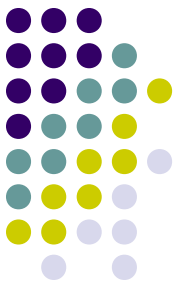




● **Bancassurance**

**Khurram Nasim Ghuman
Deputy Executive Director
EFU General Insurance Limited
Head Office**



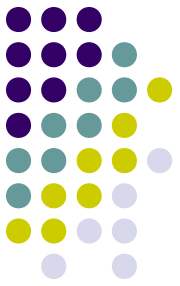
• **Definition of Bancassurance**

- **Ba is the selling of insurance products**
- **through a bank's distribution channels to**
- **bank's customers**

- **It is a French term**
- **Bank Assurance, Bank Insurance,**
- **Assure Banking are used interchangeably**

- **Alfinanz, Universal Banking and One Stop**

• Is this only Bancassurance?



- Selling of insurance products through banks.

•Bank Insurance “Interdependence” ?

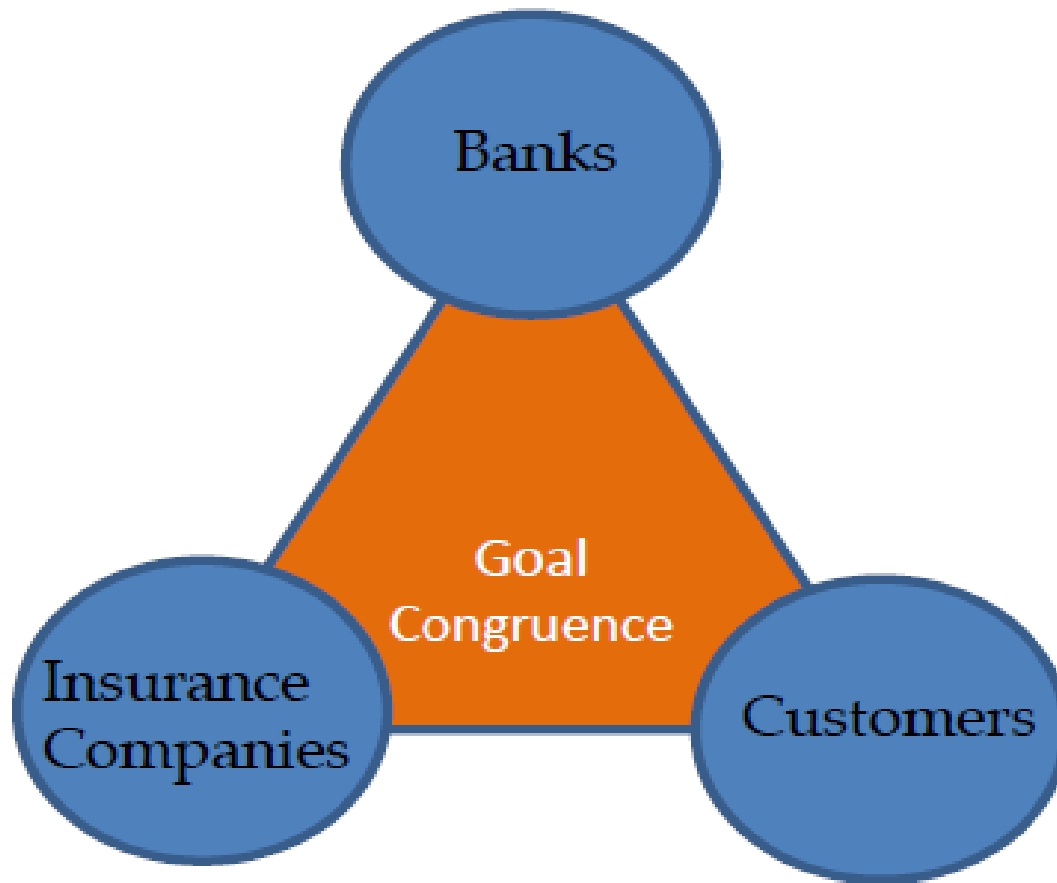
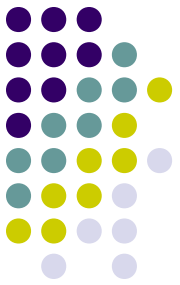


