	0 %	56.3 %
South Korea	5,296	8 %	84.8 %
Indonesia	793	6 %	73.3 %
Thailand	767	9 %	78.4 %
Hong Kong	538	2 %	70.2 %
Malaysia	524	9 %	72.5 %
Singapore	402	9 %	56.0 %
Philippines	372	13 %	79.5 %

Source: Swiss Re (2015)

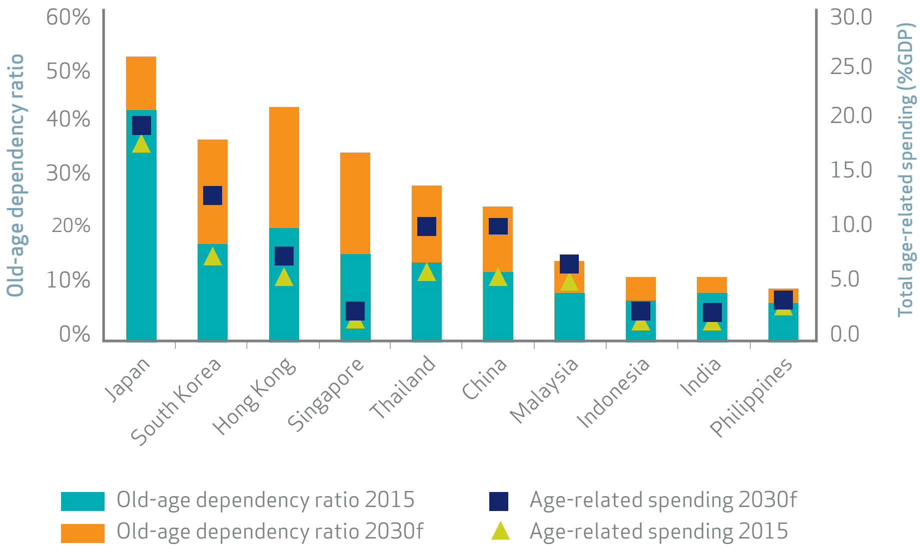
[1] Old-age dependency ratio is the number of over 65 year olds relative to the population aged 15-64.

that governments have no policy action[2] in place, age-related spending as a percentage of GDP[3] will sharply increase from 5.7% in 2015 to 9.0% in 2030 (Exhibit 5) which is more than double the figure Europe is expected to see by 2030. An aging population will hence inevitably add fiscal pressure to government budgets (Exhibit 5).

Assuming governments do not take appropriate actions, including an unchanged retirement age, this scenario could lead to a significant increase in public debt. Actually, public debt, as a percentage of GDP, is forecast to increase faster in Asia than in Europe. According to S&P Capital IQ (2016), net general government debt in Asia is expected to stand at 23% of GDP in 2020 and even grow to 39% in 2030, assuming the deterioration only comes from age-related spending. Such an increase will give fewer margins to the governments to issue debts for other financing purposes. For the same timeframe, ratios in Europe are expected to rise to 55% in 2020 and 67% in 2030.

