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Bancassurance: its Impact on Insurance & Financial Inclusion

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَقُلْ رَبِّ أَدْخِلْنِي مُدْخَلَ صِدْقٍ وَأَخْرِجْنِي مُخْرَجَ صِدْقٍ وَاجْعَلْ لِي مِنْ لَدُنْكَ سُلْطَانًا نَصِيرًا
(سورة الأسراء _ الآية 80)

فَقَالَ رَبِّ إِنِّي لِمَا أَنْزَلْتَ إِلَيَّ مِنْ خَيْرٍ فَقِيرٌ
(سورة القصص _ الآية 24)

إِنَّ اللَّهَ عِنْدَهُ عِلْمُ السَّاعَةِ وَيُنَزِّلُ الْغَيْثَ وَيَعْلَمُ مَا فِي الْأَرْحَامِ وَمَا تَدْرِي نَفْسٌ مِمَّاذَا تَكْسِبُ غَدًا وَمَا تَدْرِي نَفْسٌ
بِأَيِّ أَرْضٍ تَمُوتُ إِنَّ اللَّهَ عَلِيمٌ خَبِيرٌ
(سورة لقمان _ الآية 34)

قَالَ يَا قَوْمِ أَرَأَيْتُمْ إِنْ كُنْتُ عَلَىٰ بَيِّنَةٍ مِّن رَّبِّي وَرَزَقَنِي مِنْهُ رِزْقًا حَسَنًا وَمَا أُرِيدُ أَنْ أُخَالِفَكُمْ إِلَىٰ مَا أَنْتُمْ
عَنْهُ إِنْ أُرِيدُ إِلَّا الْإِصْلَاحَ مَا اسْتَطَعْتُ وَمَا تَوْفِيقِي إِلَّا بِاللَّهِ عَلَيْهِ تَوَكَّلْتُ وَإِلَيْهِ أُنِيبُ
(سورة هود _ الآية 88)

وَمَا أَوْتَيْنَاكَ مِنَ الْعِلْمِ إِلَّا قَلِيلًا
(سورة الإسراء _ الآية 85)

وَاجْعَلْنَا لِلْمُتَّقِينَ إِمَامًا
(سورة الفرقان _ الآية 74)

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Abstract

The researcher aimed by this research to identify the concept of bancassurance, its competitive advantage, model scenarios, effect on market and business results, challenges and the reforms to capitalize on it, Global and Arab experience towards enhancing the bancassurance based on the financial inclusion initiative which is one of the main economic reforms towards 2030's vision, and eventually address of new proposed developments as well as how the bancassurance model effect on financial inclusion and insurance penetration .

Furthermore, one of the main challenges that the researcher faced was the absence of a separate statistical report of the bancassurance results, especially in the Egyptian market which is the main scope of the research due to the results of the bancassurance business are included collectively in the financial statements of life, non-life insurance companies and banks. Therefore, it is difficult to calculate statistical indicators regarding bancassurance activity, its potential and market developments. For this reason, the researcher examined a number of books, researches, articles, and conducted many interviews with bancassurance managers in both the banking and insurance sectors in order to reach for valuable research added to the Arab Insurance Library.

The researcher did a survey among 127 insurance and banking employees at all management levels, as well as individual clients, based on the analytical descriptive approach. The results of the sample questionnaire shows that there is no significant difference between the researcher's opinion and the opinions of the research sample on all aspects of the research except for the new proposed reform to enhance the results of the bancassurance due to the variance of experience and educational levels.

Eventually, the researcher reach up recommendations that will support bancassurance through regulatory and supervisory reforms, statistical measures indicate its performance, utilization of new technological drivers and digital transformation, as well as adopting initiatives aims to support small and medium enterprises, increasing public awareness of financial inclusion, and developing new creative financial business models, in order to achieve sustainable development goals and 2030's governmental vision.

Keywords: [Distribution Channels, Model Scenarios, Financial inclusion, insurance penetration, Regulatory Reforms, Digital Transformation, Sustainable Development, Insurtech, Fintech, Ecosystems, Alternative Risk Transfer]

Introduction

In recent years, there have been many challenges and obstacles to the economies, which are referred to as Emerging Risks, this can be seen in a number of ways including a lack of natural resources, pollution, overpopulation, depletion of agricultural land and a lack of drinkable water, consequently, energy prices have risen, new catastrophic events have emerged, including global warming and climate change. Therefore, many governments all over the world have taken several steps to reform the existing business models economically and legally in order to improve individuals' living standard and welfare as well as increase the profitability of almost business sectors, as part of 2030's Sustainable Development Goals, which are currently being implemented by most of our economies in Arab region. Since insurance and banking sectors are considered the backbone of economics as well as one of the main first industries take the initiative towards innovation, new creative business models, approach new payment methods and reforms of existing ones have been developed in line with sustainable development goals such as introducing sustainable insurance programs and sustainable financing programs. (Katsomitros,2019)

Recently many initiatives have been launched that seek to introduce new financial business models, such as Bancassurance, which involves banks and insurance companies cooperating to serve the largest number of customers. As a result of banking sector able to reach a wide range of individuals and corporations, the insurance sector will able to approach their products to bank's customer database. This led to address the new term financial inclusion, which encompassed the integration between banking, insurance, finance, credit, finance, payment services in order to create new business models and recently technology companies involved to integrate between multi transactions in order to facilitating the digital transformation process. As a consequence, many governments and financial regulatory bodies, including central banks, are paying close attention to financial inclusion through approach and providing formal financial products and services at reasonable prices, fairness and transparency instead of obtaining them through informal financial channels in order to facilitate reaching out to various segments of society and achieve governments goals. (Puja Dua & O S Deol,2019)

Economic growth's vision relies heavily on financial inclusion, which integrates the informal economy into the state's formal economic structure through the provision of financial institutions with a competitive advantage to ensure the development of services offered by those institutions that fall within its scope.

