

Origin and Growth of BANCASSURANCE

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A topic of relevance & significance..

Pranab asks public sector insurers to go India interior

Also wants all policies, both new and renewal, available online

Our Bureau

New Delhi, June 13

Finance Minister, Mr Pranab Mukherjee, has directed LIC and all public sector general insurance companies to necessarily have a presence in all the towns up to Tier-IV classification as per the Census. This should be done without further delay and accompanied by end-June, Mr Mukherjee said during his meeting with the chairmen of public sector insurance companies in the Capital.

Mukherjee highlighted the per-capita income growth over the years and the number of people in tier towns are saving and looking for insurance products.

EFFICIENCY

reorganisation of the existing loss-making branches,

especially those of non-life general insurance companies, and also decongestion of branches which are concentrated in metros can help this expansion in un-served areas, he said.

Mr Mukherjee also urged the insurers to immediately take the e-governance route and ensure that all policies, both new and renewal, are available online.

This would help tap the growing segment of insurable population who is IT savvy.

BUSINESS CORRESPONDENTS

He asked insurance companies to appoint business correspondents as insurance agents to tap the huge potential in rural areas.

Other modes of distribution such as bancassurance must be adopted in a big way,



Mr Pranab Mukherjee, Finance Minister.

Mr Mukherjee said.

Out of the available 80,000 bank branches, less than 7,000 are being used by PSU insurers and there is need to scale up bancassurance immediately, he said.

Emerging from the meeting, the LIC Chairman, Mr I K. Mehrotra, told newspapers that LIC was already present in many of the Tier IV towns. "Efforts would be taken to fill the existing gaps," he noted.

CONCERN OVER LOSSES

Mr Mukherjee had at the meeting expressed concern over the losses suffered by public sector non-life insurance companies.

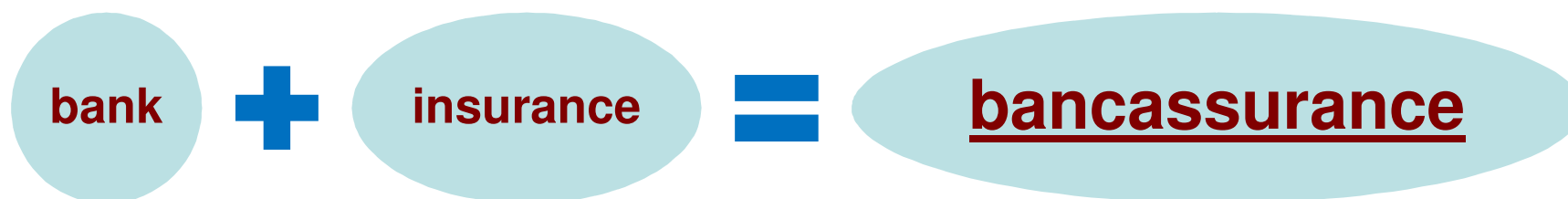
Such companies were advised to go for growth, but without sacrificing their profitability, sources said.

They were also asked to tighten the operational aspects and bring about more productivity.

In 2011-12, the combined losses of public sector general insurance companies were pegged at Rs 6,500 crore.

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why at all bancassurance ?



Insurer's advantage



Banker's benefits..