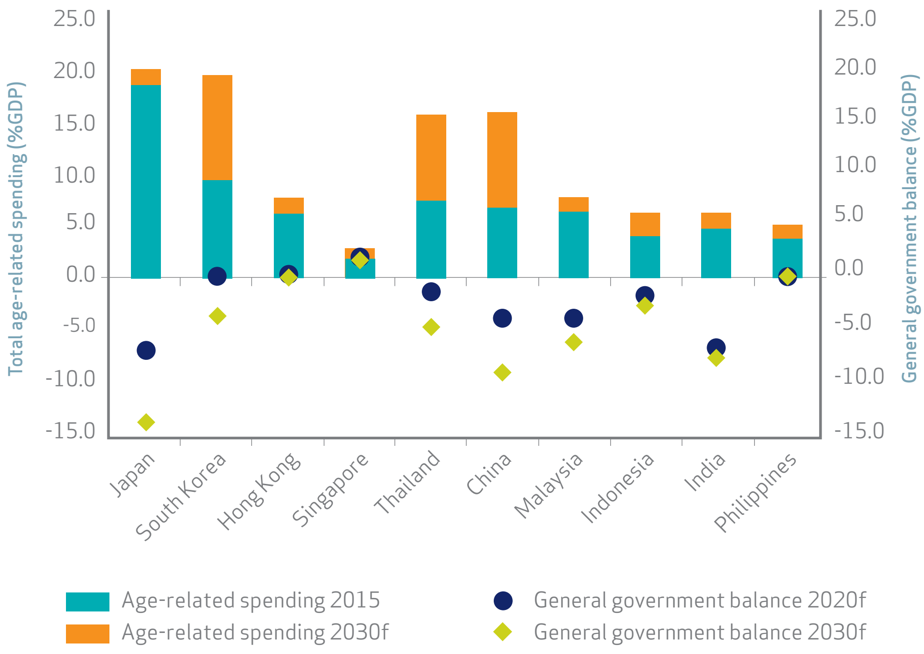
The long-term challenge for governments is to maintain sustainable public finances while addressing increasing social and economic issues as outlined above. In principle, social risks can also be managed by the private sector. The (re) insurance industry, for example, can play an important role in helping to relieve the burden on public budgets on the one hand, while enhancing the awareness and understanding of risk management efforts on the other hand. Of course, the private sector may not provide ideal solutions to address social risks as it will depend on the individual's perception of risk. Public solutions could be costly for the taxpayers and inefficient due to heavy administration cost. Semi-public solutions seem to be a better solution to ensure maximum benefits for reducing the risk of poverty at old-age while sharing the financial burden of the government.

Exhibit 4: Old-age dependency ratio and total age-related spending



Source: S&P Capital IQ (2016)

Exhibit 5: Total age-related spending and government balance



Source: S&P Capital IQ

[2] Governments have multiple tools to deal with the adverse impact of aging populations, longevity and increasing medical cost on public finances. They include raising the retirement age, reducing benefits, tightening criteria of eligibility for social benefits, etc. However, when applying these measures, governments need to consider the potential consequences such as greater poverty and social exclusion. As a result, governments need to determine social priorities before deciding which types of risks to transfer to (re)insurance markets.

[3] Age-related spending refers to expenditure for healthcare, pensions and long-term care.

2. Key causes of insufficient insurance protection

As discussed in various papers and articles (such as The Geneva Association (2014)), the lack of awareness, affordability and attractiveness of insurance solutions are the key reasons for a low demand in insurance purchasing and subsequent protection gaps.

2.1. Mismatch between the perception of risk and the purchasing adequacy of financial protection

The lack of awareness of risk exposures is a prime cause of the low demand for insurance products. As shown in Exhibits 6 and 7, interviewees in Indonesia, for example, view the risk of a natural catastrophe as high. Despite this perception, and following an event, around 60% of financial resources for reconstruction in the initial stage would come from private households (Exhibit 7), with insurance playing a minor role at 25%.

Most countries in Asia, except Singapore, highly rely on private funds (other than insurance) in such cases, derived from family, friends and their own savings, according to findings from the Gallup Organisation Europe (2013). While other private sources are not defined, it is possible that the affected population also obtains high interest rate loans from the black market. This source of financing, however, can lead to increased poverty in the long-term.

Exhibits 6 and 7 underline the mismatch between the perception of risks on the one hand and the action to purchase sufficient insurance cover on the other. This disjoint can be cultural or psychological. Cultural refers to, for example, some ethnics preferring to remain silent on unfortunate events. Psychological is the way individuals analyse the probability of risk occurrence: if the risk of the occurrence is judged to be low, it does not create an incentive to purchase insurance or sufficient cover. This mismatch points to the urgency of educating the public as a whole as well as intensifying the interaction with existing and potential customers on the topic of risk exposure. The consequences of not being insured appropriately and adequately need to be explained.

Exhibit 6: Perception of risk - Risk to be hit by a natural catastrophe

	High risk	Low risk	Very low risk	No answer
Indonesia	66 %	24 %	7 %	3 %
China	35%	34 %	28 %	3 %
Japan	33 %	43 %	18 %	6 %
South Korea	28 %	40 %	29 %	3 %
India	27 %	39 %	27 %	7 %
Singapore	24 %	42 %	30 %	4 %
Hong Kong	19 %	39 %	40 %	2 %

Notes before Source: High risk = it could happen within the next 3 years
Low risk = it could happen within the next 20 years

Source: The Gallup Organisation Europe (2013)

Exhibit 7: Protection against impacts from natural catastrophe - financing sources to recover from damage

