

BANCASSURANCE - THE EMERGING CHANNEL FOR SELLING INSURANCE PRODUCTS**Dr. S. Ramamoorthy***Associate Professor and Head, Department of Economics,
NMSS Vellaichamy Nadar College, Madurai***Abstract**

In the competitive scenario to survive and excel in the market, insurance companies are looking for newer avenues and strategies. On the distribution front Insurance companies are going beyond the traditional channel of selling their offering through agents. A couple of years ago, the only way of distribution of insurance products was through Agents. Still the agents continue to be the major distribution channel, now a number of novel unconventional channels are being used to reach consumers. Some of emerging channels are bancassurance, brokers, the internet and direct marketing. The concept "Bancassurance", which originated in France, has proved successful in several countries around the world Besides France, bancassurance has been a success in Portugal and Greece. In the UK, its is not such a success is limited as severe restrictions on what banks getting into insurance selling, bancassurance is only about decade old in the US, and is expected to be a huge success in India too.

Keywords: direct marketing, bancassurance, insurance selling, fee-based earnings, non-life insurance, Insurance Regulatory Development Authority

Bancassurance is the term given to the distribution of insurance products through the bank branches. It is not a revolutionary concept, cross selling - the strategy for using the established, entrenched distribution network for one product to market other new products is an age old practice in consumer goods marketing. Banks and insurance companies have taken a leaf out of the book of consumer goods marketers

It is a win-win-win situation; for bankers insurance distribution helps to increase the fee-based earnings to a considerable extent, for Insurance companies this helps to lower the distribution costs, for customers this helps to fill the void between them and the less known newer private insurance companies because of their well established and long cherished relationship with their bankers.

In India there are around 65000 branches of banks and approximately each branch caters to around 15000 customers. These banks possess vital information about the financial needs and savings preferences of their customers. For insurance companies this becomes an untapped and successful mode of distribution. Banks with their brand image and existing customer relationship are the best market for selling of insurance products. Research has shown that consumers trust banks more than insurance companies. It is up to the insurance companies to utilize this trust factor.

Bancassurance - Both for Life and Non Life Insurance Products

Literature on bancassurance does not differentiate if the bancassurance refers to selling of life insurance products or non-life insurance products. Accordingly, here 'bancassurance' is defined to mean banks dealing in insurance products of both life and non-life type in any forms. The following tables present the bancassurance arrangements of some life and non-life insurance companies.

Table 1 Bancassurance Arrangement of the Indian life insurance

Insurance Companies	Bancassurance Partner
Allianz Bajaj	Standard Chartered Bank
Birla Sun Life	Citibank
Dabur Cgu	Canara Bank, Lakshmi Vilas Balkan ABN Amro Bank And American Express Bank
HDFC Standard Life	Union Bank/Indian Bank
ICICI Prudential Life	ICICI Bank
ING Vysya Life	Vysya Bank
LIC	Corporation Bank, Oriental Bank of Commerce, Indian Overseas Bank
Met Life	J & K Bank
SBI Cardiff Life Insurance	SBI
Tata AIG Life Insurance	Citibank

Table - II Bancassurance arrangement of the Indian non-life Insurance

Bajaj allianz	Karur Vysya Bank, Punjab & Sind Bank
Royal sundaram allianz	Citi Bank, Standard chartered Bank
ICICI Lombard	ICICI Bank, Centurion Bank, ABN amro
United India Insurance co.	Andhra Bank, Indian Overseas Bank, syndicate Bank
National Insurance co.	Allahabad Bank, Bank of India, vijaya Bank
The New India Assurance co.	Catholic Syrian Bank, Union Bank of India, Central Bank of India
Reliance General Insurance	Development Credit Bank, UCO Bank

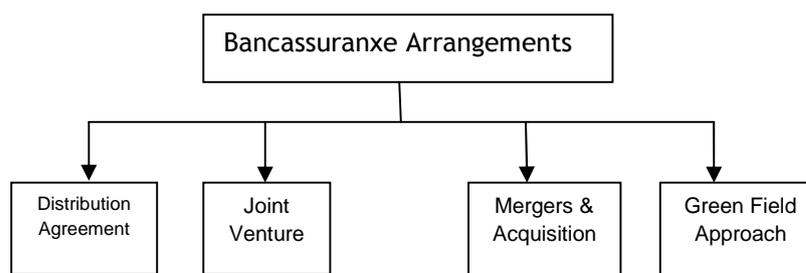
Regulatory Issues

The regulator of insurance sector Insurance Regulatory Development Authority, permitted Indian banks to sell insurance policies on 2002. Cross selling is the name of the game. It is not a revolutionary concept, cross selling - the strategy for using the established, entrenched distribution network for one product to market other new products is an age old practice in consumer goods marketing. Banks have taken a leaf out of the book of consumer goods marketers (V.V. Ravikumar 2006)