- How
- Risk
- Integration
- Channel
- Return



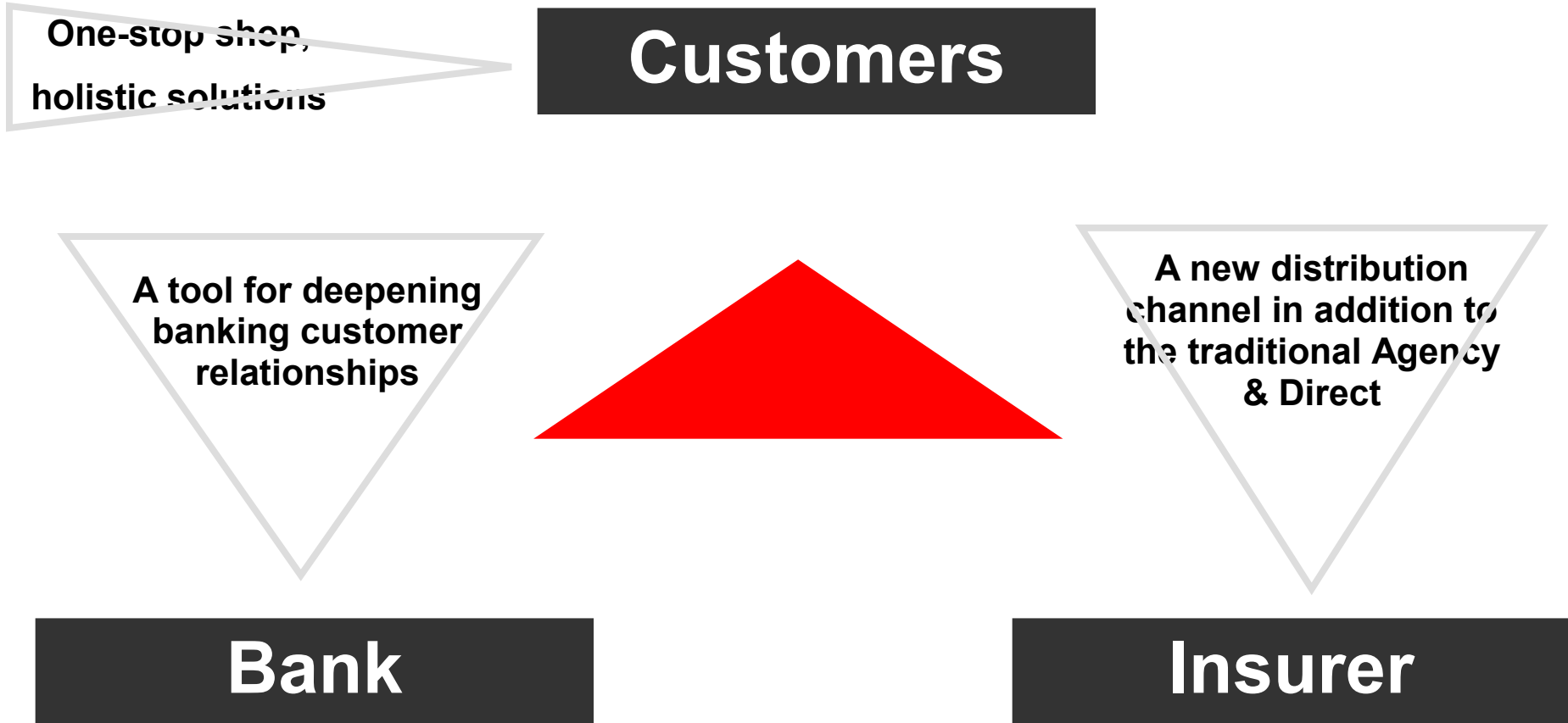
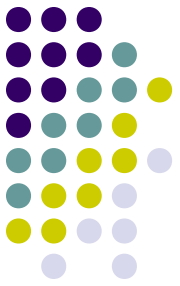
- Why
- Investment
- Product
- Diversification

• Pillars of Bancassurance



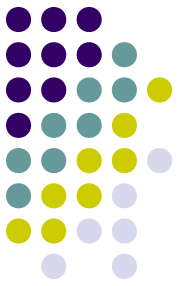
•Meeting Stakeholders Needs

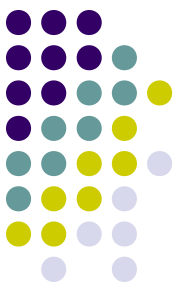
- A three-way all-win solution
- Maximising business performance and potential



• Bancassurance – Active Territories

1. Thailand
2. Philippines
3. India
4. North America
5. **Europe**
6. Japan
7. China
8. Hong Kong
9. Taiwan
10. Australia
11. Singapore
12. Malaysia

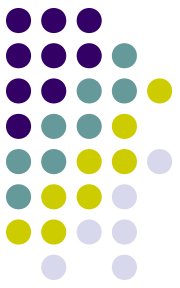




● Economics of Bancassurance

- “Economics is the social science that studies the production, distribution and consumption of goods and services”. -- Wikipedia
- Bancassurance:
 - Production – product development, product procurement or product bundling
 - Distribution – marketing and distribution channels
 - Consumption – purchase of service (insurance) out of savings or borrowed funds. This leads to insurance sales by banks.

