Marketing & Distribution Channels in Bancassurance

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Issues Involved in Distribution

- Distribution Models – which & why
- Distribution Strategy – driven by markets and Channels
- Value Drivers – fundamental to success
- Products – Manufacturing, Product Profile
- Regulatory
Bancassurance Distribution

Channels

Strategy

Product

Technology
Distribution Channels

• Insurance Company’s Channels
• Bank’s Channels
• Bancassurer’s Channels - New
Distribution Channels

Insurance Company’s Channels
– Career Agents
– Salaried Agents
– Corporate Marketing
– Brokers
– Managing Agents
– Direct Response
– Call Centres
Distribution Channels

Bank’s Channels
- Direct Response  [ Common with Insurers
- Call Centres  
- Sales Representatives
Distribution Channels

Bancassurer’s Channels - New
- Corporate Agencies
- Platform Bankers
- Special Advisors or Financial Advisors
- Direct response ] Common with Insurance
- Call Centres ] and Banks
- Internet
- E-Brokerage
- Outside Lead Generating Techniques
Career Agents

- Full time & commission based
- Agency contract
- Independent
- Non-exclusive
- High customer service – renewals
- Productive & cost effective
- Training required
Salaried Agents

- Salaried employees of insurers / bancassurers
- Under control & supervision
- Same mission & objectives
- Incentives over salary
- Simple products
- Lack motivation
Corporate Marketing

- Separate unit
- Few people
- Big houses – high turnover
- Cost effective
- Complex products only
- Personalised
- Brand equity
Brokers

- Licensed & independent
- Represent Clients
- Professional expertise
  - UW, Claims, RM
- Multiple options
- All kinds of products
- Low premium – high commission
Managing Agents

- Authority delegated
- Bound by agreement
- Financial & U/W powers
- All kinds of products
- Quality Vs. quantity
Direct Response

• No face to face contact
• Advertisements
• Mailing
• Simple or packaged products – Term Life
• Less servicing
• Low cost / low margin
Call Centres

• New for insurance companies but old for banks
• CRM
  – Delivery of product
  – Customer service
  – Customer survey
  – Grievance redressal
• High investment / High return
Corporate Agency

- Co-operate or set up
- Cooperation – USA
- Setting up – Japan, S. Korea
- Availability of specialists
- All kinds of products
- They employ agents, specialists
Platform Bankers

- Bank employees
- Front desk spotters
  - Teller or personal banking assistant
- Refer to appropriate representative
  - From bank or insurance partner
- Simple products
- Part time activity
- Active vs. passive platform bankers
Special Advisors or Financial Advisors

- Insurance or Bank employees
- Highly skilled – insurance, banking or investment products
- Complex products – bank referrals
- Affluent Clients
- Salary & incentive
Internet

• Information float reduced
• Internet banking
• Dynamic / interactive
• Complete information online
• Smooth underwriting experience
• Link to insurer
• CRM
E-Brokerage

- Latest trend
  (www.einsuranceprofessional.com/online.htm)
- Like brokers but instant delivery
- Open or acquire
- Advantages
  - Strong brands
  - Easy distribution
Outside Lead Generation

• Seminars
  – Focused gathering, e.g., local Chamber of Commerce
  – On topical issues
  – Long term care products

• Sponsorships
  – Banners
  – Brochures

• Trade Shows
Distribution Models

- Integrative or generalist Model
- Specialist Model
- Financial Planning Model
Integrative / Generalist Model

• Through existing bank channels
• Bankers themselves sell – Europe
  – Branch network
  – Platform bankers
  – Traditional methods
• One stop banking
• Extensive training to staff
• Protection component – risk retention
Specialist Model

- Through product experts, e.g. insurance, banking, investment
- Representatives of Insurer or banker
- Initiated by platform bankers
- Less training
- Higher compensation
- Lengthens the sale process
Financial Planning Model

• Team approach
  – Channels adjusted as per strategy
  – Profit sharing
  – Identifies Client’s risk life cycle

