

THE CHALLENGER 2019

AIA: WINNING THE YOUNGER CUSTOMER SEGMENT





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INTRODUCTION

Alger Fung, Chief Executive Officer of AIA Thailand, looks out of the window from his office pondering the mid-year performance review he just had with his Executive Committee members. AIA Thailand has performed consistently well over its 80 years in Thailand and is the leader in Thailand's highly competitive life insurance market. Currently, approximately one out of every three life insurance policies in Thailand is written by AIA. With more than 55,000 agents nationwide, AIA Thailand serves over 5.3 million individual customers and 12,000 corporate clients with over 8.2 million in-force policies. This is a direct reflection of AIA's strong brand recognition, best-in-class products, marketing activities and distribution channels working seamlessly together that results in a strong brand presence. While the 8-decade success story is what AIA Thailand takes pride in, AIA is committed to rising above past achievements and going extra miles to ensure that it continues to play a vital role in protecting people's lives and enriching their health and wellness in accordance with its brand promise: to help people live "**Healthier, Longer, Better Lives**".

Looking at the big picture of Thailand's insurance market, all players are encountering considerable challenges. In comparison to other developed countries that widely leverage the benefits of life insurance as a risk management tool in financial planning, Thais still underestimate the values of life insurance products. The penetration rate of life insurance ownership is only 37% of Thai population, as compared to more than 100% among the Japanese¹. The trend aggravates even further among younger group of consumers. Accounting for 30% of total population in Thailand, the millennials make up a substantial market size, and that every life insurer is racing to acquire them in their early age. However, this is not an easy task. Alger decided to call upon his team to put together a comprehensive plan to capture this important and growing segment.

LIFE INSURANCE INDUSTRY OVERVIEW

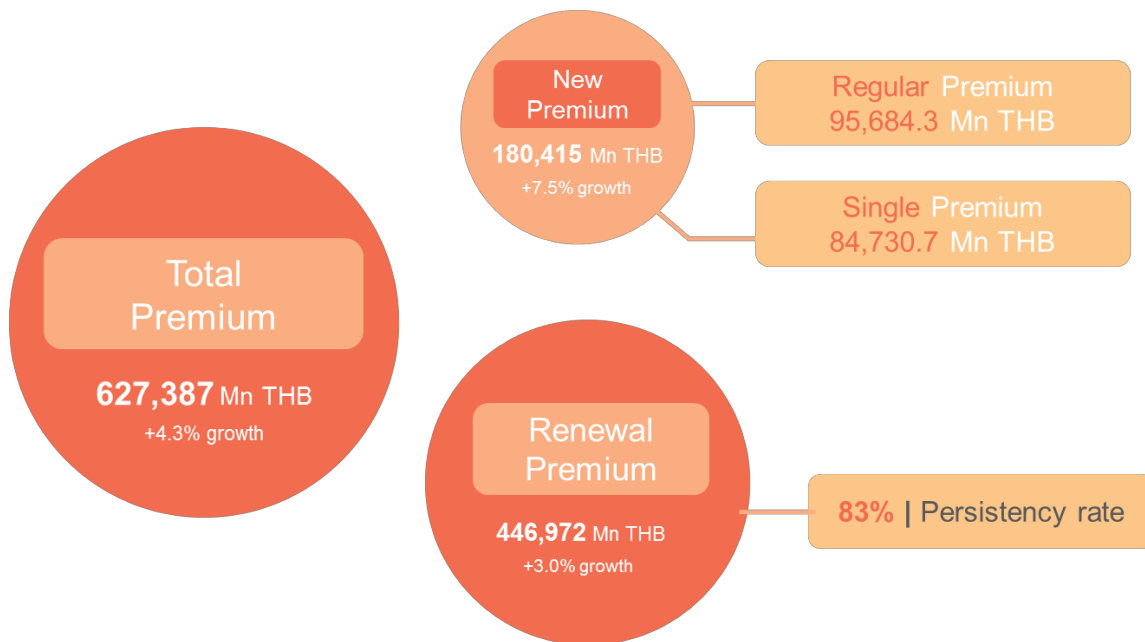
Overall, 2018 is a decent year for the life insurance market in Thailand. Total life insurance premium² for the year amounted to over THB 627 Billion, a growth of 4.3% from the previous year. Of THB 627 Billion, THB 180 Billion is from new business premium³ and approximately THB 447 Billion from renewal year premium⁴, a 7.5% and 3.0% growth from the previous year, respectively. The maintenance rate of insurance contracts is at 83%. The insurance penetration to GDP remains unchanged from the previous year at 3.9%.