• Evolution of Bancassurance Sales



- Passive Bancassurance

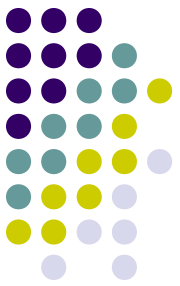
Passive Bancassurance refers to the sale of insurance products bundled with other core banking products

- Active Bancassurance

Active Bancassurance refers to the active sale of insurance products by banks. Such products may not be linked to the sale of core banking products

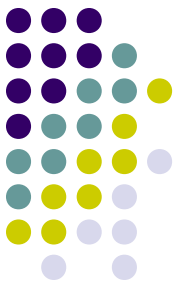
- Migration from Passive to Active Bancassurance





● Passive Bancassurance

- Key features:
 - Nil sales effort
 - No marketing cost
 - Mass distribution
 - Little or no choice
- Examples:
 - Depositors' Insurance
 - Credit Shield
 - Credit Life



● Active Bancassurance

- Key Features:

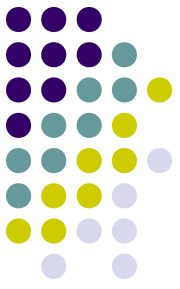


- Active Sale – Tele sales, meetings, Direct Mailers, etc.
- Related as well as unrelated products
 - Related – car insurance with car loan
 - Unrelated – Travel Insurance or Life Insurance

- Key Products:

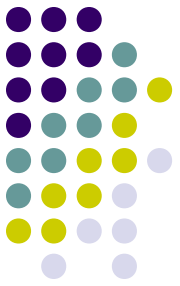
- Personal Line simple products – Term Life, Home, Car, Travel
- Commercial Line Products
- Personal Line complex products – unit linked investment products

•Reasons for bank to enter into BA



1. Intense competition
 - a. Increase income generation.
 - b. Staff productivity.
1. Customer preference to look for higher return. From deposits to insurance products.
2. Quality of client's information is more with the banks than other distributors i.e. insurer.
3. Joint bank & insurance products can be more beneficial than standalone bank products

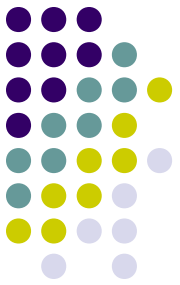
•Reasons for bank to enter into BA



5. Customer loyalty enhancement.

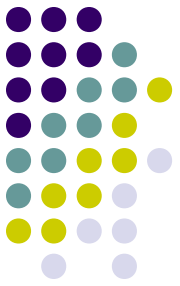
As the number of products that a Customer purchases from an organization increases the chance of losing that customer to a Competitor decreases.





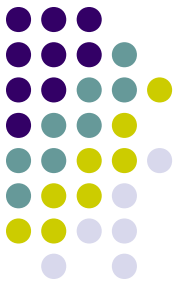
● Benefits of BA to Insurer

1. Source of new business.
 - a. Virgin territory
Geographically,
Demographically,
1. Products not otherwise feasible to offer.



• **Benefits of BA to Insurer**

- **Personal Insurance - sky is the limit**
- **Lesser Procurement Cost**
- **Known customer and therefore risk assessment is easier**
- **Increase in turnover**
- **Increase in Market Penetration**
- **Access to middle market segment**



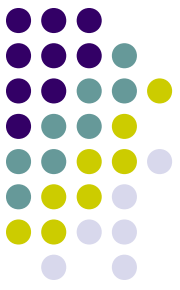
● **Benefits of BA to Customer**

- **Lower cost**
- **Refined, high quality product**
- **Double Assurance**
- **Delivery at doorsteps**
- **Convenience in payment**
- **Easy & Automatic renewals**



● Why Customers Like BA

1. Prefer dealing with banks – more trust.
2. Insurance looks more attractive when offered by banks.
3. Lower premiums.
4. Customer convenience: one stop shop.



•Potential Benefits to All

- Bank

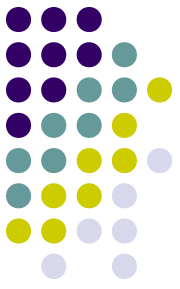
- Fee Income
- Strengthen long term client relationship
- Competitive pressures

- Insurance Company

- Leverage on bank customer relationship
- Higher “hit rate” and therefore lower acquisition cost
- Low cost collection mechanism

- Customer

- Better Value Products
- “One Stop Shop”

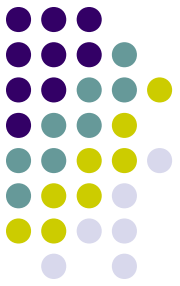


• **Determinants of BA**

- **Demographic profile of the population –**
- **type of products**

- **Economic condition of the masses -**
- **turnover, market share**

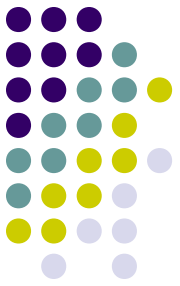
- **Legislative Climate - regulatory**
- **issues**