• Full financial planning package
  – Saving
  – Risks
  – Investments

• Identify “life triggers” – milestone in life

• Example Lloyds TSB – generalist & specialist both
Key Value Drivers

- Brand Equity
- Distribution
- Technology
- Culture
Brand Equity

• Leverage bank’s brand equity
• Bankers Vs insurance agents
  – Objectivity of advise
  – Product knowledge
• Lloyds TSB – own brand till recently – re-branding with Scottish Widow
• Halifax - own brand name – Clerical Medical
• Abbey National - own brand name – Scottish Mutual
Distribution

- Objectives
  - All segments of bank population should be served
  - Single shop for all financial requirements
  - Utilise / optimise the existing platforms
  - Take advantage of multiple sales opportunity
  - Strive for Congruence between product characteristic and channel

- Marginal cost of adding one more customer becomes negligible
Technology

• Exploit customer information
  – Uncover sales opportunity
  – Transactional simplicity
• Behavioral information
  – Buying habits
  – Economic status
  – Money management practices
• Example – Amazon.com
Culture

• Acknowledges the conflict between bank & insurance company

• Manage the conflict
  – Commitment from top
  – Equity stake
  – Incentives
  – Common Vision & Mission
Distribution Strategies in Developing Economies

- Success of Europe is no guarantee
  - Welfare state
  - Value system
  - Demographic
  - Regulatory

- Develop unique strategy and products attuned to
  - Local customers
  - Distribution capabilities of the bank

- Perpetuating agency channel

- Middle & lower income segment
Product Complexity Vs. Distribution Channels – Slide 1

Product Complexity

Special Advisors

In-house Specialists

Platform Banking
Career Agents

Direct Response
Direct Mail
Telemarketing
Internet

Distribution Channels
India – a case study

- Population – 1 billion
- Premium : $6 billion + $2.5 billion
- Life Premium is only 2% of GDP
- 0.43% world market share – life
- 0.25% - non-life
- Premium per capita – $8.5
- Growth rate – 16% for last 5 years
- Insurance branches (GIC-5200+LIC-2000)
- Banks branches – 50,000
- Only 8% population covered
India – a case study

- Royal Sundaram Alliance Ins. Co.: ABN, A.Exp., Citi, Std. & Chart.
- OM Kotak Mahindra Life (Old Mutual Plc. Of UK)
- Tata-AIG: HSBC as corporate Agent
- SBI Life: Cardiff / BNP Paribas
- ING Vysya Life Insurance (advisors+branch)
- Dabur CGU: Lakshmi Vilas Bank
- ICICI Prudential Life
- LIC: Corporation Bank & other banks
- Metlife India Insurance Company – J&K Bank
- Birla Sunlife Ins. Co.: Citibank
- Bajaj Allianz
- Max New York Life
- IFFCO Tokyo Gen. Ins Co. Ltd.
- HDFC Std. Life Insurance Co.
India – a case study

• Creation itself as bancassurance companies, e.g. SBI Life, ING Vysya Life, ICICI Prudential, etc.
• Distribution and manufacturing - both
• Potential in rural areas, untapped
• Focus on Non-life market equally
• Channels employed
  – Branch
  – Corporate agents
  – Special advisors
  – Agency force
Trends in Distribution

• Focus from Life to Property Products
• Insurers striking back - A. M. Best’s Report
  – Increased focus on internet as dist channel
  – 64% P&C carrier & 48% Life companies
• PWC % Economic Intelligence Unit Survey 2001
  – E-business spending will be doubled in next 3 yrs
  – 153 companies including Europe, Americas & Asia Pacific
• Back to distribution (against manufacturing)
• Privacy of information
• M&A will continue – Allianz AG & Dresdner Bank
Finally

“Insurers will intensify their quest for more cost-efficient distribution channels. Aided by the scrapping of regulatory obstacles, bancassurance is likely to gain prominence. Internet distribution will continue to be explored, but the focus is expected to be on the enhancement rather than the disintermediation of traditional agency channels.”

Sigma Report by Swiss Re
Thank You!