Fee Based Income

**Over dependence
on interest spreads**

**Leverage extensive
customer base**

**Many walk in
customers**

**One stop shop for
all Financial
Services**

**Reduce risk based
capital required
for the same level
of revenue**

**Provide integrated
financial services
tailored to the life
cycle of customers**

**Brand value of
Insurer can help in
both business**

**Increase in
employee's
productivity**

customer's perspective

**Greater access
to all financial
services from a
Bank - Banking
and Insurance
Products**

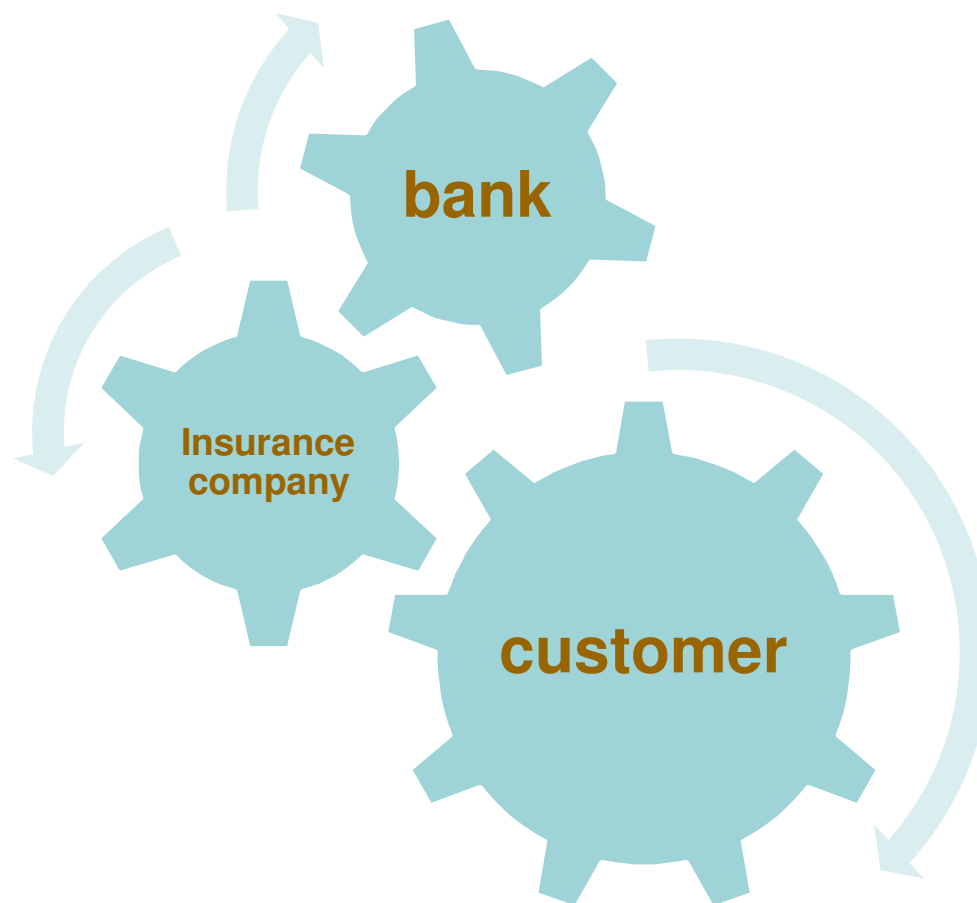
**Lower
Distribution
Costs can give
better return**

**Better match
between the
customer needs
and the
solutions
provided by the
bank**

**Convenience –
one stop shop**

**Innovative
& Cheaper
products**

win win for all three ...



Advantages of Bancassurance

Bank	Insurance Company
<ul style="list-style-type: none"> ■ Customer retention 	<ul style="list-style-type: none"> ■ Revenue and channel diversification
<ul style="list-style-type: none"> ■ Satisfaction of more financial needs under the same roof 	<ul style="list-style-type: none"> ■ Quality customer access
<ul style="list-style-type: none"> ■ Revenue diversification 	<ul style="list-style-type: none"> ■ Quicker geographical reach
<ul style="list-style-type: none"> ■ More profitable resource utilization 	<ul style="list-style-type: none"> ■ Creation of brand equity
<ul style="list-style-type: none"> ■ Enriched work environment 	<ul style="list-style-type: none"> ■ Leverage service synergies with Bank
<ul style="list-style-type: none"> ■ Establish sales orientated culture 	<ul style="list-style-type: none"> ■ Establish a low cost acquisition channel

the past...

ORIGIN...

- ◇ Barclays Life – Sept. 1965 / a subsidiary of Barclays Bank in UK
- ◇ UK subsidiary not successful – not termed as concept of Bancassurance
- ◇ The first Countries to venture into the field – France and Spain
- ◇ During early 70s, Assurances du Credit Mutuel (ACM) Vie et IARD (Life and Gen. Insurance) officially authorized to start operations...The concept after span of 15 years became – Bancassurance

“A tie up arrangement of Banks with Insurance Companies for selling the Insurance Products in Life and Non-life segments as Corporate Agents for Fee Based Income ”

MOVING FORWARD

- Series of Reforms in France during Mid 1980s -
Deregulation of the Credit Market
Direct access to the Corporate Funding Market
- Change in Retail Banks strategies in sales & Marketing policies
- reactivated their dormant insurance business

the changes in economic scenario & legislative landscape took it further forward...

