

Best practices & Challenges in bancassurance

Maximizing the Profits

Manoj Kumar, Chartered Insurer

ACII (UK), CPCU (USA), ARe (USA), ARM (USA), FIII (India). MBA

Email: manoj@einsuranceprofessional.com

Agenda

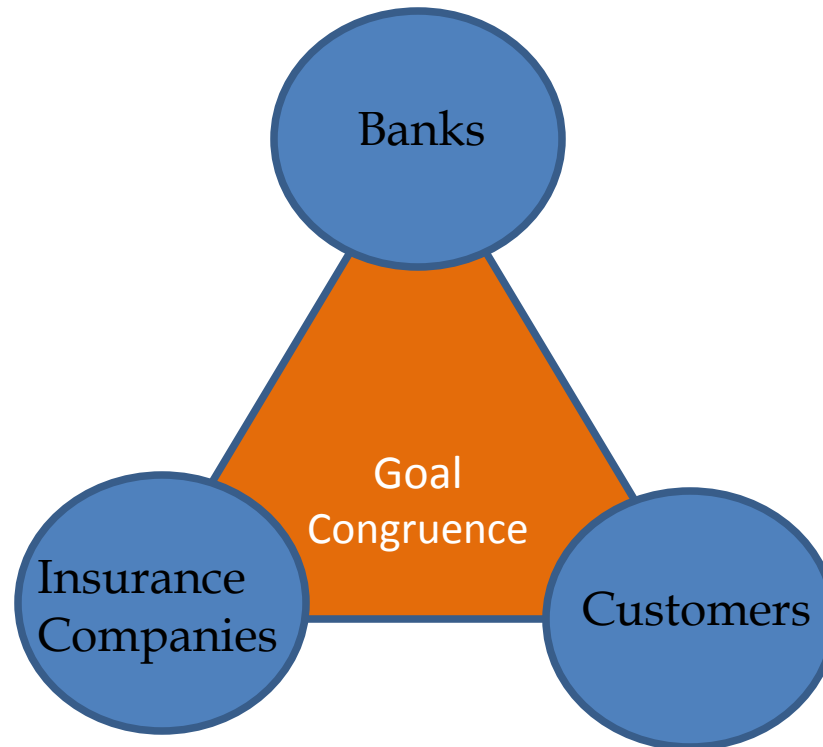
- ▣ Best Practices in Bancassurance
- ▣ Types of Agreements
- ▣ Unlocking the Hidden Profit
- ▣ Product Mix in a Bancassurance Partnership
- ▣ Entry – Threats & Opportunities
- ▣ Strategic Advantages for Banks
- ▣ Challenges Ahead

Best Practices in Bancassurance

What is it?

How do we achieve it?

Pillars of Bancassurance



Best Practices in Bancassurance

It is achieved by the following:

- Goal Congruence
 - Right Partnership
 - Product Mix
 - Distribution Mix
- Innovation
- Customer Empowerment
 - Choice
 - Convenience

Types of Agreements

- ▣ Distribution Agreement
- ▣ Marketing Agreement
- ▣ Product Development & Support
- ▣ Marketing Outsourcing

Types of Agreements

▣ Distribution Agreement

- Exclusive, Non-Exclusive
- Features:
 - Standard Products
 - Standard Distribution Channels
- Focus on Market Penetration
- Simple Products – PA, Home, Travel, Car, etc.
- Lower Commission Levels

Types of Agreement

▣ Marketing Agreement

- Focus on marketing / sales
- Selective products
- Joint marketing
 - Platform banking
 - Direct sales
- Complex products
 - Life, Investment, Pension, etc.
 - Commercial Line Products
- Higher Commission Levels

Types of Agreement

▣ Product Specific Agreement

- Specific Product – tailored
- Exclusive
- Long term
- Value addition from the bank

Types of Agreement

- ▣ Marketing Outsourcing
 - Call Center Outsourcing
 - Sales Team Outsourcing

Unlocking the Profits

▣ Untapped Resources within Banks

- Trade Finance
- Corporate Lending
- Retail
 - Cards
 - Accounts
 - Deposits
 - Personal Loans
 - Mortgage Loans
- Investment Banking – Mutual Funds, Bonds

Product Mix

- ▣ Depends on the following factors:
 - Bancassurance Life Cycle
 - Early, Youth, Matured
 - Customer Segment
 - Retail, Corporate
 - Customer Profile
 - Age, Wealth, Socio-economic Background
 - Distribution Channels
 - DM, CC, Branch Network, Direct Sales