¹ http://www.oic.or.th/sites/default/files/file_download/ediiyw_final_khpph-_hnangsuueaepnphathnaakaarprakanphay_chbabthii_3_resize_1.pdf

² https://www.tlaa.org/page_ebook_detail2.php?cid=21&cno=797&dno=1198

³ Premium collected from policies sold in 2018

⁴ Premium collected from policies sold prior to 2018

Exhibit 1: Overview of the life insurance in Thailand in 2018⁵

Life insurance in Thailand is mainly distributed through⁵

1. Life insurance agents: Agents account for over THB 305 Billion or 48.7% of the total market with a growth of 3.2% from the previous year.
2. Banks: Selling insurance through banks amount to THB 280 Billion or 44.7% of the market with a growth of 3.8%.
3. Direct sales amount to THB 14 Billion accounting for 2.3% of the market with a decline in growth of 2.8%, and the remaining THB 27 Billion is sold through other channels.

The life insurance market in Thailand is expected to grow at 3% to 5% in 2019, with the total life insurance premium to reach THB 650 Billion. This is due mainly to the expected growth of the Thai economy at approximately 4% driven by government investments on mega projects and private sector investments. The growth of the tourism sector and the improvement of agricultural prices also contribute to the increase in consumption in the private sector. Furthermore, government and related regulatory measures that help promote better understanding of the benefits of life insurance together with relevant tax benefits will support the growth of the industry.

The growth of the life insurance industry is not entirely organic, but a result of concerted industry efforts to educate Thai consumers on benefits of life insurance coverages that span across every stage in life. Life insurance is a vital part of financial planning, which includes elements of protection, wealth creation, and planning for contingencies and emergencies.

⁵ https://www.tlaa.org/page_ebook_detail2.php?cid=21&cno=797&dno=1198

Exhibit 2: Factors that helps promotes life insurance



Household
Spending



Government and
Private
Investment



Educates all
citizens regarding
insurance



Insurance-related
Government Policy



Supporting
Factors from
Business Sector

Life insurance products

A life insurance consists of a basic policy and a rider. To start, a customer selects a basic policy (usually term, wholelife, or saving). Then he can choose to add riders for additional coverage such as health, critical illness and accident protection.

Term life insurance provides coverage for a fixed period of time (such as 10 years). It pays benefit only when an insured dies during the coverage period. Term insurance is the most basic type of life insurance and is affordable for most people. Wholelife insurance is different from term life insurance in that it covers up to the lifetime of the insured, generally up to 99 years old, and pay benefits when the insured dies or reaches 99 years old, whichever happens first.