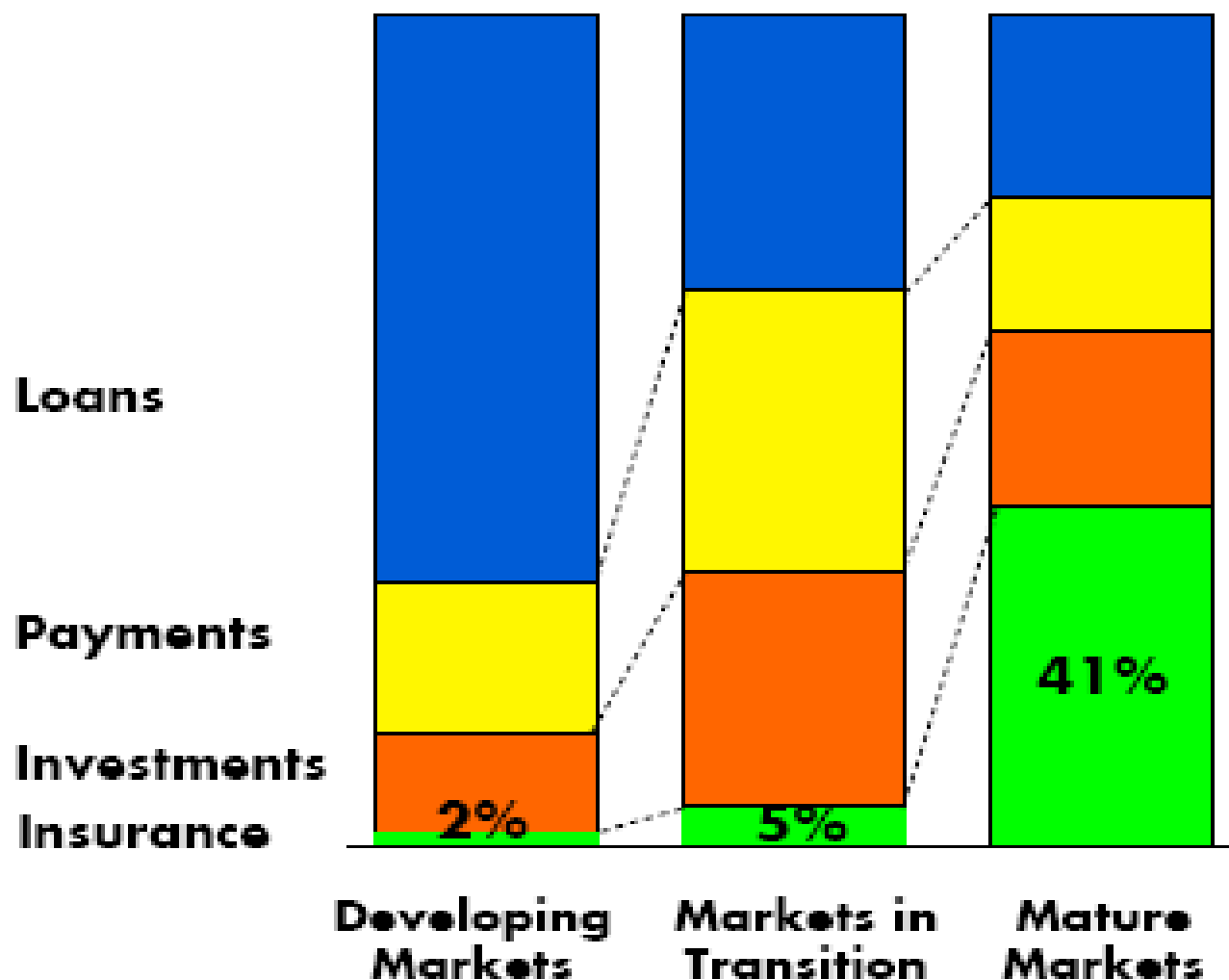
Various models emerged on the scene

Model	Descriptions	Advantages	Disadvantages	Countries where the model is mostly used
Distribution Agreement	Bank acts as an intermediary for an insurance company	Operations start quickly. No capital investment (less costly)	Lack of flexibility to launch new products. Possibility of differences in corporate culture.	USA, Germany, UK, Japan, South Korea
Joint Venture	Bank in Partnership with One or More Insurance companies	Transfer of expertise	Difficult to manage in the long term	Italy, Spain, Portugal, South Korea
Full Integration	Creation of a new subsidiary	Same corporate culture	Substantial Investment	France, Spain, Belgium, UK, Ireland

the present...

