



## ARTIFICIAL INTELLIGENCE

The Next Big Thing for  
Bangladesh Insurance Industry

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# Executive Summary

Artificial Intelligence (AI) is a computer technology that enables man-made machines to simulate human intelligence. As a result, they can perform intelligent tasks previously thought to be only possible by humans. The present world is witnessing a strong acceleration in the development of this field, thanks to the easy access to data, increased computing capabilities and changing consumer expectations. AI is evolving rapidly – creating on its way viable opportunities for business growth.

The leading insurance firms in the USA are using AI in all functional areas: customer service, marketing, claim processing and management, underwriting, and fraud detection to name a few. They use AI, for example, to improve customer experience (CX) by reducing customer waiting time. Their intelligent support mechanisms process tens of thousands of queries per month. Insurtech legend Lemonade can process a claim within 5 minutes. AI-led innovative technology is now available to provide a life insurance quote by estimating an individual's age, gender, and body mass index from the person's selfie photo or video.

The examples above simply indicate that the business is going through a transformation, and that the use of AI is bringing about a paradigm shift. Life and Non-life insurers in Bangladesh must grab this incredible opportunity in order to upgrade their services, especially to remove the barriers associated with traditional underwriting and claim management. Early AI adopters, audacious and far-sighted as they may be, are likely to gain significant ground in the near future.

AI-enablement is a continuous journey for advancement. This is why the insurers should start from where they are now, with whatever resources they have, and should have the mindset to constantly improve their capabilities. This article highlights a few business functions wherein local insurance companies may use their own technology stack and existing manpower to embark on AI-led innovation. These are:

- document processing and digitalization;
- underwriter ratemaking and reserve;
- prospect identification and optimized marketing;
- social listening and brand management;
- chatbots and improved customer experience.

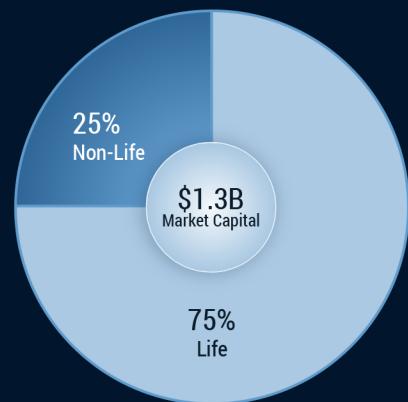
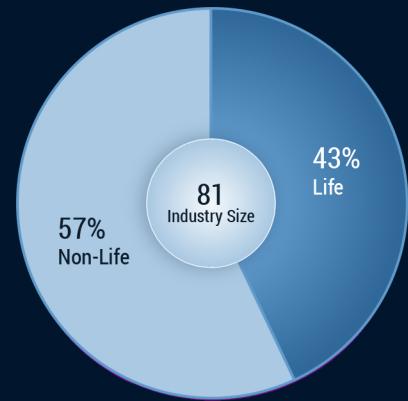
# Bangladesh Insurance Industry

Bangladesh insurance industry consists of two main sectors : life and non-life. There are 81 active insurers that are currently providing services in these areas where the non-life insurance firms are the majority by number (46/81). However, life insurance carriers generate 75% of the industry gross premium despite being the minority (35/81).

The number of insurance products available for consumers are limited. For example, major life-insurance products include ordinary, micro, takaful, and group whereas key non-life insurance products comprise fire, marine, motors among others.

The local insurance industry is a billion-dollar market (including both life and non-life gross premium). According to Bangladesh Insurance Development and Regulatory Authority (IDRA) the country has less than 20 million in total insurance coverage. This number is significantly lower than 20-30 million middle class population who has the potential to be the major consumers of insurance products.

Despite being an industry with decent market size, the insurance business faced a series of setbacks in the last decade resulting in a negative growth rate. The major contributors to this downturn seem to include absence of a long-term business strategy, lack of professionalism, unethical business practices by agents, and poor CX. A 100% decline in insurance penetration in just 10 years is in stark contrast with the country's exponential economic growth. Lack of proper oversight and control have caused insurtech disruptors to sprout, grow, and eliminate the incumbents.