Moreover, it contributes to raising the level of living within the state and reducing poverty rates by containing certain segments of society, such as the

poor, low-income people, women, youth, and children, as well as small, medium, and microbusiness owners. (Insurance Federation of Egypt,2018)

Therefore, Arab region's governments nowadays have taken several initiatives to support and encourage financial inclusion which include within its framework introducing of new updated technologies, facilitation of bank operations and diversification in non-banking activities, new digital payment methods through studying and analysing the of the circumstance, analysing challenges and capitalize on it , as well as reviewing international models and in accordance of 2030's economic development vision through increasing awareness and supporting of small and medium enterprises, which led to central banks and insurance regulators adopting innovation strategies and using technological business models and solutions that enable financial inclusion and sustainable development goals to be achieved effectively.

Problem Statement

As a result of the new emerging risks, environmental, social, and governance changes nowadays, the Arab governments have taken steps to approach new business models in order to improve individuals' welfare as well as increase the profitability of almost all business sectors. The most significant changes in the economic services segment have been growth of bancassurance which denotes supply of insurance products through effective process of banking channels.

Most banking organizations and insurance companies have established bancassurance to be an attractive and often gainful commendation to their core business through increasingly trying to come out with better innovations to stay in front. (Singhal and Singh, 2019)

Research Questions

As a result of the research purpose, the following research questions were addressed:

- i. Financial Inclusion and its business models
- ii. Bancassurance's its advantages and effect
- iii. Global and Arab Market's experience towards the bancassurance
- iv. Challenges and opportunities
- v. New proposed developments and innovations towards the 2030's vision
- vi. Identify by sample how the bancassurance effect to enhance the financial inclusion initiative and insurance penetration

Research Topic's Importance

Practical Importance: The importance appears due to the new integration of the insurance and banking sectors which result innovation of a new business model and new marketing mechanism for insurance products, as well as the extent to which digital transformation is needed to interconnect with other sectors, furthermore the visions of Arab governments for 2030's goals of Financial and Insurance Inclusion, Sustainable Development, and Economic Development.

In addition, it will examine the threats facing bancassurance and financial inclusion, and try to capitalize on it through business solution plans and technology, therefore this business model and new mechanisms will also be easier and faster to reach all segments of society by studying some of the experiences of similar markets and international insurance unions, as well as reviewing the proposed recommendations for making the best use of this model and facilitating it for all parties involved.

Scientific Importance: Although there are many recent international researches on bancassurance and its impact on the financial inclusion in many markets, there is a rarity of research related to Arab markets which are focused only for its definition and marketing mechanisms. Here the importance of the study comes in addition to some ideas and recommendations for Arab region economics and Egyptian market specifically. Also, the research includes a survey and collection of some information that has been prepared to come up with recommendations.

Research's Objective

This research aims to study the bancassurance model based on existing of many models and experiences of global markets in order to enhance its role in promoting financial inclusion, presenting numerous suggestions and capitalize on the challenges as well as supervisory and regulatory reforms including product complexity, distribution channels, training, and margins so that both sectors can achieve better business results with assistance of statistical analysis through questionnaire survey with several employees in the insurance and banking sectors with all management levels

Research's Scope

Place scope: the research aims to analysis and evaluate the bancassurance in the Egyptian market including the overview of the Arab and Global experience.

Time scope: the research aims to analysis and evaluate the bancassurance since 2013 and its subsequent developments till today.

Previous Researches

i. Bancassurance model and its impact on Financial Inclusion: Review and Analysis (Namita Sahay, Amity University ,2019)

- ◆ Research's Objective: realize the potentiality of bancassurance model in India; study the different prevalent models of bancassurance and review literatures on bancassurance and its impact on financial inclusion.
- ◆ Research methodology: Experimental
- ◆ Recommendations: providing innovative schemes or products with low premium rates and higher risk coverage as well as approach the technology and automated banking channels to achieve progress.

ii. Effects of Bancassurance on the financial performance of selected Insurance companies in Kenya (Stephen Maina Kamau,Kenyatta University,2016)

- ◆ Research's Objective: determine the effects of bancassurance on the performance of insurance companies for the penetration, innovation of products and financial integration
- ◆ Research methodology: Descriptive approach, cross-sectional survey design.
- ◆ Target Population: senior managers of bancassurance, operations, finance and innovation
- ◆ Data Collection Procedure: through questionnaires and collected data from journals, published data and relevant websites.
- ◆ Conclusions: bancassurance model have positive effect strong relationship between financial performances of insurance companies with minimal effects on financial integration as well as the Innovation is main driving change in development of financial industry
- ◆ Recommendations: enhance and strengthen the partnership between banks and insurance companies as well as integrates their services through one stop shop services delivery common customer relationship management and central customer data management.

iii. The impact of the strategic partnership of the bancassurance model on the financial performance of commercial banks in Egypt(Rasha Ahmed Ali Ibrahim, Cairo University,2019)

- ◆ Research's Objective: the financial performance for both sectors, including its impact by ratios.
- ◆ Research methodology: Descriptive approach

- ◆ Target Population: through analysis the financial statement of the CIB in Egypt and its results with collaboration between AXA for the bancassurance model during the period 2011-2019
- ◆ Recommendations: approach regulatory reforms to enhance and control the bancassurance business model, set initiative to encourage such partnerships between similar sectors, conducting several studies to test the impact of new business models of other industries on the financial performance.

iv. **Implementation of Bancassurance in Islamic banks(Muhammed Taqi Al-Din, Dar Al-Salam Islamic University,2014)**

- ◆ Research's Objective: the benefits of implementation the bancassurance model in BRI Bank including the Islamic prospective
- ◆ Research methodology: Qualitative Explorative method
- ◆ Target Population: through analysis the financial statement of the BRI Bank in Indonesia including the procedures of implementation as well as interviews with senior managers of bancassurance, operations, finance and innovation
- ◆ Recommendations: reach the conditions compatible with the provisions of Islamic law, set plan to approach this model with the bank branches including awareness programs to the public

v. **An Impact of Bancassurance Product on Banking Business in India (Tripti Manjit Singh Gujral, Parul University,2019)**

- ◆ Research's Objective: recent trends of marketing and distribution channels of insurance products according to the global model including the Indian market, meaningful suggestions for improvements.
- ◆ Research methodology: Analytical descriptive approach
- ◆ Target Population: through survey analysis among the customers as well as the bank employees of eight different banks which have been selected as simple random samples
- ◆ Recommendations: reach the SWOT analysis including the vision of the future bancassurance model in India, analysis of response on questionnaires, approach new strategies would be win-win situation for all the parties involved - customers, insurance companies and banks.