	Insurance	Government	Private	No answer
Indonesia	25 %	14 %	61 %	0 %
China	22 %	22 %	55 %	1 %
Japan	31 %	11 %	52 %	6 %
South Korea	13 %	22 %	62 %	3 %
India	28 %	28 %	44 %	0 %
Singapore	56 %	16 %	27 %	1 %
Hong Kong	21 %	19 %	59 %	2 %

Source:The Gallup Organisation Europe (2013)

2.2. Affordability and willingness to pay

In addition to the degree of risk awareness, the decision to purchase insurance cover depends on the available income. Affordability is a key reason for not purchasing insurance, particularly for lower-income households. The willingness to pay for insurance is another driver, as households may have other aspirations and priorities in their day-to-day life. And some may think that in an event, they can simply rely on external aid such as government support. This is particularly true for poorer income levels. When the willingness to pay is there, the final buying decision is usually driven by the amount of premium to be paid, rather than actual adequacy of the coverage.

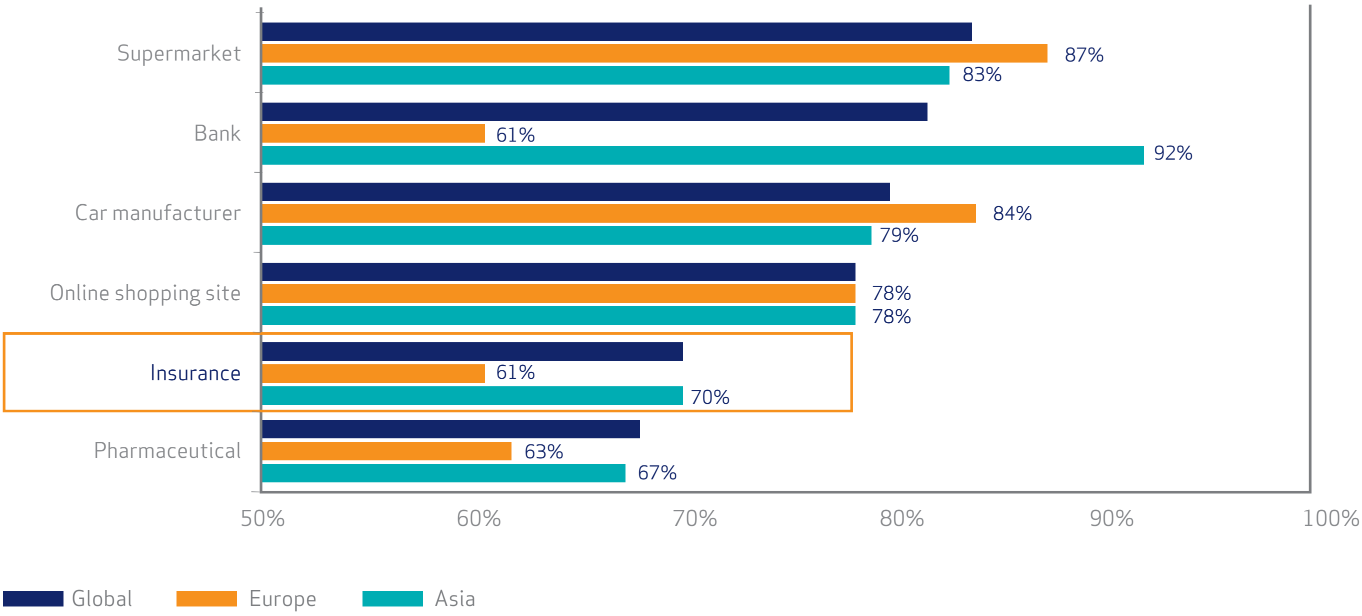
2.3. Lack of customer centricity and financial literacy

According to a study from Ernst & Young (2015), 70% of the people interviewed in Asia say they trust their insurers (Exhibit 8). This is strikingly low, especially compared with banking, and given the fact that the survey took place following the recent global financial crisis. As banking and insurance both belong to the financial industry, there must be some room for insurance companies to gain greater trust from customers.