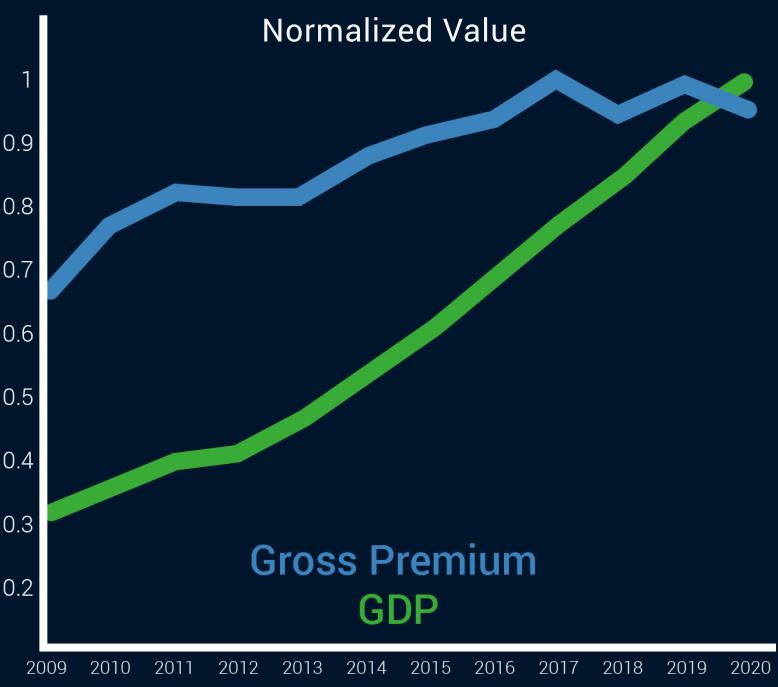
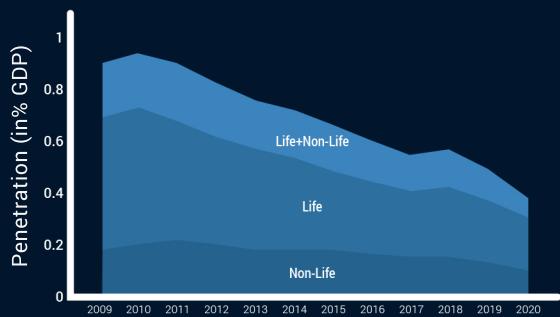
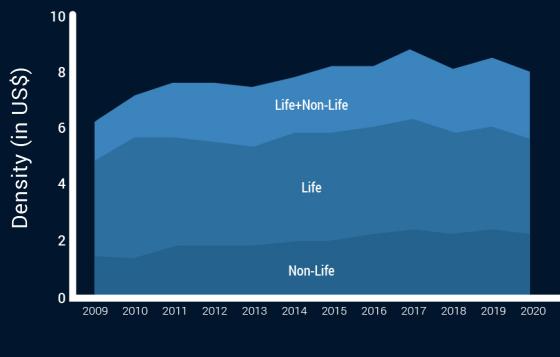