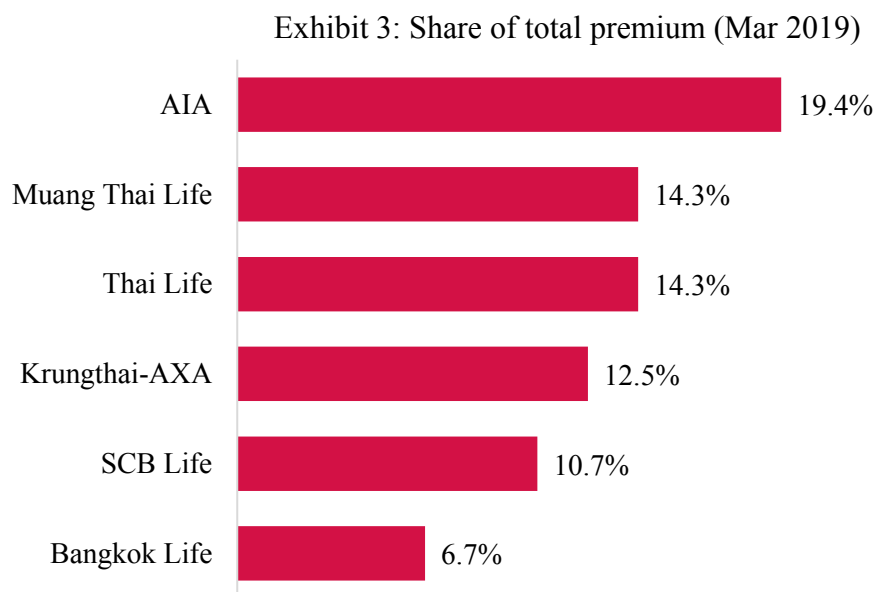
While the fundamental of life insurance has always been to provide ‘protection’, certain insurance products can also be used effectively as a long-term saving and wealth accumulation tool. These ‘saving’ insurance enables individuals to save over the long run and generates returns to fund various milestones in life such as child’s education, marriage, or retirement while provides a moderate amount of protection in case an unfortunate event happens. Saving insurance is the most popular type of insurance sold through banks.

Given the rising cost of healthcare, when purchasing life insurance, most customers will choose to add health or critical illness riders to the basic policy. A health rider helps cover the cost of medical treatment which may include medical procedures, hospital room, medication, and professional fee. A critical illness rider typically pays a big lump sum benefit to the insured when he is diagnosed with a critical illness (such as cancer and stroke). The insured can then use the money to pay for appropriate treatment.

ABOUT AIA THAILAND

Established in 1938, AIA Thailand is the subsidiary of AIA Group, the largest independent publicly listed pan-Asian life insurance group. AIA Group has a presence in 18 markets in Asia-Pacific: Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, Sri Lanka, India and Myanmar.

AIA Thailand is committed to providing protection to both individuals and businesses through a wide variety of products and services while supporting the social and economic development of Thailand. As of March 2019, AIA Thailand is number 1 in the insurance market with 19.4% share of total premium. Its brand awareness is also the strongest in all customer segments according to the recent survey from Chulalongkorn Business School. Leading the life insurance industry with over 5.3 million individual customers and 12,000 corporate clients, AIA pioneers the use of technology to support sales and provide the first-rate service standards to customers. AIA Thailand also has the largest, professional agency force, as reflected by the highest number of IC-licensed agents and Million Dollar Round Table (MDRT) qualifiers.



(Note: More updated information is available on the TLAA website.)

To create even more positive impact on people's lives, in 2018, AIA launched a new brand promise: "Healthier, Longer, Better Lives" as a single, powerful phrase that reflects what AIA stands for and what it does as a company. AIA then has been working with its Global Ambassador David Beckham to personify and demonstrate the benefits of maintaining a healthy lifestyle.

Exhibit 4: Beckham joined AIA Thailand in its 80th Anniversary celebration in 2018