The reason for such a low ranking could be the lack of transparency and information provided, lesser visibility of insurance companies in the market and the little qualitative interaction they have with their customers: 30% of the interviewees in developing markets did not have any contact with their insurers over the past 18 months and less than one fourth of the interviewees responded having a positive experience with their insurer(s). In addition, insurance contracts are seen as difficult to understand and even well-educated people do not feel comfortable with insurance policy wordings. In a serious loss event, this becomes even more of an issue. This insight highlights the fact that it is not just about selling policies but also an obligation for insurers to play an educational role.

In a broader context and according to Capgemini and Efma (2015) (Exhibit 9), 29% of customers worldwide reported a positive experience with their insurers in 2014, down from 33% in 2013. This adverse trend was seen everywhere.

Exhibit 8: Level of trust by type of business (2014)



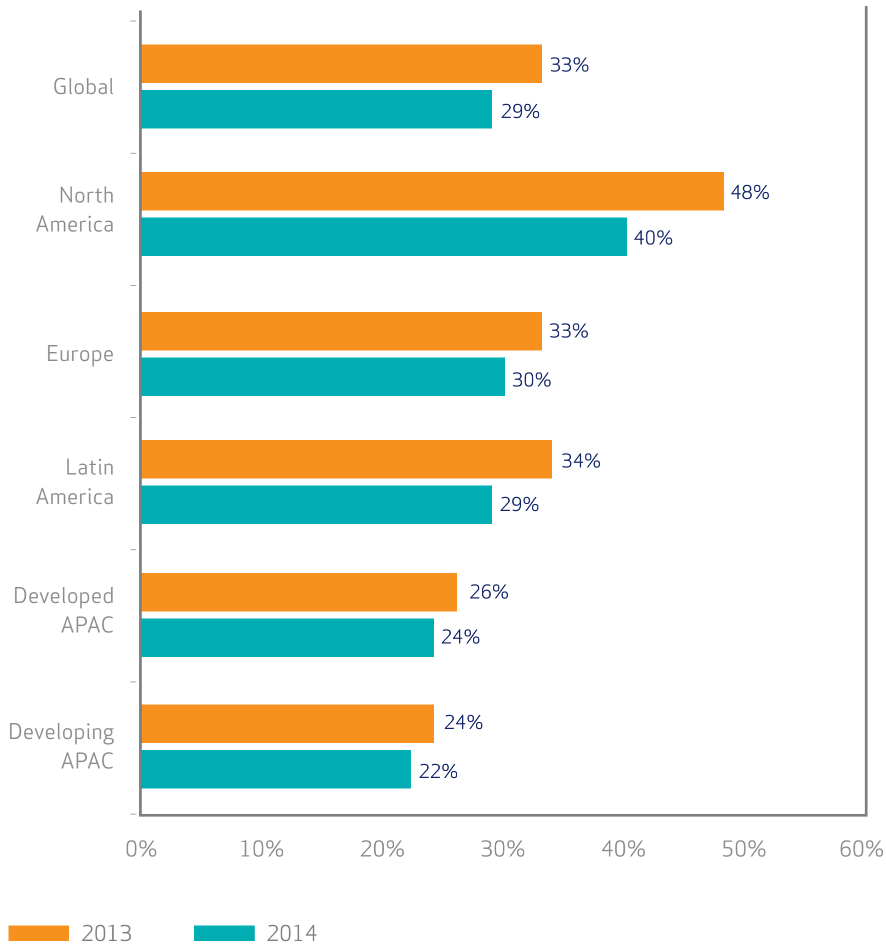
Notes: 1-percentage of consumers citing "complete trust" and "moderate trust"
2-Asia excludes Australia and Japan

Source: Ernst & Young (2015)

Customers in Asia reported the lowest satisfaction experience with only one in four interviewees being happy with their insurers. These figures clearly point to the imminent need for insurance companies to start interacting with their customers on a more frequent basis, in order to begin changing the perception and quality of customer experience of insurance in Asia. Customer centricity should thus be set as one of the highest priorities.

As seen above, the insurance protection gap is not only driven by the lack of risk awareness and affordability or willingness, but also the relatively negative customer experience as well as insurers' inability to meet customer needs. A further reason is the perceived complexity to understand insurance products and policies. Therefore, a key element to start with is the ability to understand customers' needs and expectations both in terms of insurance products and customer service. This will help to build trust and a positive experience not just for the short-term. Exhibit 10 demonstrates the value policyholders attach to clear and understandable communication, across all major distribution channels.