The Modus operandi

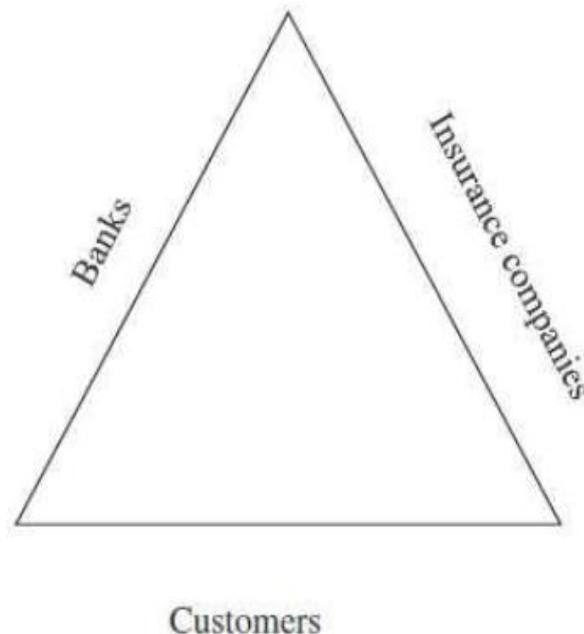
The modus operandi is either through commission basis or through joint ventures between insurance companies and banks. Bancassurance appears to be a win-win-win game, benefiting bankers, insurance companies and the customer.

Bancassurance can be done through four different arrangements (Vineet Aggarwal, 2004).



In distribution agreement bank signs a distribution agreement with an insurance company, and according the agreement the bank will act as the appointed representative of the insurance company. The investment to be made by bank for this distribution arrangement by the bank is low. In case of joint venture, a new company is floated by an existing bank and insurance company to sell insurance products. In merger and acquisition a bank acquires an insurance company or an insurance company acquires a bank. In green field approach, a bank or group of banks start an insurance company from the scratch.

SBI Life Insurance Company is the first private life insurance company to break even since privatization. Bancassurance has been cost-effective and helped the company make profits for the first time. SBI Life products are now being sold in over 6,500 branches of the State Bank Group - around 1,500 branches are selling individual policies and another 5,000 group products. Bancassurance is SBI Life Insurance Company's key distribution channel, contributing over 43 per cent to the total premium, at Rs 470 crore for the financial year ended March 31, 2006. This year the company plans to increase that to 50 per cent. (Radhika Menon, 2006)

Win - Win - Win Triangle**Triangle - the banker's side**

These banks possess vital information about the financial needs and savings preferences of their customers. Banks with their brand image and existing customer relationship are the best market for selling of insurance products. Research has shown that consumers trust banks more than insurance companies. Insurance distribution helps to increase the fee-based earnings of banks to a considerable extent.

Triangle - the Insurance Company's side

There are 32600 bank branches in rural india and Indian banks have immense reach to households. In total of there are around 65700 branches of commercial banks, each branch serving an average of 15,000 people. Hence, it is an effective alternate channel to distribute insurance products either as 'stand-alone insurance products' or 'add-ons to the bank products. Bancassurance helps to lower the distribution costs of insurers.

Triangle - the Customer's side

The void between the less known newer private insurance companies and the prospective insured could be comfortably filled by the banks because of their well

established and long cherished relationship. It is like a one stop shop - 'financial super market'

Bancassurance: Challenges in the Indian context

But the future of bancassurance in India depends on how banks and insurance companies are able to face the following challenges.

- Creating an environment of top level involvement of bank management. Bringing relevance, motivation and skill development at the operating level at bank branches.
- Setting up distribution procedures consistent with the manual systems in most banks.
- Establishing credible service level agreements between the bank and the insurer.

Conclusion

The success of this emerging channel for distributing insurance products depends on the commitment from top management of banks and operating staffs in banks. Proper training needs to be given to operating staffs who sell these products. The existing Information Technology systems need to be aligned with bancassurance.

References

1. Ravikumar V.V (2006) "Bancassurance in India", *Insurance Chronicle The ICFAI University Press*, April 2006, pp 34-37.
2. Vineet Aggarwal, (2004) "Bancassurance concept, framework & implementation", *The Journal of Insurance Institute of India* Vol. Xxx July - December 2004 pp 34-51.
3. Radhika Menon (2006) Bancassurance model pays off for SBI Life *The Hindu Business Line* Monday, Aug 07, 2006.
4. Ramaabannu and Elakkiya, (2014) "Bancassurance - an emerging scenario in Indian Insurance Sector" *TRACT- International Journal of Commerce, Business and Management* Vol.3, No.3, pp. 402-406.