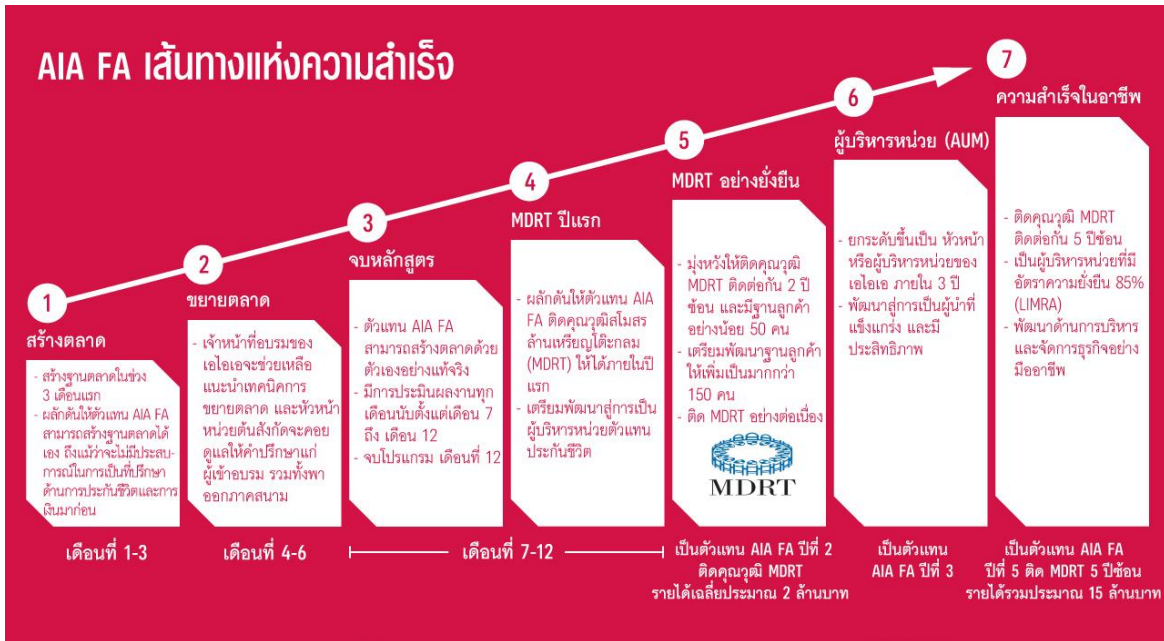
Distribution channels

AIA's success in Thailand is thanks largely to its agency force. AIA's proprietary tied agency force provides a significant competitive advantage for AIA. The company's ability to attract the highest-quality recruits and provide them with the best training and back-office support across every aspect of agency management is an important driver of its growth.

AIA is also at the forefront of providing agents with next-generation digital tools which help to enhance their productivity. The execution of the Premier Agency strategy will continue to be the cornerstone of AIA's future success. Additionally, the Financial Adviser (FA) program is helping to improve the overall professionalism and productivity of its agency force. All of these efforts will raise the minimum standards of the life insurance agents across the industry, which in AIA's view is the responsibility of an industry leader.

During the mid-year review, Chief Agency Officer Khun Kris Chantanotoke shared that he is pleased with the progress of the agency transformation work, especially the FA program. AIA now has approximately 7,000 FA nationwide. These FA are well-trained on financial planning, many with an IC license, and can provide customers with great advice on how to choose insurance products to suit their needs. Additionally, current FA are typically aged between 25 and 35. They can help bring in and service younger customers very well.

Exhibit 5: AIA FA program offers an attractive career path for many young and ambitious individuals. The rigorous training ensures that AIA FA are equipped with knowledge and expertise required to provide great advice and service to customers.



In October 2017, Bangkok Bank Public Company Limited, Thailand’s largest bank in terms of assets, and AIA Group have entered into a major 15-year distribution agreement for a strategic bancassurance partnership. The agreement enables Bangkok Bank to offer AIA’s broad range of life insurance products to its customers in Thailand throughout its extensive nationwide network of branches and other distribution points.

Under the terms of the agreement, Bangkok Bank distributes AIA’s broad range of best-in-class life insurance products to its millions of customers, one of the largest retail banking customer bases in Thailand. The partnership involves all of Bangkok Bank’s distribution channels throughout the country, including its nationwide network of around 1,200 branches, and self-service outlets. Leveraging its regional bancassurance capabilities and life insurance product expertise in Thailand, AIA supports Bangkok Bank with investments in best-in-class technology and training to provide protection and long-term savings life insurance solutions to Bangkok Bank’s customers.