• **Bank's Distribution Channels**

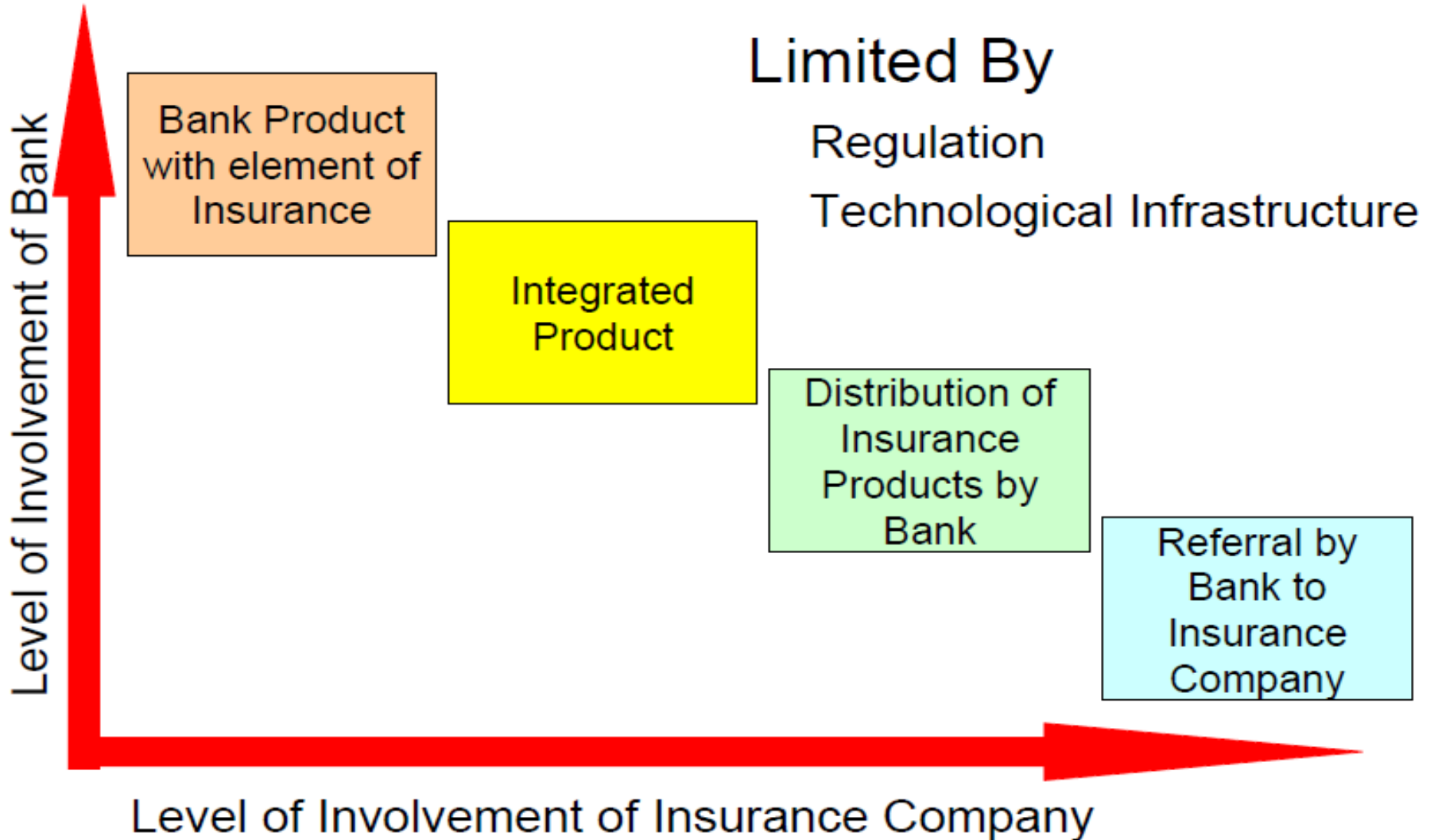
- **Branch network**
- **Tele banking**
- **Statement inserts**
- **Direct mail**
- **ATMs**
- **Plastic Cards**
- **E-Banking**