Exhibit 9: Customers with positive experience (2013 & 2014)



Source: Capgemini and Efma (2015)

Exhibit 10: Important characteristics during ongoing relationship by distribution channel (global)

	Broker	Agent	Direct	Employer	Bank
Value for money	43 %	38 %	54 %	47 %	52 %
Easy to understand, clear communication	40 %	46 %	44 %	46 %	37 %
Easy to deal with	43 %	44 %	42 %	43 %	35 %
Recommend policy best fits needs / budget	40 %	40 %	32 %	27 %	40 %
Provide wanted information	32 %	35 %	31 %	32 %	31 %
Responsive	40 %	39 %	31 %	23 %	29 %

Source: Ernst & Young (2015)

3. Narrowing the protection gap

As shown before, changing demographics as well as other social, financial, political and economic factors are contributing to the widening of the insurance protection gap in emerging Asia. Therefore, insurance companies should interact with both the working generation (25 to 54 year-old) which represent around 45% of the population in the select emerging Asian countries (Exhibit 11) as well as start building a relationship with Generation Y (below 24).

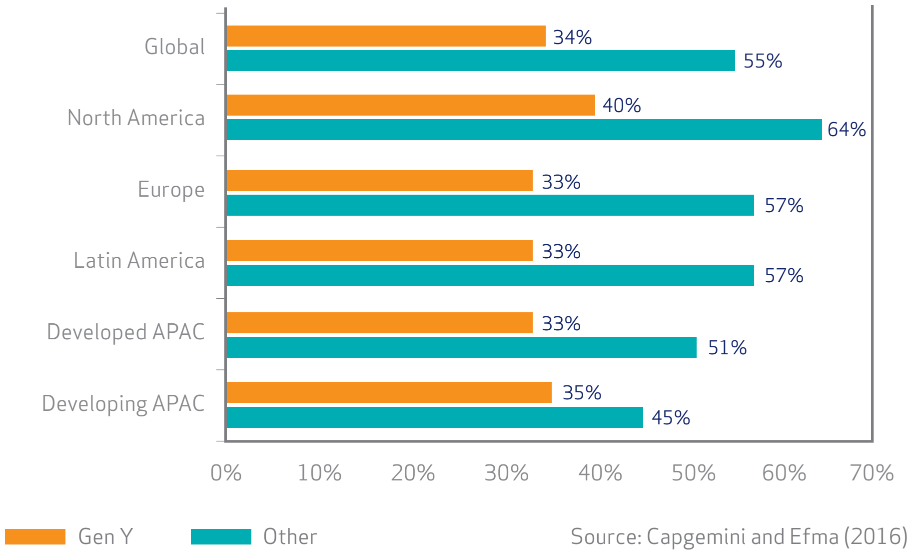
In the past, insurers have taken significant steps in addressing the needs of the older customers, but still fail to meet the expectations of Generation Y. According to Capgemini and Efma (2016), this generation is also having a less positive experience with insurers compared to other age groups (Exhibit 12).

Exhibit 11: % of total population by age group (2015)

		Gen. Y		Gen. X		
	0-14	15-24	25-34	35-54	55-74	75+
China	17.2	13.4	16.6	31.8	17.6	3.4
Thailand	17.7	13.2	14.2	32.4	18.4	4.1
South Korea	14.0	13.5	13.9	32.6	20.5	5.5
Malaysia	24.5	18.7	18.7	24.5	11.7	1.8
Hong Kong	12.0	11.2	14.1	32.7	22.9	7.1
Singapore	15.5	13.2	13.5	32.3	21.1	4.4
Indonesia	27.7	17.1	16.1	26.6	10.9	1.6
India	28.8	18.4	16.6	23.3	11.0	1.9
Philippines	31.9	19.6	15.3	22.3	9.5	1.4
Japan	12.9	9.5	11.3	27.3	26.3	12.7

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, the 2015 revision (Interactive Data)

Exhibit 12: Customers with positive experience by generation (2015)



Source: Capgemini and Efma (2016)

3.1. Reaching the future customer

Insurers will have to make an extra effort in capturing the younger generation in emerging Asia as their parents did not necessarily have an interaction with an insurance company in the past. Globally, they tend to compare and evaluate insurers and select their products particularly carefully. In addition, they have access to all types of information and distribution channels. Even though this might overwhelm them and make it difficult for them to form an opinion, it requires insurers to address and attract the next generation of customers in new ways.