Content's Overview

In order to reach the goal of the research, this research was divided into three chapters, according to the following:

1) **Chapter One: Financial Inclusion and Bancassurance_New Business Model** through Financial inclusion is approached in terms of its different business sectors and financing methods, as well as its role in improving people's livelihoods and eliminating poverty. This chapter is divided into two sections as follows:

Section One: Bancassurance in Practice through analysing the new business model and its advantages for both sectors, as well as new programs and distribution channels involved.

Section Two: Bancassurance's Effect through analysing the profitability, cost reduction, liquidity, return on assets and earning per share.

2) **Chapter Two: Bancassurance's Experience** based on the importance and results of bancassurance model for both sectors, therefore the central banks and insurance regulator take several initiatives to enhance the bancassurance results. This chapter is divided into two sections as follows:

Section One: Global Market's Experience and New Business models through analysing various models and international experiences of several markets, including the experiences of Arab markets.

Section Two: Challenges and Opportunities through analysing challenges and the proposed solutions to capitalize on it and achieve economy goals.

3) **Chapter Three: Bancassurance's Enhancement** based on the importance and results of the new business for both sectors, the central bank and insurance regulator take the several initiatives to enhance the bancassurance. This chapter is divided into two sections as follows:

Section One: New Proposed Reforms and Innovations: through approach several techniques and technologies due to the changes of current and prospective economic, social and technological as well as the proposed regulatory framework reforms and Innovations towards the 2030's Vision.

Section Two: How the bancassurance effect on financial and insurance inclusion through analysing the bancassurance effect on the economics and other business sectors as well as analysing the future outlook of this model.

Chapter One

Financial Inclusion and Bancassurance New Business Model

Nowadays due to the collaboration between several financial sectors and the initiatives taken by many governments in our Arab region, the new terminology has been introduced is financial inclusion. Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs, transactions, payments, savings, credit and insurance to be delivered in a responsible and sustainable way.

Therefore, the people will allow to store money, send and receive payments to other financial services without any barriers based on digital infrastructure suited to their needs which results in governments all over the world taking a strategic approach and developing national financial inclusion strategies which bring together financial regulators, central banks, telecommunications, media and technology companies. (World Bank,2022)

The Financial Inclusion aims to approach innovative products appropriate for the underserved individuals and SMEs sector , developing regulatory frameworks and supervisory activities that are proportionate to their scope and type of activity, as well as reforming the existing national payments systems including shifting payments transfer from cash to digital.

Additionally, in order ensure the success of the financial inclusion program, there must be a work agenda set in coordination with many industries within the market, as well as a careful study of the financial services offered by financial institutions, which must be developed to meet the needs of various segments of society, in addition the consumer protection rules play a crucial role in enhancing trust between the public, banks and insurance companies. (S. Mahendra Dev,2006)

Therefore, the local central banks and regulatory bodies should not only provide financial services but also extend to coordinate with the IT developers to establish new digital platforms including appropriate payment methods, rather than the traditional method through take on strategies that encourage investment in digitalization, digital products, use of modern technologies drivers such as big data, cloud computing, internet of things, block chain, and artificial intelligence mechanisms as well as approach use a variety of new techniques such as awareness programs and new business models in order to facilitate financial and non-financial transactions based on development of a comprehensive strategy that encourage service providers to transform themselves digitally and attract new customers.

The Financial inclusion also involve establishing controls , facilities for electronic payment mechanisms, developing technological infrastructure and encouraging financial technology companies to establish digital platforms for

their customers, acceptance of the payment of due insurance premiums digitally and provide cybersecurity which allowing central banks and regulators to control all aspects and control of the financial industry which will reflect to cut costs, fight off competition, and meet changing customer demands which will reflect on attract new customers.(Marie Skara,2018)

In addition, the public shall be educated about financial products through the awareness campaign as well as introduce the technology, Fintech and Insurtech techniques in an organized and comprehensive manner to go faster for the digital transformation and financial inclusion.

The Financial Inclusion in our region include several challenges due to people ignorant of the banking and technological culture which will be focused later, so the regulators approach several new business models and products in order to attract new segments such as bancassurance.

Bancassurance is considered one of the new creative business models approached under the initiatives of financial inclusion, as a consequence of approach many governments and financial regulatory bodies, including central banks, to enhance the success of this business model through approach and providing new products and services at reasonable prices, fairness and transparency instead of obtaining them through informal financial channels in order to facilitate reaching out to various segments of society and achieve government's goals. (Puja Dua & O S Deol,2019) (Aqil Saad Adnan,2013)

This is the point at which the researcher will explore in the following lines how this new business model can add value to the current business model through a close look at the following two sections:

Section One: Bancassurance in Practice through analysing the new business model and its advantages for both sectors, as well as new programs and distribution channels involved.

Section Two: Bancassurance's Effect through analysing the profitability, cost reduction, liquidity, return on assets and earning per share.

Section One

Bancassurance in Practice

One of the most significant changes in the financial services sector over the past few years has been the appearance and development of new creative financial models which handled through partnership of two or three financial sectors which shown clearly such as partnership between banks and financial leasing companies for financing assets acquisition or debt collectors companies in collecting bad debts and microfinance companies for management of financing SMEs and technology companies for new digital tasks.

One of those successful models is Bancassurance which is considered a partnership between banking institutions and insurance companies to develop financial services provided. Several studies are done on this topic, focusing on economies of scale and performance of most bancassurance common models, which will focus on the following lines.

Bancassurance's Concept

The term of Bancassurance is derived from the merger of Banks (Ban) and Assurance or Insurance (Assurance) which is mean offering insurance products and its benefits through bank branches which originated in the 1970s in Europe, and during the 1980s and 1990s it witnessed global rapid growth, the following attempts to clarify what is meant by the bancassurance concept:

According to research findings of Douglas W. Diamond (Diamond, 1984: 403) Bancassurance is favourable from banks and insurers perspective, because it allows to cover short and long-term assets / liabilities, and it opens opportunities for better customer retention.

According to Swiss Re (1992: 4), “Bancassurance can be described as strategy adopted by banks or insurance companies aiming to operate in the financial services market in a more or less integrated manner”. Which is considered new strategy towards reaching new potential business and private customers.