Banks' Revenue

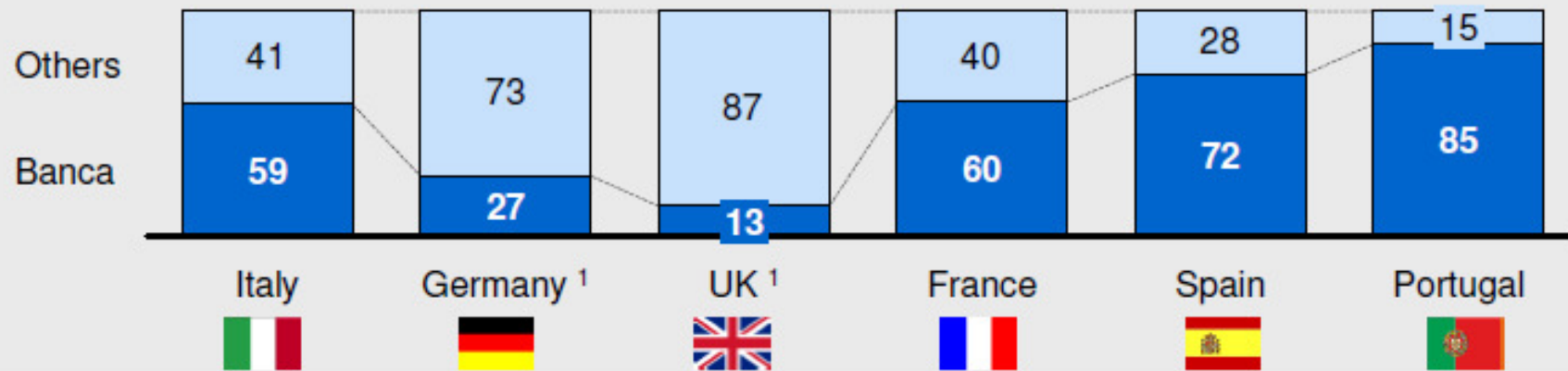
Contribution of different streams



Bancassurance is already significant in Europe and has increased in importance across Asia

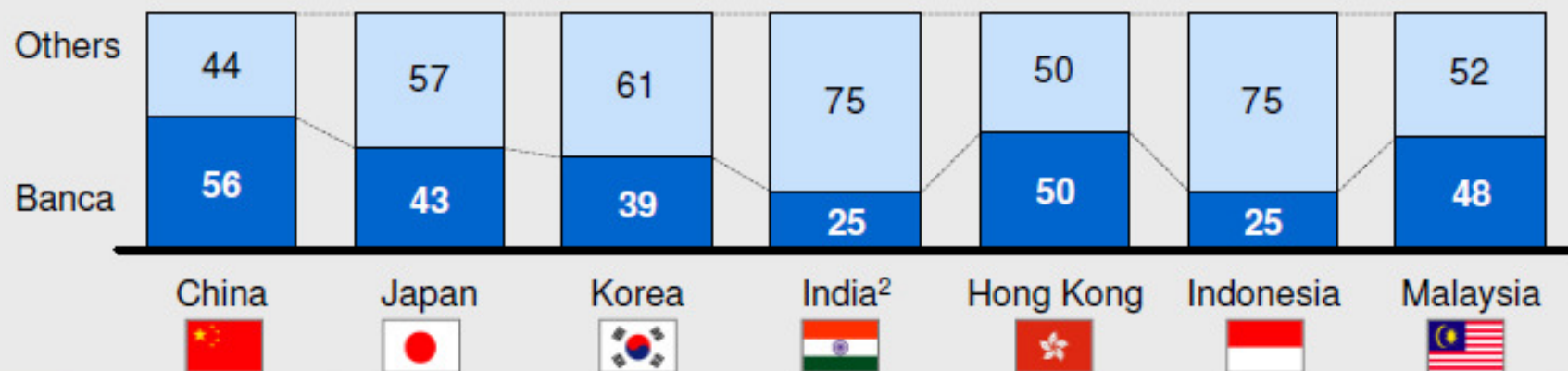
Bancassurance share across Europe (Life insurance only)