Generation Y's engagement with insurance will differ to that of their parents, also based on income level. For example, millennials born in the 90s from a middle class family are more likely to be covered under their family's insurance policy. Hence, their decision to buy insurance is influenced by the family's previous experience with and perception of an insurer. Reaching such potential customers from the middle class also depends on the relationship a company has built with a family over time. Unlike potential customers from this income level, children of the same generation from a poorer family would most likely be driven by other factors.

Most importantly, Generation Y in general feels extremely comfortable with new technologies, i.e. the digital world for managing their daily lives. As a result, they are most likely to purchase insurance online which is supported by a study from Capgemini and Efma (2016) according to which 22% of those interviewed would be likely to use digital channels (internet-PC, internet-mobile, and social media) compared to 18% of older generations. 37% of Generation Y would still purchase insurance through an agent and 21% state they would choose a bank to cover their insurance needs. Even though this generation is quite likely to use digital channels, they still rate the experience with an agent as even higher (Exhibit 13). These findings suggest that insurers should maintain their traditional channels while building their digital capabilities.

Exhibit 13: Positive experience in channels, Gen Y (2015)

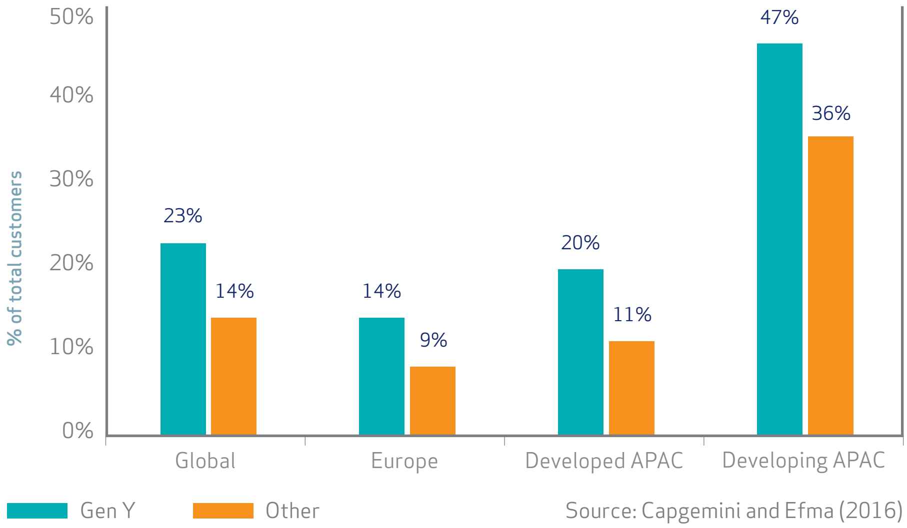
	Traditional	Digital
Global	36 %	31 %
Europe	35 %	29 %
Developed APAC	36 %	29 %
Developing APAC	34 %	33 %

Source: Capgemini and Efma (2016)

3.2. Understanding customer expectations

Although the steep economic growth in emerging Asia has prompted insurers to redouble their efforts, it will be a much greater challenge to meet the needs and expectations of Generation Y with regard to products and customer service: in-depth insight, the appropriate use of demographic data and a continued adoption and adaptation of technology will be among the key priorities.

Exhibit 14: Customers likely to purchase insurance from technology company (2015)



Source: Capgemini and Efma (2016)

Exhibit 14 shows the likelihood of customers around the world to purchasing insurance from a technology company such as Tencent or Google. Especially in emerging Asia, this points to a much better image of the technology companies compared with incumbent insurers and also highlights the convenience and customer centricity technology companies provide through their user-friendly websites and digital platforms. In addition, the preferences of Generation Y demonstrate the limits of the traditional channels, especially when trying to reach customers in remote areas.

With the increasing use of new technologies, we expect more customers of all age groups to interact with insurers in the same way the millennials do. As a result, insurers should capture this trend and offer suitable products, transparent information and customer-friendly purchasing channels which will also result in a more positive customer relationship experience.