Eventually the researcher recognizes the definition that the Bancassurance is an arrangement between a bank and an insurance company in which the insurance company sells its products to the bank's customers, which will be profitable for both sectors, as the banks earn additional revenue by selling insurance products, and insurance companies expand their customer bases without increasing their sales force.

In addition, the idea of bancassurance came to our region firstly in Egypt on 2003 through collaboration between the central bank and insurance regulator to approach the bancassurance model who promote the insurance products through the networks of bank branches operating in the Egyptian banking sector. Then the central bank of Egypt decided to freeze bancassurance activity in 2007 due

to the bad practice of handling the business that raise disputes between the customers and insurance companies which have been return back according to the Financial Regulatory Authority Issue No.36 for 2013 which include codes of obligations of each party involved, administrative fees, complain procedures and premium's collections (Insurance Federation of Egypt,2022), then approached to other Arab markets which flourished recently especially in Saudi Arabia and UAE

Bancassurance's Gains

As earlier discussed, that the insurance companies use bancassurance on their competition path for new alternative sales channels in existing markets through partnership with banks to enter barrier-free markets which expect to consider source of additional fee-based income and helps in product diversification of banking sectors, on the other hand the insurance companies consider it a tool for increasing their market penetration and premium turnover and for customers a high-quality product at a reduced price delivered at their door steps which considered all the three parties involved are benefited here (Evija Dundure, Biruta Sloka, 2019) (Bergendahl, 1995) with the same operations cost which will reflect on the cost reductions.

Therefore, the researcher could say that banks can exploit their infrastructure and marketing systems to provide the current customers with additional insurance products against commission based on insurance operations on their database, also reducing costs attributable to the insurance products which leads to diversification, and innovation culture through design new products suitable to bank's customers' needs.

Additionally, the integrated financial services will enhance the customer's relationships ,build better loyalty and increase customer lifetime values as well as the bank employees will also have an incentive due to their responsibility to sell insurance, which is considered a challenge alongside their regular duties, which will be eliminated by specialized training and motivation plans.

Meanwhile, the insurance companies have got a number of benefits from this model as according to (Munich Re_ Bancassurance in Practice_2016) it considered a source of new business which include wide range of customer distributed geographically and demographically, different products approached whether life or nonlife programs which will support their competitive edges.

Moreover, the researchers have concluded that the bancassurance model helps the insurance companies to increase operational efficiency, reduce costs and increase the confidence based on existing banking relationships which reflect on penetration, premiums and customer satisfaction. (Meenu Joshi,2022)

According to EY's survey for bancassurance model of customers survey who are buying insurance at the banks as follows:

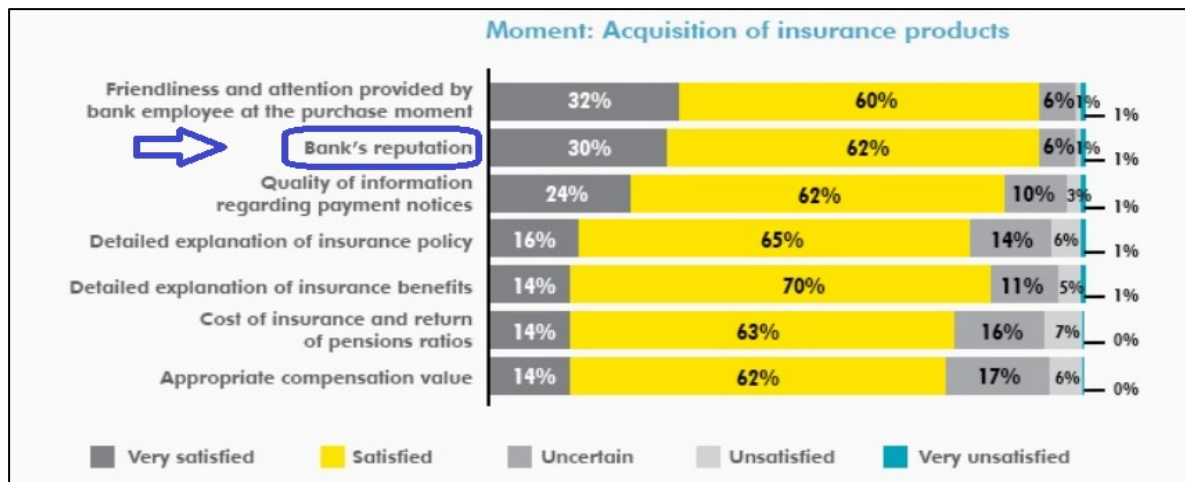


Exhibit 1: Customers satisfaction of bancassurance model
Source: EY's survey 2019

The above exhibit shown the top reasons of the success to secure the customer satisfaction is bank's reputation with 30% after the attention and friendliness provided by bank employee, which will illustrate that the insurance company have to succeed in the challenge of chose the high reputation bank as well as provide specialized trainings.

Eventually, this model includes several benefits for the customers through request of several financial products through one source, got proper advice through the bank employee, arrange suitable plan of payment the due premium, ease of renewal and handling claims. (Avinash Deshmukh,2022)

Bancassurance's Model Scenarios

Various academic studies have discussed Bancassurance's Model scenarios, but according to (Munich Re_ Bancassurance in Practice_2016) which is more pragmatic, the main scenarios are the following:

The insurance company gains access to the bank's client base, which is considered a simplest form of bancassurance and already applied in most Arab markets, but one that can be missed if the two parties don't work together to maximize the results, it will ultimately result in poor profitability for both parties. (Andrea Di Dio,2016)

Alternatively, a bank may enter into a distribution agreement with an insurance company under which acts as the insurer's representative. This arrangement can yield satisfactory results for both partners, and requires relatively low investment by the bank. It also allows the bank to brand its products. (Puneet Bhushan,2014)

On cross-shareholdings between two parties, a member of each board of directors may join the board of directors of the other. Therefore, the level of interest aroused by the board of directors and senior management at each entity

in a bancassurance venture can significantly influence its success under distribution agreements using multiple channels.

Furthermore, it is the hardest form when a bank establishes an insurance company on its own and begins from scratch which requires a whole range of knowledge and skills, it is important for a bancassurance venture's success that one party management has influence over that of the other whatever the form of ownership, if the bank makes underwriting profits, this approach can be very profitable for the bank.