Percent of gross written premiums written; 2009



Bancassurance share across Asia

Percent of gross direct domestic premiums written; 2009



¹ Based on New business APE ² For Private sector; based on new business APE

SOURCE: McKinsey Global Insurance Pools; Regulatory agency websites; McKinsey estimates

Channel mix in India – Individual products



INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURERS FOR 2010-11 — CHANNEL WISE
(Figures in per cent)

Insurer	Individual Agents	Corporate Agents		Brokers	Direct Selling	Total Individual New Business	Referrals
		Banks	Others*				
Private	46.89	33.21	8.70	4.77	6.43	100.00	2.34
LIC #	97.45	1.81	0.59	0.04	0.11	100.00	0.23
Total	78.95	13.30	3.56	1.77	2.42	100.00	1.01

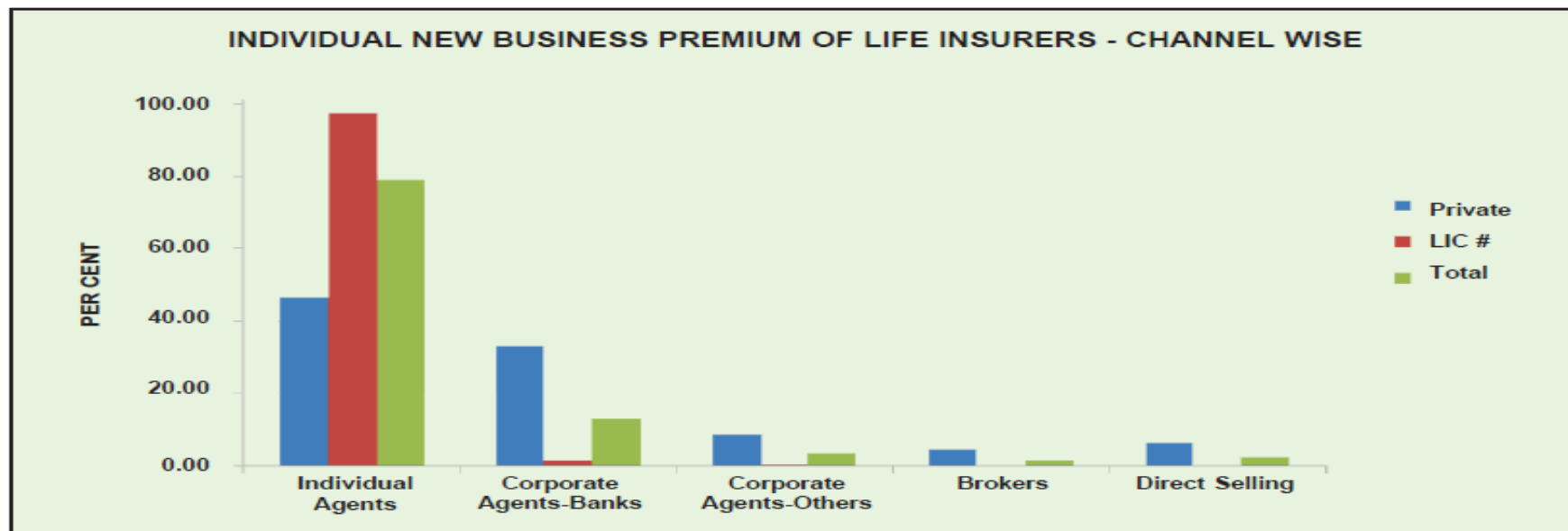
*Any entity other than banks but licensed as a corporate agent.

Does not include its overseas new business premium.