3.3. Understanding customer concerns

Through the ongoing economic development and urbanisation, lifestyles have steadily changed in emerging Asia. This has translated into rising health issues and an increase in diseases (Exhibit 15). At the same time, people have access to better healthcare systems and are thus living longer. However, people are also saving less and not as well prepared for retirement and old age as their parents were. The gross savings rate in emerging Asia used to be around 33% ten years ago, and has now decreased to approximately 30%, according to the International Monetary Fund, World Economic Outlook Database[4]. Also, lower fertility rates imply a reduced reliance on the next generation for financial support in retirement. In addition, inappropriate public pension and health coverage schemes from governments create additional financial pressure on individuals in emerging Asia (Exhibit 16).

[4] The figures are the averages of the gross savings rates of the pool of selected countries in emerging Asia (China, Indonesia, India, Cambodia, Lao, Mongolia, Malaysia, Nepal, Pakistan, Philippines, Thailand and Vietnam).

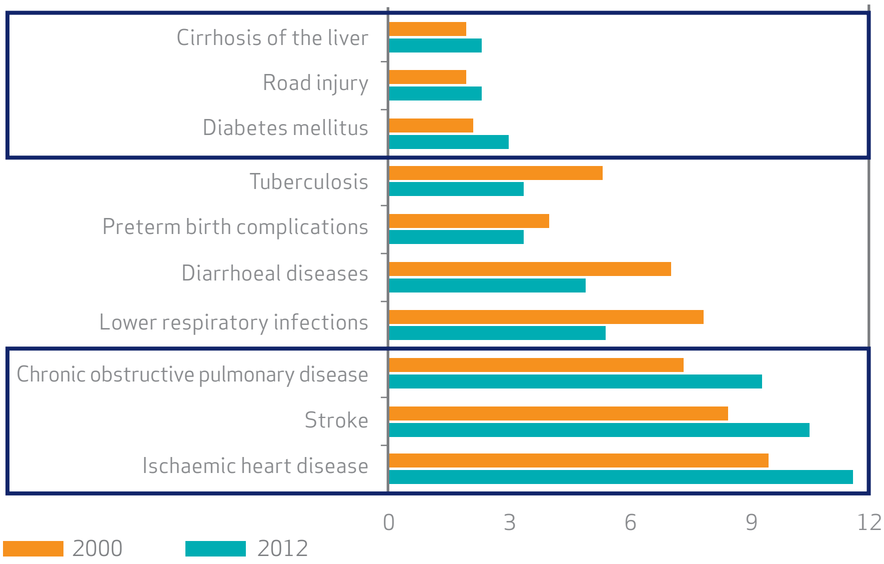
There are significant geographical differences when it comes to financial pressure in Asia: key factors include social class, the size and income level of a family, age range and the efficiency of social security systems to subsidise health expenditure and provide sufficient pension funds for people's retirement. Millennials in Southeast and South Asia (excluding Singapore) may still need to support their parents and siblings financially. The picture is quite different in Northeast Asia, for example, where the standard of living is much higher and financial resources are more readily available. As a result, this demographic spread presents a wide range of opportunities and challenges in terms of insurance needs across Asia.

Each generation has its specific concerns, be it health issues connected to diseases, urbanisation or longevity, where young people are more likely looking for ways to protect their income against adverse scenarios while the older generation is seeking coverage for sudden and unexpected events. Insurance products for critical illness and long-term care may well address the worries of older generations, whereas disability and life insurance solutions might be other appealing products to the younger generations.

The changes in lifestyle on the one hand and medical progress on the other, are also impacting the causes of death. During the years 2000 to 2012, death from heart disease, stroke and pulmonary disease significantly increased to become the top 10 cause of death in South-East Asia. Cardiovascular diseases, about one-third of all deaths in 2012 and cancer, 14% of all deaths, are now most common in emerging Asia (Exhibit 15). Even the prevalence of diabetes in Southeast Asia has reached 7.1% of adults and it is expected to increase further, according to the World Health Organisation (2014).