Therefore, both of insurance company and bank have the challenge of choice the best form of the model according to their strategy, available expertise and their business's target.

Bancassurance's Distribution Channels

Various channels of distribution are included in the bancassurance model, which can generally be classified into the following:

Traditional agent who is a person or business brokerage firm that has a mercantile contract with a single insurer or several one, they receive commissions as well as incentives based on target achievements.

Furthermore, bancassurance operators or bank employees also act as agents who are carried out on the bank offices to those customers who visit the bank branch during the opening hours and also get the commissions and incentives based on sales force achievement. (María Rubio-Misas,2022)

The other form is the Special adviser, which is a highly trained employee of an insurance partner who distributes insurance products to banks' corporate clients and receives a salary and sales incentives. (Munich Re,2016)

A final form includes a direct partnership with a brokerage firm or insurance company that will handle the insurance needs and products for their own bank's customers on a smooth process.

The examples of bancassurance partnerships and its form will be followed in the next chapter.

In the Egyptian market, the traditional distribution agreement between both the insurance company and the bank has been applied, whereby the insurance company enters into a partnership agreement with the bank in exchange for a certain number of bank branches and pays an upfront signup fee to fulfil sales duties at the bank branches, insurance representatives are appointed to receive commissions and a salary on a monthly basis.

Section Two

Bancassurance's Effect

The bancassurance have several effects for both the insurance and banking industry as well as the financial performance of each insurance company and bank. There are several studies and researches were done on this topic, focusing on bancassurance model effect on its business results.

Therefore, the researcher here examine the positive impacts on the insurance industry using actual data provided by a Swiss Re_ Sigma-Explorer platform , McKinsey and Financial Regulatory Authority's annual reports to determine the performance of the industry in the middle east and Egypt based on approach of the bancassurance model including the regulatory developments which were done in the recent years and the central banks assistance taken into assumption that almost of cession of bancassurance model for the life product rather than the non-life products.

Additionally, the findings highlight that Bancassurance increases insurance firm's earning per share, this can be replicated from the increased profitability and return on assets which will reflect of profits maximization, which will focused in the following lines.

Bancassurance's effect on the Arab insurance's market

The bancassurance market is growing worldwide, particularly for life assurance which is considered suitable channel to promote the life products through bank's customer, therefore the new products approached to match with the customer's needs. Meanwhile the same status in the Arab markets according to Swiss Re_ Sigma-Explorer which shown in the below exhibit No.2 that in 2014 the life premiums in the Middle East and North Africa were USD51.741M although the non-Life premiums were USD 53.533M, recently the Life premium are higher than non-Life USD75.020 versus USD60.885 M.

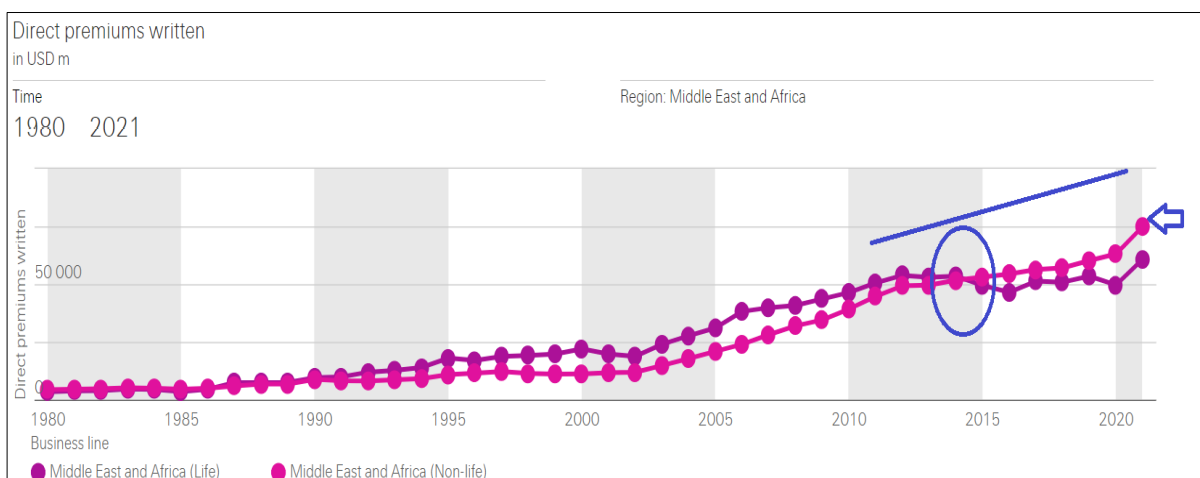


Exhibit 2: Direct Premium written in Middle East (USD 1981-2021)

Source: Swiss Re, Sigma-Explorer.

It also clears as per the below exhibit No.3 which result to in 2019 the Life premiums in the Egyptian Market were EGP18.47 M although the non-Life premiums were EGP 20.24 M, recently the Life premium in 2020 are higher than non-Life EGP 23.97 versus EGP 21.98 M. (FRA_Annual Reports)

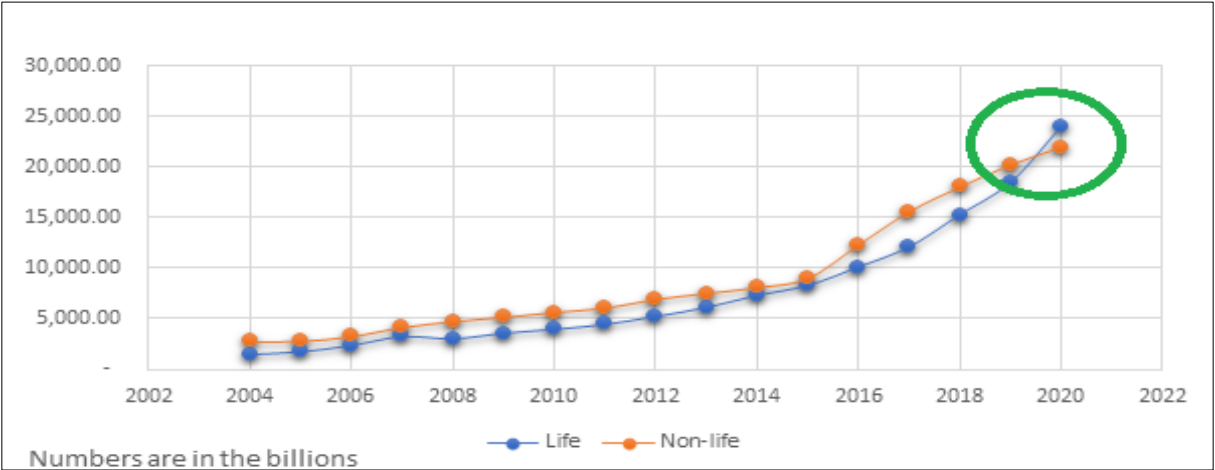


Exhibit 3: Direct Premium written of Egyptian Market in EGP 2004-2021
Source: Annual Reports issued by Egypt_Financial Regulatory Authority 2004 till 2021