Note:

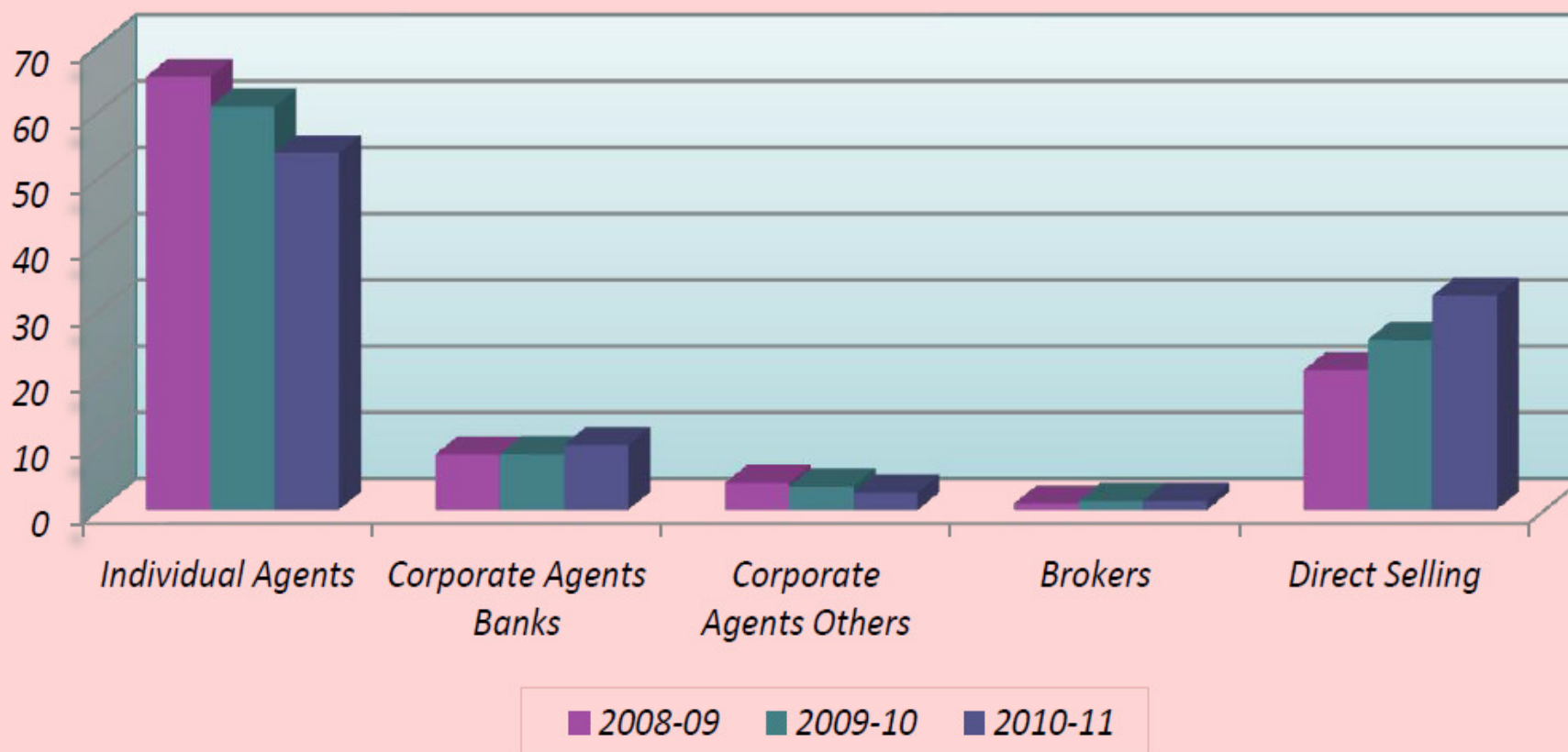
1) New business premium includes first year premium and single premium.

2) The leads obtained through referral arrangements have been included in the respective channels.



Does not include its overseas new business premiums.

Individual & Group New Business Premium Channelwise break-up in percentage [2008-2011]