Product Mix

Segment-wise Product Mix

▣ Retail Customers

- Homeowners'
- Motor
- Travel
- Medical
- Investment Products

▣ Corporate Customers

- Fire
- Engineering
- Marine

Product Mix

Products as per Bancassurance Life Cycle

▣ Early Stage: PA, Home, Travel, Car

▣ Youth Stage:

- Child Education
- Pension Plans
- Growth Plans

▣ Matured Stage:

- Bonds
- Mutual Funds

■ Structured Products

Product Matrix

Type of Products	Bancassurance Life Cycle		
	Early	Youth	Mature
Simple Products	√	√	√
Complex Products		√	√
Structured Products			√

Threats & Opportunities

▣ Threats – Entering into Bancassurance

- Heavy Investment into IT and Manpower
- Conflict with Core Banking Products
- Service Issues – Reputational Risk
- Mis-Selling
- Changing Goal Post for the Banks

Threats & Opportunities

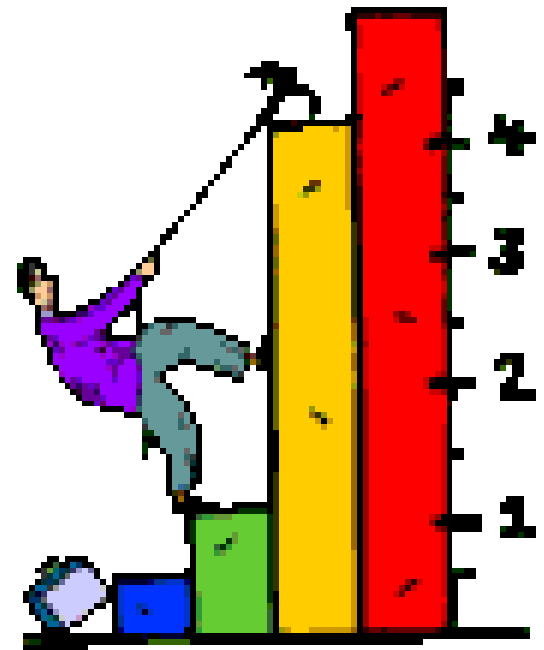
▣ Opportunities – Entering into Bancassurance

- Fee Income
- One-Stop Shop
- Customer Retention
- Customer Acquisition
- Diversification of Risk
- Gateway to Risk Taking – Creating an Insurance Subsidiary

Strategic Factors for Banks

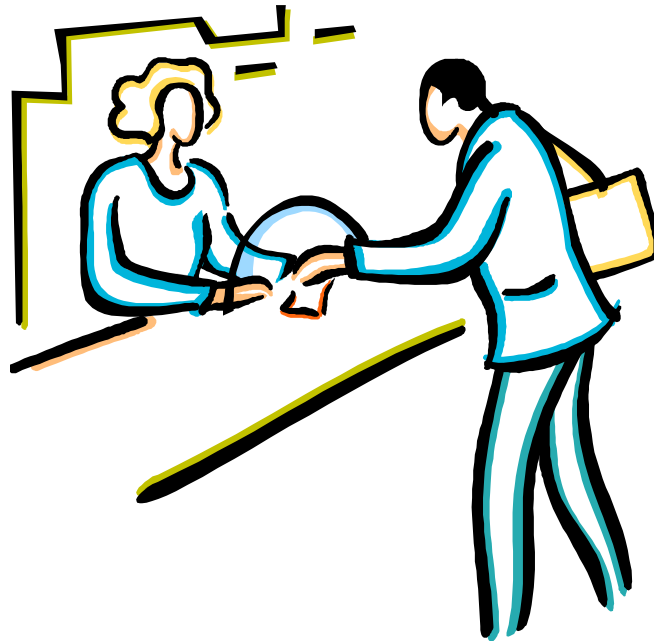
- ▣ Closer to Customers
- ▣ Long Term Relationship
- ▣ Known Spending Pattern
- ▣ Convenience
- ▣ Easier Communication
- ▣ Generally better equipped IT
- ▣ Distribution Network – Better Spread

Challenges Ahead!



Challenges Ahead

From a Banker



Challenges Ahead

To become a Financial Consultant



Challenges Ahead

From a Seller



Challenges Ahead

To a Marketer



Challenges Ahead

From a Broker



Challenges Ahead

To Risk Taker (Insurance Company)