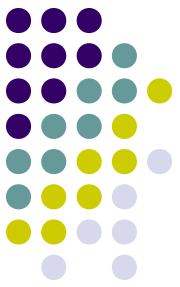
•Ways of Entering into Bancassurance



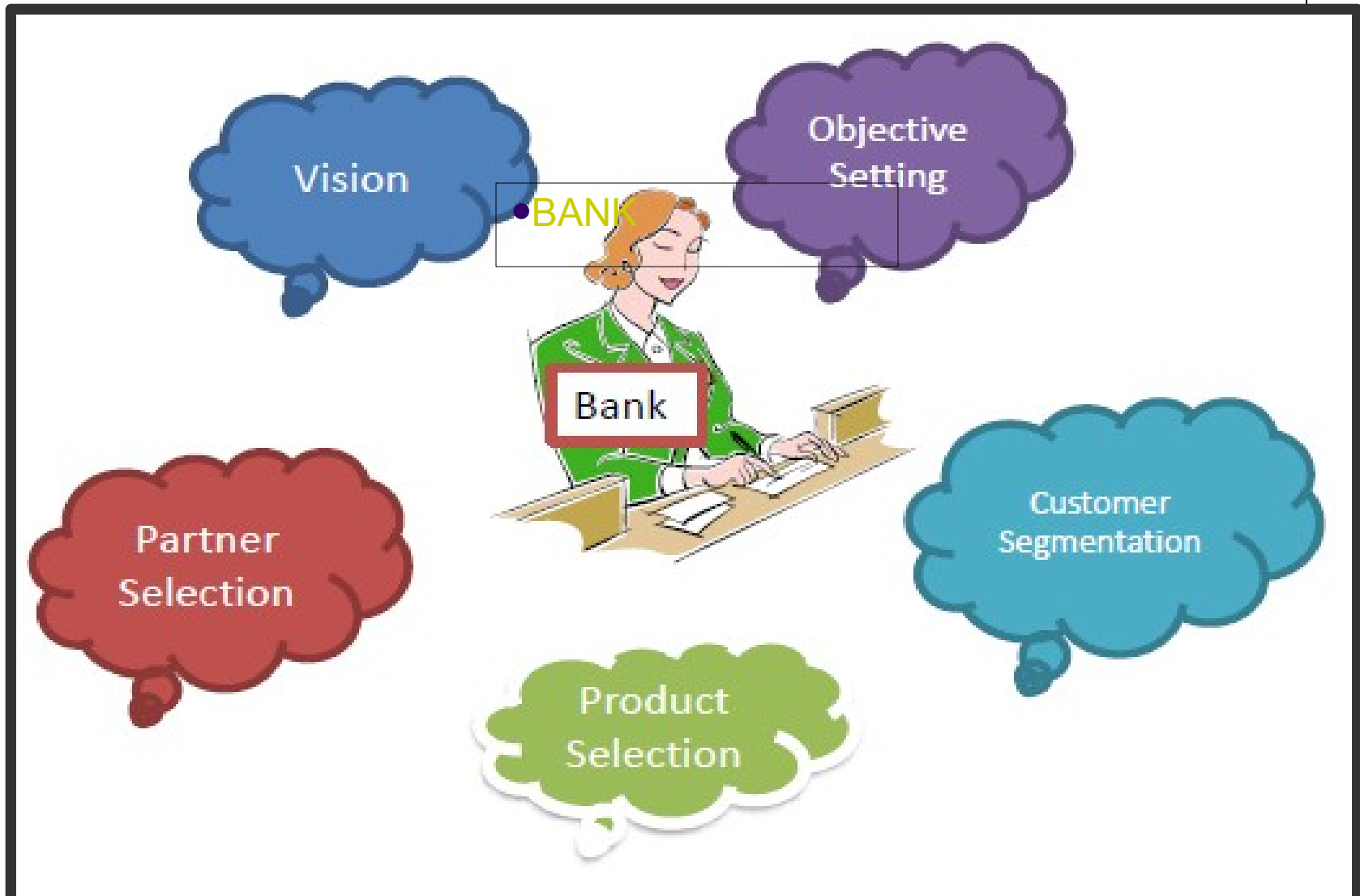
1. One party distribution channel.
2. Bank and Insurer to sign distribution agreement and bank acting as a representative.
3. Cross share-holdings between bank and insurer.
4. A bank wholly or partially acquires an insurance company.
5. Bank to create a new insurance company and owns it 100%.