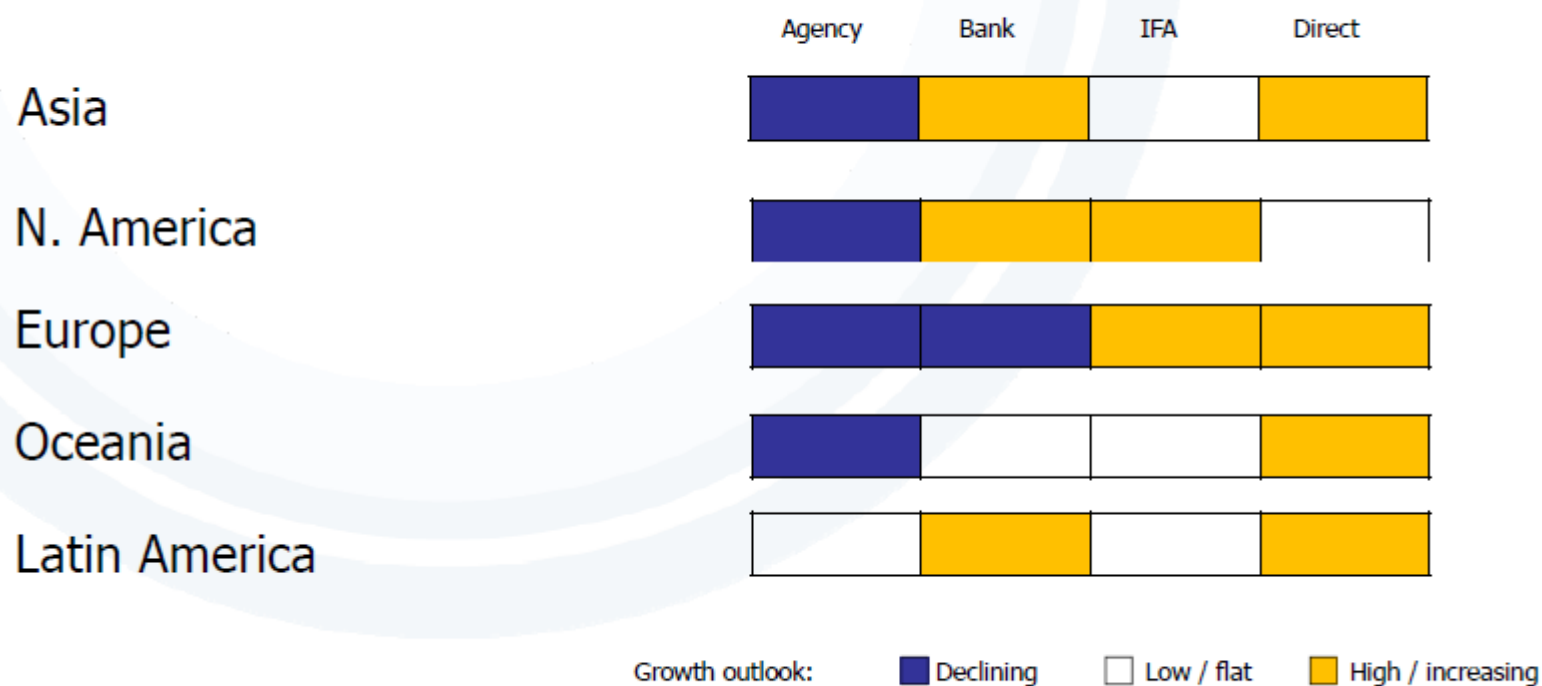


(Source: IRDA Annual Reports)

the past , present & beyond...

International distribution landscape

Channel Outlook
 (expected growth trends as a % of new business)



Source: NMG Consulting

Expected growth rates – 2010 - 2020



Forecasted Premium Growth in Life and Non-Life Insurance by Regions

	Compound Annual Growth Rate 2010 - 2020	
	LIFE	NON-LIFE
WORLD	4.2%	3.3%
EMERGING MARKETS	9.2%	6.8%
EMERGING ASIA	10.3%	9.7%

Source: Swiss Re Economic Research & Consulting

Banking scenario in India



As on March 31

Bank Group	As on March 31				
	2007	2008	2009	2010	2011
	(1)	(2)	(3)	(4)	(5)
State Bank of India and its Associates	14673	15848	16894	18186	18823
Nationalized Banks \$	37415	39235	40937	43467	45850
Public Sector Banks	52088	55083	57831	61653	64673
Old Private Sector Banks	4826	4690	4908	5221	5028
New Private Sector Banks	2598	3634	4332	5231	6973
Private Sector Banks	7424	8324	9240	10452	12001
Foreign Banks	272	279	295	310	319
Regional Rural Banks	14822	15054	15484	15740	16034
Non- Scheduled Commercial Banks	47	47	47	48	53
All Commercial Banks	74653	78787	82897	88203	93080

Source : RBI Annual Report 2010 - 2011

thanks