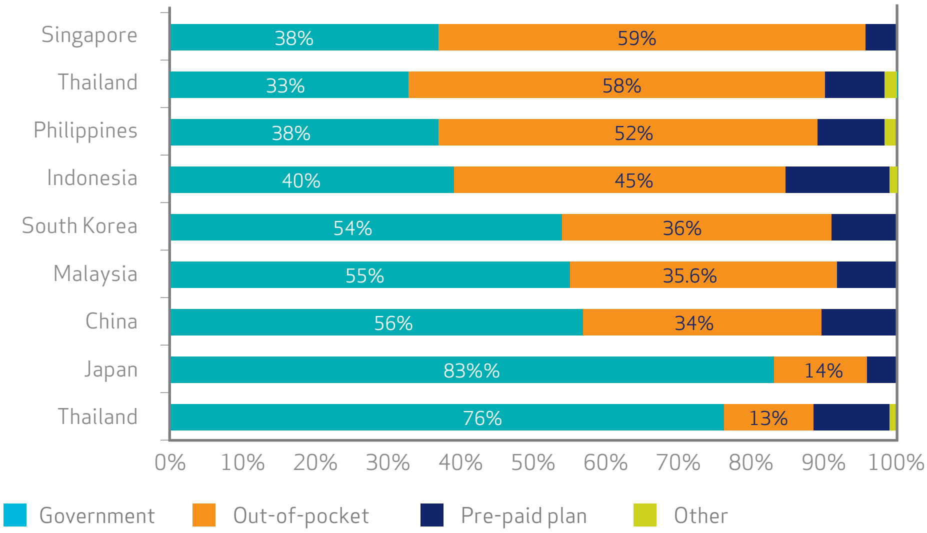
In general, public healthcare systems in Asia do not seem to be meeting the needs

Exhibit 15: Top 10 causes of death in South-East Asia (% of total deaths)



Source: World Health Organisation, Global Health Estimates (2014)

Exhibit 16: Total health expenditure split (2012)



Source: OECD and World Health Organisation (2014)

of patients and effectively covering their medical expenses, notably for critical illness and long term-care. As shown above (Exhibit 16) around half of the health expenditure in emerging Asia (excluding Thailand) is financed privately (out-of-pocket) – which can also lead to increased poverty.

Despite the rising health issues and large portions of private spending in the market, a variety of insurance covers are available both from global, regional and local insurers including various critical illness related products. Critical illness insurance is usually sold either on a standalone basis or together with a life insurance policy. Interestingly, consumers prefer critical illness protection in connection with a life insurance cover that offers additional options such as premium refunds and hospital cash. Other opportunities include disability and long-term care (Zurich Insurance and Oxford University (2015)).

Conclusion

Many (re)insurance companies are planning or have already started to tap into potential business opportunities in Asia, attracted by economic growth, urbanisation and a rising middle class. This motivation is further supported by a large protection gap and a range of currently unmet or expected future insurance demands. Beyond business growth, capturing the Asian potential requires to bear in mind the fundamental reasons for insufficient financial protection. It is well known that the lack of risk awareness and affordability are two major causes of inadequate protection. Therefore, educating existing and potential customers on actual risk exposures and the real-life consequences of being underinsured, will be a crucial path to closing the insurance protection gap in the future.

However, insurance companies also need to acknowledge their individual and collective shortcomings as reasons for underinsurance. Insurers should remember that customers pay a premium upfront and only receive the potential pay out following a claim later on. This requires a lot of trust in the insurer from the start. Hence, insurers need to provide more transparency and information and interact more frequently with their policyholders. One way to address this issue is through simpler products, more customer-friendly solutions and better service. Customer-centric insurance companies that demonstrate their ability to meet client needs through suitable products, personal customer service, prompt claims payments and state-of-the-art technology will automatically gain greater trust from their customers.

Distribution channels also need to be reviewed to meet the needs of different generations, income levels and lifestyles. Based on a positive customer experience, traditional channels such as staffed agencies remain the preferred way of purchasing insurance in developed Asia, whereas in emerging Asia, customers are more likely to do business through traditional channels (namely agency, bank and broker) and digital platforms. The latter platform is also an advantage for reaching policyholders in remote areas.

Last but not least, one of the greatest factors influencing the insurance protection gap is urbanisation. Its implications range from decreasing fertility rates, an ageing population, a rise in diseases to improved healthcare systems. However, many welfare systems are not serving the needs of its beneficiaries. A number of developed Asian countries and China are indeed experiencing similar painful social issues as mature economies in Europe. It is to be expected that future societies in emerging Asia will be confronted by the same challenges. This suggests that Asian governments and (re)insurers alike should urgently start sharing their experiences, solutions, and risk management approaches within the region as well as with their counterparts in Europe.

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