Moreover, both banks and insurance companies have been clearly focused on the bancassurance channel for selling life assurance products, which tend to have higher average sale prices and profit margins than most non-life products due to that the life products fit particularly well into the bancassurance framework as it's more focus on financial products while the banks have access to their customers' personal financial assets, they often work to promote life policies with built-in cash value as an alternative form of investment, citing tax benefits.

Recently in the Non-Life assurance the banks and insurance companies enter into agreements for provide the cover for the whole portfolio such as motor, mortgage, corporate credits and SME's portfolios without way of handling the life products which have lower average sale prices and commissions, therefore the banks have meaningfully increased sales penetration of auto and commercial lines, though many banks have done reasonably well coupling home insurance with mortgage products.

Additionally, it shown clear by the below exhibit No.4 that the results of the Life and Non-life premiums based on their business channels in 2018 about 29% of life assurance globally was sold through bancassurance, while only about 2% of property was (McKinsey & Company,2020)

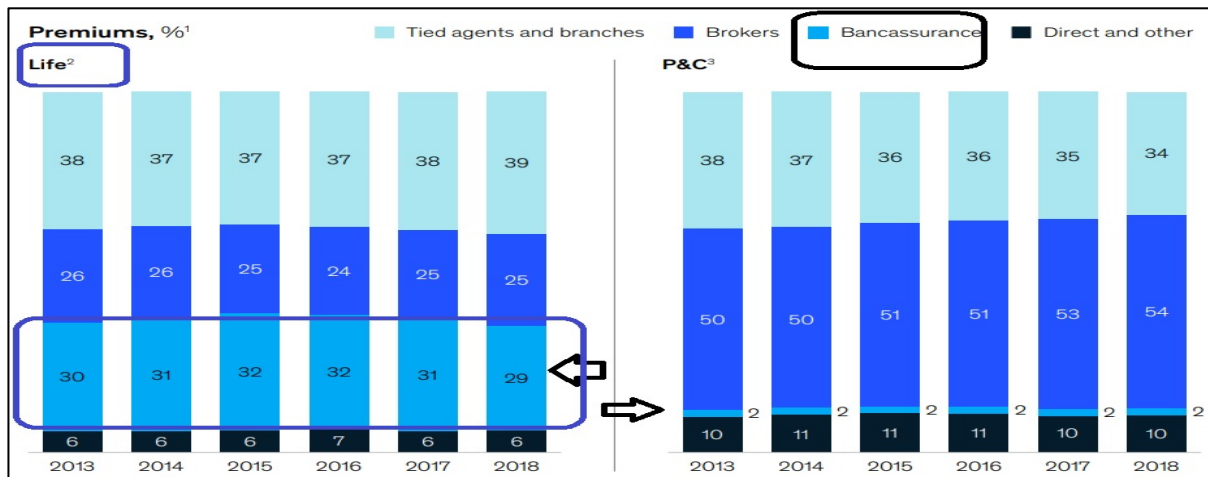


Exhibit 4: Global Insurance Pools statistics and trends _Life and Non-Life

Source: McKinsey & Company,2020

Eventually, it seems clear the importance of bancassurance model as a distribution channel for life assurance compared with non-life insurance which is only represents 2% of their distribution channels.

Additionally, due to the absence of a statistical report or statements of distribution channels including bancassurance, the researcher was unable to find comparative ratios between life and non-life insurance figures on the Egyptian market and depend on the global figures in analysis of bancassurance model.

Bancassurance's effect on the insurance company results

Each investor or analyst who does the analysis of any business firm seek for the profitability growth as well as maximization of the stakeholder's value, the main ratios that indicate whether the company doing their business well or not are return on assets, return on capital employed, return on ordinary share, return on shareholder's fund, return on sales and return on equity. (Alaq Fatma, 2014)

Both the insurer and bank look to maximize the above ratios which calculate the return of the business operations based on the way of operations and products offered which help the business owner or the investor to increase the investment in the business firm or not (Rasha Ahmed Ali Ibrahim,2019) except the banks whose is also focus additionally return on deposit which determine the bank's ability of public deposit's management, generate profits as well as the share price in the stock market which are critical factors of the bank success. (Iyad Hassan Kazem Al-Qaisi,2018)

The bancassurance model is considered the best model who cost efficient based on the many variables such as exposure, income price ratio and overhead cost which provides encouragement the offer of savings instruments and the rivalry with insurance companies, as consequence in higher quality products, lower prices and lower acquisition costs. (Juma Scovier,2015)(Marabit Nasima,2017)

Moreover, the current situation of high levels of inflation and an increase in the price of goods and services across the world has resulted in banks increasing the interest rates on certificates and deposits in order to control the market monetary limit, resulting in a decrease in rivalry between insurers due to the highly concentrated cash in the banking sector and increase cover of banking's prices which effect directly on the life assurance prices whose handled by bancassurance model which result to decrease the insurance penetration ratio (Franco Fiordelisi,2019)(Raad Karim Al-Hijami,2016) due to the customers prefer to buy certificates of deposit with interest rates of 25%-30% rather than life assurance policies with maximum investment returns of 12-15%.