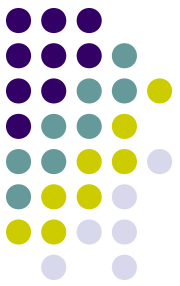
• Business Models





•Partner Selection Process



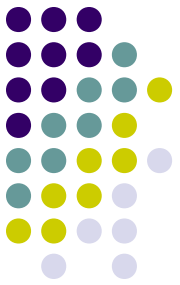


•Partner Selection Matrix

Simplified Version

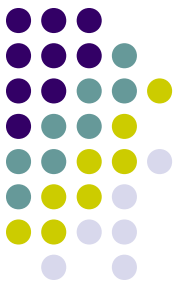
Attributes	Partner 1	Partner 2
Brand Image	3	2
Product Basket	2	4
Exclusivity	5	5
Agreement Period	3	2
Commission Structure	3	4
Response Time / SLA	4	4
IT / Logistics / MIS Support	3	4
Marketing Support	4	3
Profit Sharing	3	4
Total	30	32

Note: marking on a scale of 1 (low) to 5 (high)



•The Ideal Partner

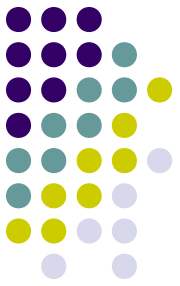
- For Insurance Companies
 - Bank with a substantial customer base
 - Good brand equity
 - Long term commitment
 - Ready to commit resources
 - IT Solutions
 - Marketing
 - Exclusivity



•The Ideal Partner

- For Banks
 - Reputed Insurer
 - Creativity / Product Innovation
 - Product exclusivity
 - Long term commitment
 - Ready to commit resources
 - High commission

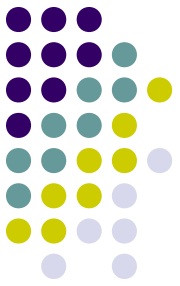
•Cross-Industry Penetration HOW ?



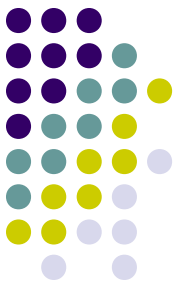
- Strategic Planning
 - Recognizing customer needs
 - Market segmentation & clustering
 - Strategic positioning
 - Product line & pricing strategy
 - Promotional Strategy
 - IT support
 - Distribution
 - Training of employees
 - Incentive structure

•Why Regulators normally encourage BA

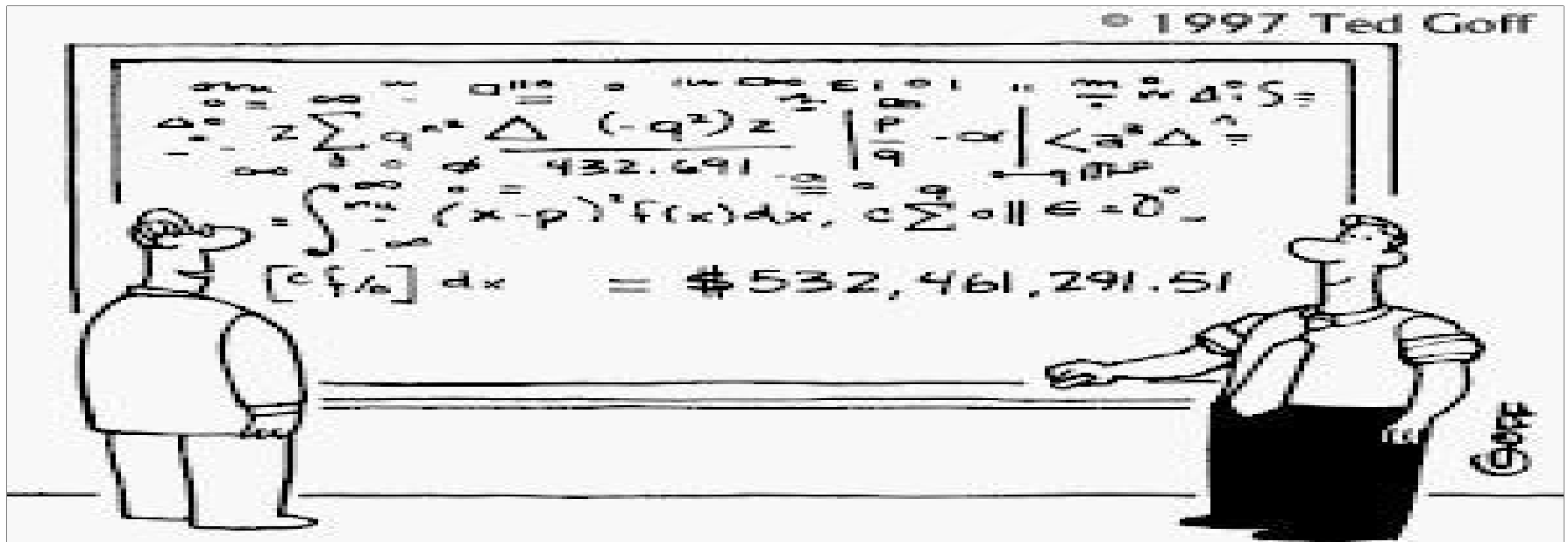
1. Due to huge success in Europe; France, Spain, Portugal.
2. Cost effective to customers.
3. To encourage insurers to diversify the channel.
4. More choices to customers.