Chief Strategic Bank Alliance Officer Khun Chantcharas Boonkhun sees a partnership with Bangkok Bank as an opportunity to transform the bancassurance sector from a saving-product focus to a more protection focus. In 1Q19 (less than a year after the first product launch), AIA’s new business market share in the bancassurance sector jumped to 9.4%⁶. Khun Chantcharas thinks this is only the beginning. She is confident that AIA and Bangkok Bank will accomplish much more together in a near future.

⁶ On the annualized new premium (ANP) basis

Products and propositions

AIA offers a wide range of insurance products, from basic policies to health, critical illness, and accidental protection riders. Life insurance products are, however, not difficult to replicate. Chief Marketing Officer Khun Aekkaratt Thitimom believes that while it is important to have competitive and customer-centric products, what will help set AIA apart from competitors are propositions that combine all the strengths of the company, such as the scale, the regional footprint, its unmatched distribution strength, a wide range of strategic partners, and a solid brand in Thailand. These propositions will be much more difficult to replicate and can provide AIA with a long-term competitive advantage.

During the mid-year review, Khun Aekkaratt shared that he is focusing on making 3 propositions, namely AIA Vitality, AIA Prestige, and AIA Issara Plus (and other unit-linked products), a unique differentiator for AIA. Many programs and campaigns have been set up to promote these 3 propositions in 2019 and beyond.

Exhibit 6: Three key propositions of AIA in 2019



AIA Vitality is the new insurance concept for health-conscious customers. In addition to a regular protection from health and critical illness riders, AIA Vitality rewards customers who take good care of their health by providing a premium discount (up to 25% of regular insurance premium) and many privileges from its strategic partners such as discounted gym membership, discounts for fruits and vegetables from supermarket, and discounted movie tickets. The more the customers take care of themselves (by doing an annual health check, exercising regularly, and eating healthy food), the more rewards they will get from the program. Customers can engage with AIA Vitality via mobile application which allows them to submit health check results, link their exercise tracking device (e.g., Fitbit, Garmin, etc.) and receive personalized health goals. For more information, please visit www.aia.co.th/vitality.

Since the launch in Thailand in 2016, AIA Vitality has driven a step change in customer engagement, rewarding healthier behavior and generating positive health outcomes. In 2018, the program had 250,000 members. These members have completed over 90,000 health

assessments and walked over 3 billion steps since launch. Until now, AIA is the only life insurance company with policies that provide premium discounts for customers with healthy lifestyle. AIA Vitality is a solid proof of how AIA delivers its brand promise of helping people live “Healthier, Longer, Better Lives”

Recognizing the growth and the purchasing power of high net-worth individuals, in 2017, AIA launched **AIA Prestige** products to target this group of customers. High net-worth individuals have a unique need around wealth protection and wealth transfer. AIA Prestige products have a high sum assured amount, offers better value, and can be used effectively as another financial tool to pass on the wealth from parents to the next generation. Additionally, customers who purchase AIA Prestige products will be invited to join **AIA Prestige Club**, a privilege program that offers a wide range of benefits such as a complimentary annual health check at partner hospitals, an airport limousine, a complimentary private movie screening at a top cinema, invitations to various events, and priority services from AIA. For more information about AIA Prestige Club, please visit www.aia.co.th/prestigeclub.

Exhibit 7: Sample privileges from AIA Prestige Club



AIA Issara Plus (and other unit-linked products) is another proposition AIA is particularly proud of. AIA is the first insurance company to launch unit-linked products in Thailand in 2009. A unit-linked product is different from an ordinary life insurance (term, wholelife, saving) in that a customer can choose mutual funds to invest in and has an opportunity to get a higher return. AIA Issara Plus is special in that it gives a customer a great flexibility to increase/decrease life protection coverage, temporarily pause the premium payment, and add health and critical illness riders. Thus, a customer can adjust his AIA Issara Plus policy to meet the need at every stage of his life.

Given the investment feature and the complexity of the product, agents who sell AIA Issara Plus must be well trained, have a good knowledge on both insurance and investment, and have an IC license. Since the launch of unit linked products, AIA has been investing heavily in agency training and currently has the highest number of agents with IC license in the industry. AIA also provides various digital tools to support agents and customers, such as an illustration tool to show how adjusting the protection coverage could work in real life, and an automatic

fund re-balancing program to help keep the asset allocation at the desired level. Although some competitors already followed and launched similar products, AIA remains a clear market leader in this category.

