



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.

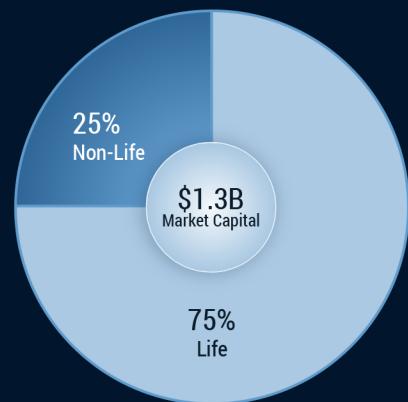
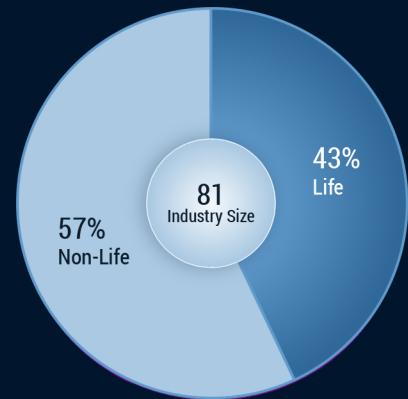
Bangladesh Insurance Industry

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.