• Cross-Industry Penetration Interdependence: Synergy Effects



Bank and Insurance should coordinate,
compromise and be flexible whilst focussing on



"Now that's what I call a breakthrough!"

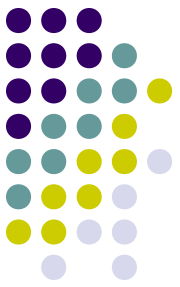
•Cross-Industry Penetration Problems & Solutions



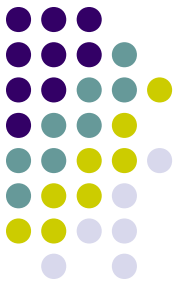
- Problem: Limited insurance awareness and competition between banking and insurance products stemming from rivalry between both entities management
- Solutions: Education
 - 1 - Brochures
 - 2 - Publicise claim payments
 - 3 - Promotion (media, stands)
 - 4 - Training to bank staff
 - 5 - Cultural integration
 - 6 - Organisational commitment

•Products

Success Factors

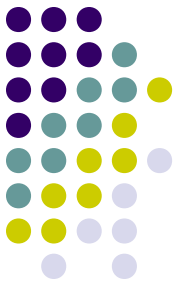


- Which requirements should an insurance product fulfil to be sold successfully via bank counters ?
 - Product should be easy to sell
 - Product can be bundled with a bank product
 - Product complements a bank product
 - Product create added value
 - Respond to market environment and customer needs
 - Product providing adequate compensation for “staff”



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

• Best Practices In Bancassurance



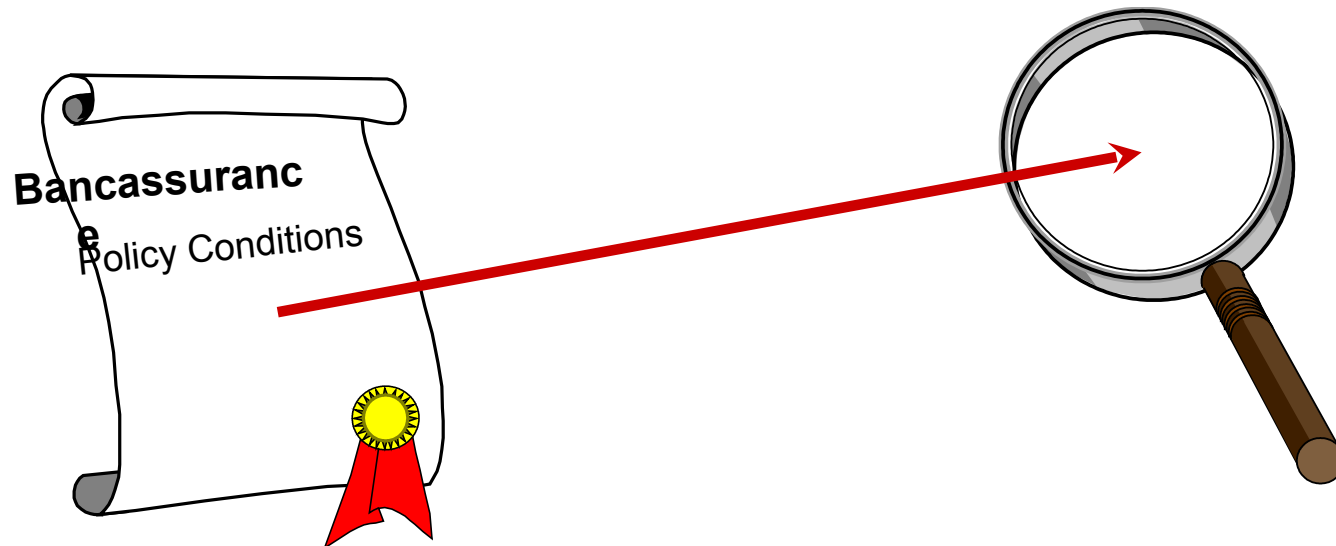
It is achieved by the following:

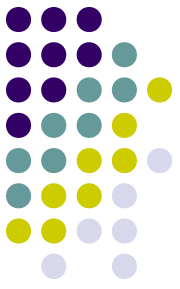
- Goal Congruence
 - Right Partnership
 - Product Mix
 - Distribution Mix
- Innovation
- Customer Empowerment
 - Choice
 - Convenience

•Products Recommendations



- Design Bancassurance products for a clearly defined target group
 - Identification of interesting target groups by analyzing the bank's client database





●BA Key Success Factors

- Commitment by top bank management
- Cannot be driven by insurance company without it.
- Well coordinated operations between bank and insurance company and between various functions
- in each entity
- Product design responsive to customer needs
- Good value always helps
- Assigning proper incentives to key personnel in

• Non-Life Bancassurance in Pakistan

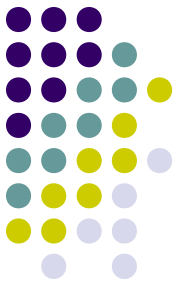


- At its infancy...
- Limited products
- Do A SWOT analysis and see how much
- potential we have.