Technology and operations

Transformation through digitalization is a key enabler across all aspects of AIA's operation. AIA continuously makes significant and targeted investments to simplify back-office processes and enhance efficiency, drive further productivity improvements for agents and distribution partners, and ensure that they deliver quality products and service to their customers, regardless of the channels of interactions.

AIA aims to drive a step change in the experience that these digital tools provide to both the customers and the distributors. To enhance efficiency, AIA has implemented numerous robotic processing automation (RPA) projects and is developing APIs to enable a higher degree of straight-through processing (STP). AIA is also strengthening its capability in artificial intelligence (AI) to further improve its operations, especially in new business processing, existing customer servicing and claims handling.

Depending on their preferences, AIA customers can engage with AIA both online through AIA's website and apps (www.aia.co.th, AIA iService and AIA Vitality), and offline through their agents or AIA's service channels such as AIA's call center 1581 and customer service center. As the popularity of online self-service grows, AIA continues to invest in improving its digital capabilities by expanding the range of services that customers have access to through the website and mobile app.

Chief Life Officer Khun Alisa Simaraj is confident that AIA's digital platforms can provide a great service to customers. The challenge is in driving adoption. Thai consumers nowadays seem comfortable with completing financial transactions on the mobile banking app. However, when it comes to insurance, most people still prefer getting a face-to-face service from agents or banks that they purchased their policies from. Khun Alisa thinks that digital platforms could be another differentiator for AIA and could help attract younger customers. AIA just needs to find a way to better market and leverage these tools.

Exhibit 8: “AIA iService”, a one-stop self-service digital platform for customers



People management

As insurance is a people business, talent development and business strategy are closely intertwined. Guided by the Operating Philosophy “Do the right thing, in the right way, with the right people, and the right result will come”, AIA works to ensure a happy workplace full of opportunities for its 2,800 staff.

In 2018, AIA is one of 39 companies globally and the only international life insurer to receive a Great Workplace Award from Gallup. Engagement among the staff in AIA remains in the top quartile of Gallup’s global financial services and insurance industry benchmark. The staff across departments in Thailand are committed, compassionate, and work hard to make a real difference in customers’ lives.

Recognizing the growing percentage of Gen Y and millennials in the workforce, AIA has been transforming its culture and work environment to create an effective multi-generation workplace. Although the Operating Philosophy and the highest ethical standards remain unchanged, various initiatives such as flexible work hour, flexible work location, less formal dress code, and casual Friday are being rolled out in various departments. A fast track is also available for driven, strong performers. Promotion is based primarily on performance rather than seniority. In fact, some of the current Executive Committee members are in their 30’s, which is rare in a typical large financial institution.

Chief HR Officer Khun Sarunya Tienthavorn thinks that the company is doing the right thing. By providing a supportive environment for younger staff and empowering them to have more influence in product development, service development, digital, and other innovation projects,

AIA will have propositions that better fit younger customers. Khun Sarunya is excited about many initiatives that her team has in place for the second half of 2019, which will help further modernize AIA's workplace.

MILLENNIALS AND LIFE INSURANCE

According to a survey conducted by marketing agency Fleishman Hillard⁷, 70% of Thai millennials named money the best measure of success, and more than 87% admitted to feeling good after spending money to treat themselves. Some 67% of millennials defined the state of happiness as being healthy, having time for themselves as well as the freedom to live their lives. 55% of millennials placed an importance on savings.

Although money is important, the millennials also long for changes within Thai society and do not attach themselves to specific brands. "Millennials are a group of consumers with unique complexities," said the survey. "Their needs and attitudes appear to lie between two extremes. On one hand, they are consumers who are not afraid to spend money on products and services that attend to their needs. On the other hand, they take price points into serious consideration."