Furthermore, the bancassurance model is considered new distribution channel along with the existing channels which is more accessible due to their engagement with the bank's database and branches as well as engagement with the existing bank's applications and platform which result for the new virtual marketing and approach the digital transformation in quoting and contracting that eliminates an overreliance on paper and minimizes manual underwriting. (McKinsey,2019)

Eventually bancassurance contributes to improving insurance awareness among customers and to building a new relationship based on the strength of the bank's financial suitability and reputation, resulting in the customer's confidence in the insurance company and its services based on their contractual relationship with bank, which leading to an increase in confidence between the parties, so each party must choose the best partner to maintain their good reputations and customers' trust.

Chapter Two

Bancassurance's Experience

In the previous chapter, the researcher focused on the bancassurance as one of the most successful business models whose integrate the banking and insurance sectors together , and the subsequent financial feedback on this model, which directly and indirectly contribute to supporting the concept of financial inclusion and merging the insurance industry with the banking sector in line with the strategies and plans which have been taken by almost of governments in the Arab region in supporting strategies of sustainable development and the developmental vision 2030 .Therefore the researcher focus on studying this model for the experiences of the Arab and international markets and the different approaches models , try to reach the optimal model for mechanism of bancassurance as well as a detailed analysis of the most important challenges facing bancassurance and the procedures followed to capitalize on these challenges and transform into opportunities.(Choudhury, Mousumi; Singh, Ranjit; Saikia, Hemanta, 2016)

The researcher concluded by studying and researching that the most important reasons for the success of this model which are the efficiency of the banking system in the market, the diversity of many products offered, increase in public awareness of the importance of insurance in preserving their income and property, as well as the optimal cooperation between both the central bank and the insurance regulator in supporting new products and models which resulted to new creative business solutions matched with the public's needs.

In addition the availability of the adaptable regulatory environment that is compatible with the new innovations and financial products presented, as well as the availability of an advanced technological infrastructure that provides many facilities and applications to users from the banking and insurance sectors which allowing the employees and public dealing much easier therefore enhancing the approach of digital transformation process and the new mechanisms and terminologies approached such as Fintech and Insurtech which will be done by the optimal training for employees at the highest level.

Eventually these steps will support approach new strategies and business models match with the goals of financial inclusion and the new approached of international financial and accounting codes and standards applied recently, which contributes supporting governments in our Arab region to complete their development works and approach several segments to financial inclusion and the official economy of the country, such as small and medium enterprises as well as setting up the appropriate mechanisms to control the market, collect taxes and other government fees, protect the rights of customers, settle complaints fairly, as well as encourage the existence of many mergers of other sectors with the insurance or banking sectors in order to approach new creative business models.

Therefore, the researcher will seek in the following lines the in this chapter the bancassurance's experience based on the importance and results for both sectors and the initiatives taken of many markets to enhance the bancassurance environment, this chapter is divided into Two sections as follows:

Section One: Global Market's Experience and New Business models through analysing various models and international experiences of some markets, including the experiences of some markets in the Arab region

Section Two: Challenges and Opportunities through analysing challenges and the proposed solutions to capitalize on these challenges into opportunities and keep pace with the business goals.

Section One

Global Market's Experience and New Business models

In this section the researcher has focused on many types of bancassurance forms through reviewed many references, research, international models, and many experiences of countries and governments in contributing to the success of this model and other non-financial models, whose content is summarized in mechanism for the distribution of roles and responsibilities between the bank and the insurance company.

The initiatives taken by the governments to provide an appropriate regulatory environment through cooperation of the central bank with the insurance regulator and the availability of an appropriate technological infrastructure, which contributed greatly to the success of this model. Several studies were done on this topic and the researcher here focus the reason of success each form on the in the following lines.

Bancassurance's Programs

There are wide range of bancassurance products are divided into Life assurance products and property and liability insurance products. According to several studies including McKinsey which mentioned in the previous chapter shown that the largest proportion of bancassurance programs is life assurance products due to loans requested by the bank's client and access of the banks for the client savings which clarify the terminology of assurance instead of insurance due to focusing more in the life assurance.

Life assurance products offer financial indemnity against death or disability to the beneficiaries who are requested by banks for the loans to guarantee the payment of the remaining instalments following the death of the customer whether term or whole life. (Insurance Federation of Egypt,2022).

In addition, there are remaining products such as Credit-related products which purchased by a borrower that pays off one or more existing debts, or pays the contribution towards those debts as well as Living Benefits, Savings products, Unemployment, Funeral and Travel.

The non-life insurance products offer cover for the House, Motor to cover any damage to the automobile during the loan period, Engineering projects and Marine or Cargo policies.

Moreover, as it has been shown above, the bancassurance model approaches products based on individual needs, whether guaranteeing the payment of remaining installments after the death of the customer or indemnifying the customer in case of loss after taking into account investment factors for the products offered.

Furthermore, as shown in the below exhibit for the global ranking of bancassurance products by region, the EMEA region including the Middle East, has the highest weighting for Credit-Related products and Life products as compared to other regions such as the Americas and Asia/Australia, which focus on Savings, Life, and Living Benefit products.