Total Population  
**165 M**

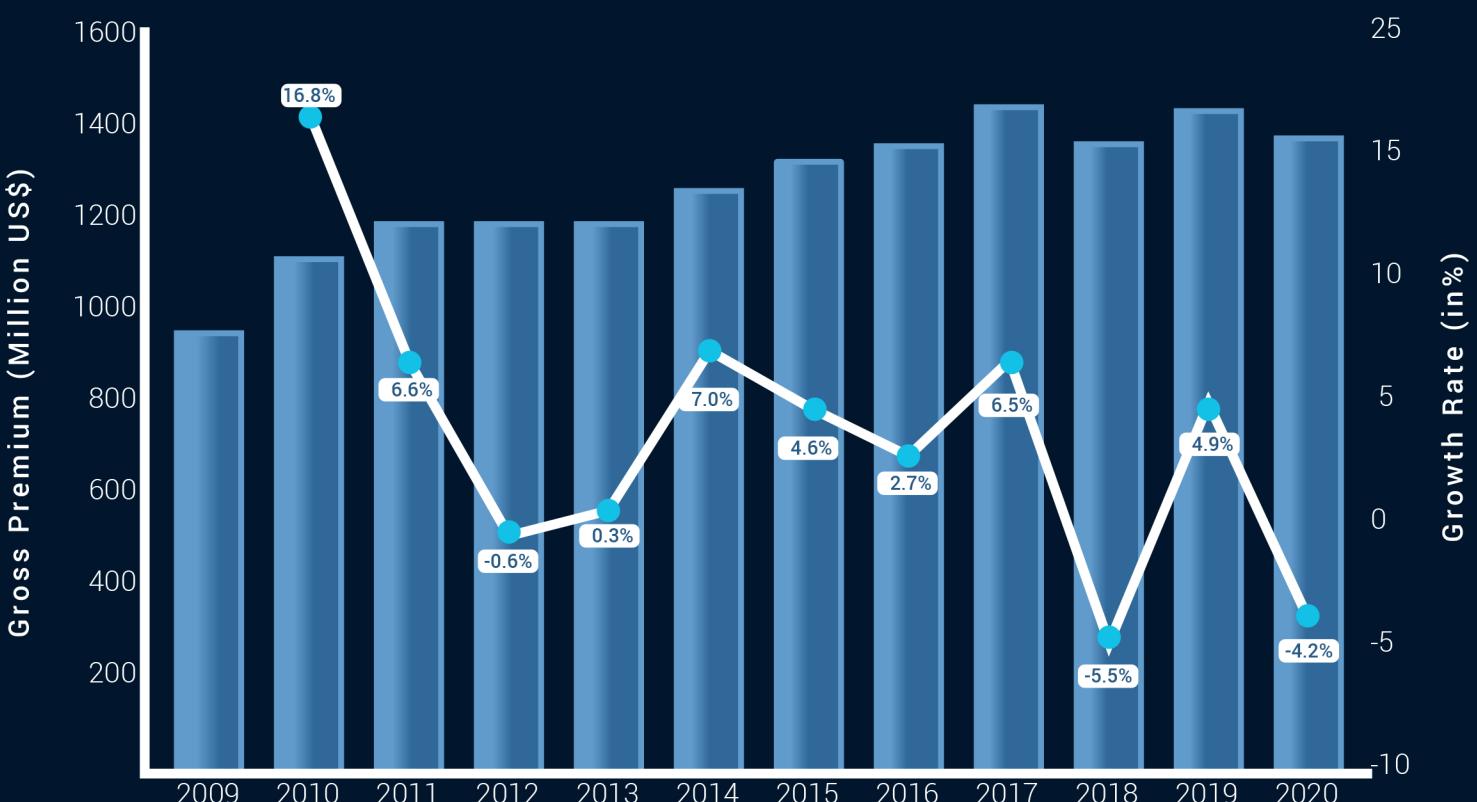
Middle Class  
**20 - 30 M**

Total Insurance Coverage  
**20 M**

To encounter the existential threat of disruptors, insurers have no choice other than embracing new technologies without further deferment. Lost business opportunities could be successfully regained if the firms build in-house AI capabilities or collaborate with vendors to leverage outside expertise and innovations.



Insurance density (top-left) and penetration (bottom-left) in Bangladesh by sectors from 2009-2020. The GDP growth of the country during the same time period is significantly steeper (a factor of ~3 faster) compared that of the gross premium (right).



Insurance gross premium (left) and industry growth rate (right) from 2009-2020.  
\*Data Sources : IDRA, Swiss Re, World Bank, Macrotrends

# Areas of Innovation

## Document Processing & Digitalization

Paper-based business is still the norm in Bangladesh. This time-consuming, error-prone, and expensive manual practice is one of the major factors contributing to occupational inefficiencies as well as poor CX. Document processing, including digital archiving and data extraction, is the most important step towards digitalization, and subsequently, to AI-enablement. For local firms, digitalization should be the area of the highest priority. A combination of advanced technology and a digital data center guarantees a competitive edge to any insurance firm among its peers.

Pioneering AI techniques, such as Optical Character Recognition (OCR) and Natural Language Processing (NLP), should be combined to succeed in digitalization efforts. These are publicly available technologies, of which organizations could take advantage through some skill development strategy. Skilled resources would be able to digitalize various documents: Government Forms, NID, Vehicle Number Plates, Bank Loan Forms, Payment Receipts, Policy Forms, Claim Documents, Birth and Death Certificates, etc.

Backend activities, such as underwriting, claims processing, office administrative tasks, etc., are the primary candidates where AI-led automation promises manifold upturn in operational efficiency. This results in reduced overhead associated with labor and real estate, and consequently, enables firms to offer products at a competitive price.

Mobile enabled services are important to go beyond digitalization because they reduce reliance on intermediaries, increase business transparency, increase customer convenience by providing easy access to information, and facilitate means to reach out to larger audience. Despite the wide-ranging benefits only 30% insurance firms have mobile apps registered in the Google Play. Moreover, a majority of these apps lack standards to meet customers' needs as well as expectations. This observation suggest that the incumbents have not yet fully appreciate the necessity to invest in transformational facilities to satisfy the need of digital consumers. The prevailing mentality is risky because it makes the local companies vulnerable to insurtech challengers and disruptors.

# About Somikoron

Somikoron is an AI startup company. This venture stems from one single desire : make AI technologies accessible to every business sector in Bangladesh. Its purpose is to transform local industries to make them compatible with the Fourth Industrial Revolution (4IR). A group of highly skilled Bangladeshi expatriates is at the core of this undertaking.

Somikoron starts the journey by providing artificial intelligence, machine learning, deep learning, data science, and advanced analytics consulting and related services to public and private clients within insurance, finance, and retail industries.

Our intent is to develop intelligent solutions to have meaningful business impacts. At Somikoron that translates into building better products by expanding access to cutting-edge knowledge and technology. We believe we can achieve this goal by living our values to lead the way, serve with integrity, take care of our clients, and foster collaboration.

Visit us at [somikoron.ai](http://somikoron.ai) to learn more about our company's vision, mission, and core values. Follow us on LinkedIn, Twitter, or Facebook. Connect with us via email [[somikoronai@gmail.com](mailto:somikoronai@gmail.com)] or by WhatsApp [+1 301 318 1202].





## THE TRANSFORMER

Reshaping Bangladesh Insurance Industry