Millennials appear to place importance on self-expression. Some 79% of millennials are ready to pay more for products and services from a company that tends to their personal needs and desires. Given that the perceptions of millennials towards lifestyle and consumption are different from the previous generation, it is essential that companies not only learn to understand, but also adapt themselves to be able to attend to the needs of the millennials.

When it comes to life insurance, "Young people think life insurance is a conversation topic for their parents, not them. It's not an issue of millennials not wanting to get life insurance; it's more a prioritization issue. The concept of taking care of their families and loved ones is in competition with the big screen tv, car and even that daily cup of coffee", said a certified financial planner.

Generally, it is advisable to purchase a life insurance and start financial planning early on in life. Firstly, the premium is lower for younger customers. Secondly, most people are still in a good health thus will not face a restriction, an exclusion, or a surcharge due to their health status or illness history. Thirdly, no one knows when an unfortunate event will happen. Even teenagers and young working adults can have cancer, and the incident rate increases as the age increases. Lastly, the earlier people start saving or taking care of their health, the better off they will be in the later stage of their lives.

⁷ <https://www.bangkokpost.com/business/1561242/millennial-priorities-highlighted>

TACKLING THE CHALLENGE

Alger thinks something is missing. While his executives are confident about the initiatives of their departments and the tools they have to attract younger customers, the result has not come yet. He then starts penning down questions on top of his mind.

- Are the initiatives and the tools AIA has, such as FA, various propositions, and customer digital platforms really effective in attracting younger customers?
- If so, is it the problem with the quality of execution, a lack of coordination, a lack of awareness among the consumers, and/or the attitude of the Thai millennials that prevents AIA from achieving the desirable outcome? In that case, what can the company do better?
- If current initiatives and tools are not sufficient, what else should AIA add to its current portfolio in order to meet its goal? Perhaps the company needs even more innovative initiatives and tools to attract younger customers.

Alger would like to have these questions answered and see a comprehensive plan for AIA to capture this important and growing customer segment. This plan will be incorporated into the overall AIA Thailand's 2020-2022 strategic plan. Alger will personally oversee the implementation of the plan and ensure a great result next year.

Additional resources

1. **General industry information and knowledge:**
 - **Information on life insurance:** www.oic.or.th/th/consumer/การประกันชีวิต
 - **Common terminology:** https://www.facebook.com/Thailand.AIA/photos/?tab=album&album_id=2463455283673495
 - **Life insurance industry statistics:** www.tlaa.org
2. **AIA corporate fact sheet:**
https://www.aia.co.th/content/dam/th/th/docs/corporate-factsheet/AIA%20Factsheet%202019_ENG.pdf
3. **Selected AIA's programs and offerings:**
 - AIA FA program: www.aia.co.th/fa
 - AIA Vitality: www.aia.co.th/vitality
 - AIA Prestige: www.aia.co.th/th/our-products/prestige.html
 - AIA Prestige Club: www.aia.co.th/prestigeclub
 - AIA Issara Plus (and other unit linked): www.aia.co.th/unitlinked
 - AIA iService: www.aia.co.th/th/help-support/AIAiService.html
4. **AIA Group's results and presentations:**
<http://www.aia.com/en/investor-relations/results-presentations.html>
5. **Potentially useful articles from online influencers and bloggers:**
 - Insuranger at aomMONEY: aommoney.com/stories/insuranger
 - ชื่อประกันอย่างไรให้ถูกต้องและสบายใจ-ตอนที่-1
 - 4 เรื่องควรรู้ ทำประกันสุขภาพอย่างไรให้คุ้มค่าและตรงความต้องการ ตอนที่2)
 - ซีรีส์-ประกันชีวิตแบบควบการลงทุน-เจาะลึก-unit-linked-ตอนที่-3
 - Tommy Pichet at Finnomena: finnomena.com/author/tommy-actuary/
 - WealthGuru at Finnomena: finnomena.com/author/wealthguru/



Challenge your limit,
never miss an opportunity