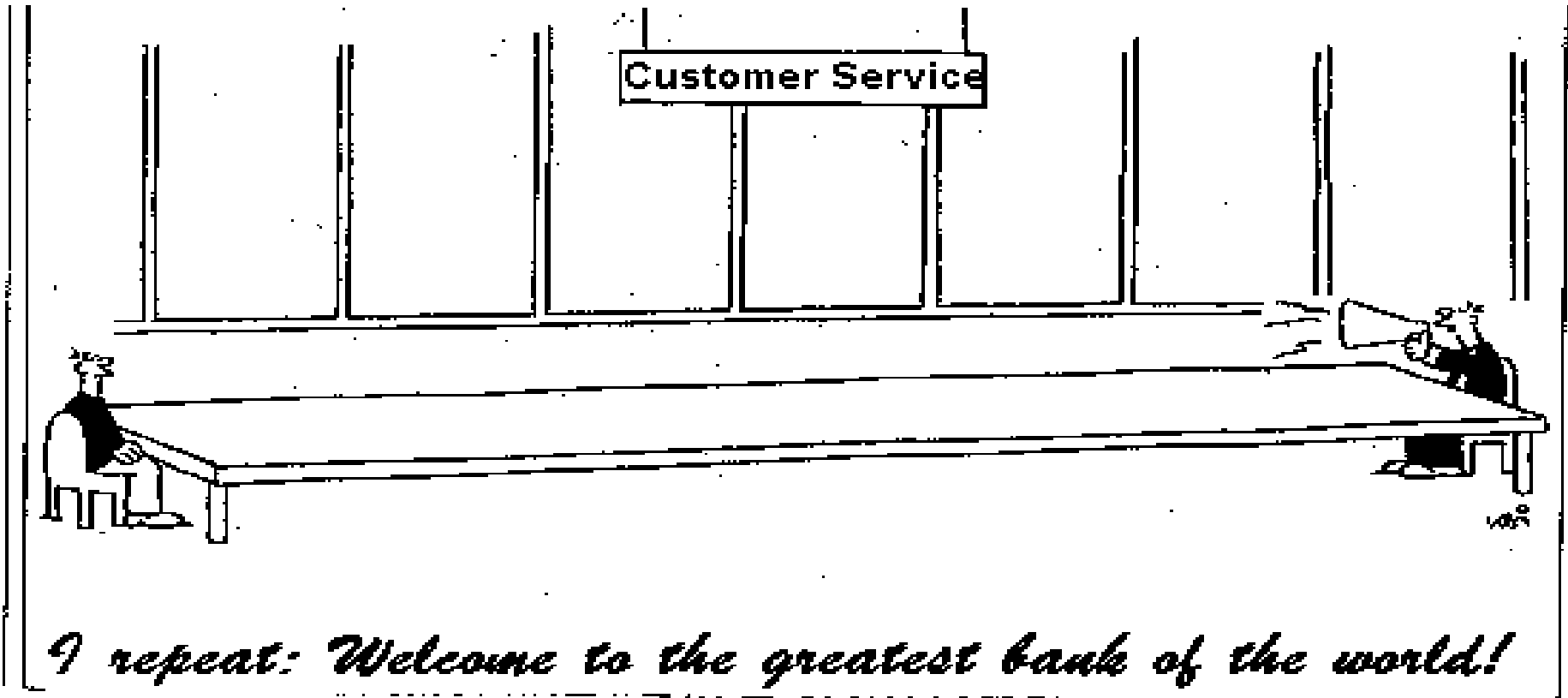
•Some non-life insurance products

- Personal Accident
- ATM Cash Withdrawal Insurance
- Home Insurance
- Travel Insurance

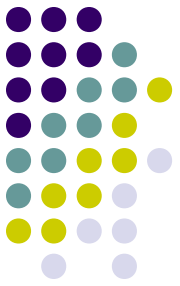




We need to find a balance between innovation and optimization & INTEGRATE our services and know-how so we eliminate the following

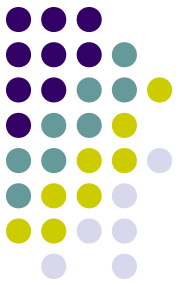


I repeat: Welcome to the greatest bank of the world!



● Conclusion

- Area of enormous potential
- Needs to be focused on by both banks and insurers.
- Possibly the key to increasing insurance penetration in Pakistan.



● **Thank You!!!**