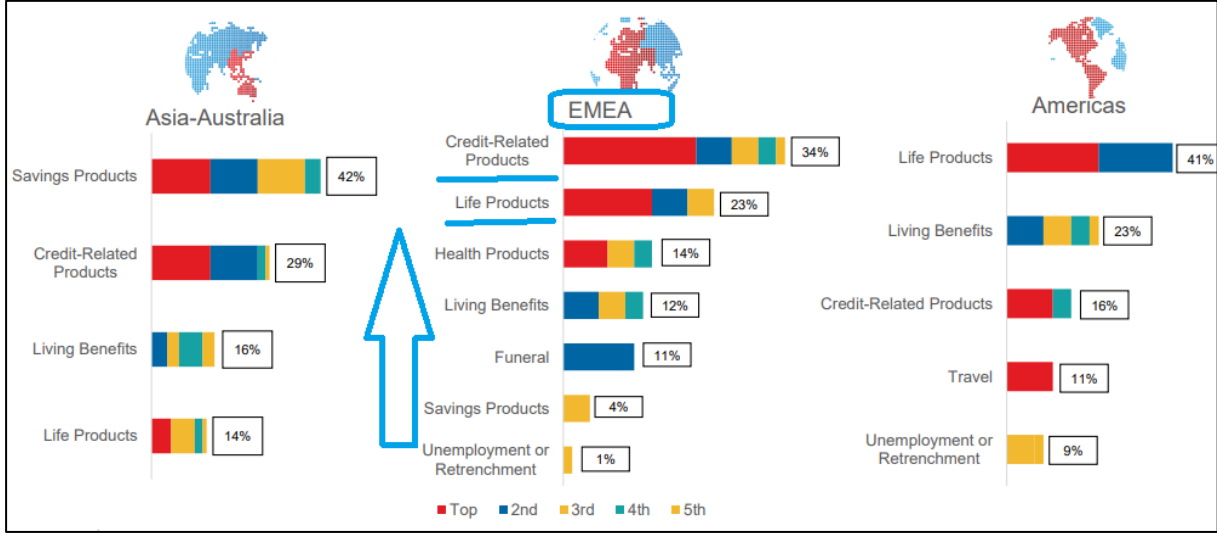


Exhibit 5: Top Weighted Bancassurance Products by Region
Source: Global Products and Market Intelligence_2019 Report

Therefore, the central banks and insurance companies in our region have to focus to develop the life and non-life products, adapt the regulatory framework and increase the awareness of the bancassurance products in order to secure the combination of the products approached by this model.

Bancassurance’s Forms

In order to address the global and Arab bancassurance models’ challenges and experience to enhance the business environment of financial inclusion, therefore the researcher studied the forms globally that regulate the relationship between insurance companies and banks such as **Pure Distributor Model** who’s the bank acts as a distributor of insurance programs for the insurance company. (Roshan Waingankar,2022). Another form is **Model Alliance Strategic** which considered an agreement between the bank and the insurance company to marketing banking products, and other insurance functions are not carried out by bank. In a **Joint Venture Model**, a new joint venture company is established in which the bank(s) and the insurance company will have shareholdings in agreed ratio (Ramandeep Singh,2016)

The last form is **Wholly Owned Insurer/Bank** in this form shown on the holding company who own both bank and insurance company.

Below are the types of bancassurance partnerships based on the following examples:

1. Allianz Co. and Banque Misr (Egypt, Model Alliance Strategic)
2. Misr Life Co. and the SAIB (Egypt, Pure Distributor Model)
3. GIG_ Life Co and the National Bank of Kuwait (Kuwait, Joint Venture Model)
4. Metlife and Bank of Alexandria (Egypt, Pure Distributor Model)
5. AXA - Egypt and CIB (Egypt, Pure Distributor Model)
6. QNB _Life Insurance Co. and QNB (Egypt, Wholly Owned Insurer/Bank)
7. Arope Co. and Bloom Bank (Lebanon, Wholly Owned Insurer/Bank)
8. SAA National Company and the Local Development Bank (Algeria, Pure Distributor Model)
9. Algerian Co. CAAR and National Bank of Algeria (Algeria, Joint Venture Model)
10. Allianz Co. and Emirates NBD Bank (UAE, Pure Distributor Model)

Arab Bancassurance's Experience

As previously clarified, the success of the bancassurance business model depends on the legal framework, the cooperation between the central bank and the insurance regulator in the market, and the use of appropriate infrastructure technology in order to maintain discipline in the bancassurance market and prevent customer abuse.

In respect of the **Saudi Market** who is the most developed market in the Gulf Cooperation Council when it comes to a legal framework for bancassurance that requires specific qualifications and training to avoid mis-selling. There is no doubt that bancassurance will grow in Saudi and will benefit all parties involved, including SAMA which is leading GCC regulation of bancassurance. (Insurance Federation of Egypt,2017)

The bancassurance in the **Bahraini Market** is highly regulated and offers solid consumer protection through the approached regulations by Central Bank of Bahrain's Rule Book as the appointed representatives are permitted to sell through the banks if they are appropriately qualified in insurance services. (Simon Isgar,2022)

One of the most famous experiences recently in developing regulatory structures in the region can be found in the **Kuwaiti Market** through establishment for the first time the "Insurance Regulatory Unit", established under Law No. 125 of 2019 for regulating insurance on September 1, 2019. Under this law, the unit organizes and monitors insurance activities in a fair and transparent manner including the bancassurance activities as well as approach several amendments to encourage the Fintech and Insurtech to automate operations between all parties. (Al-Otaibi,2021)

In respect of the **Qatari Market**, it is regulated by the Law of the Central Bank and the Regulation of Financial Institutions in order to set up the regulatory regime. However, there are no prescriptive legal requirements for on-shore

bancassurance, but the general consumer protection laws exist to enhance the mechanism of bancassurance. Additionally, the growth has been slow in Qatar but it is expected to increase the potential growth due to approaching compulsory insurance requirements through banks, the vision of the state and the new foreign investments. (Simon Isgar,2022)

For the **UAE Market** the bancassurance is a very well-developed market due to the regulatory developments, creation of a digital supervisory platform and many regulatory decisions which include specific rules and guidance for insurance providers to follow pending a proposed draft resolution regulating the marketing of insurance policies by banks to act as insurance agency. (Rima Mrad, Michael Kortbawi,2013)

In the **Egyptian Market**, which is considered one of the pioneers who approached the bancassurance model in our region firstly in 2003 through the networks of bank branches operating in the Egyptian banking sector (Insurance Federation of Egypt,2022). Recently there are several products and policies handled under this model which jumped the premium to reach EGP 2.5 billion in 2015 according to the Financial Regulatory Authority Issue No.36 for 2013, and almost all the banks have partnerships with insurers to handle life insurance and personal insurance.

Global Bancassurance's Experience

Based on the experiences of several markets, it seems clear that the successful bancassurance model is also dependent on the public's awareness of banking activities and insurance covers based on social and economic factors which is shown clearly in **Indian Market** by the government approval through the Reserve Bank of India and insurance regulator to handle the insurance activities by banks based on agreed fees and appropriate regulations. (Anjali Tyagi,2022)

This success is due to the fact that the banks have an extensive network and a large customer base who trust the performance of both sectors that India can take the lead in the insurance and banking industry around the world, as well as approach engaging strategies for selling insurance products and increase the country's insurance penetration.

In respect of the experience of the **USA Market** as due to the increase of geriatric population, life and health insurance policies are required along with lucrative retirement plans, which is expected to stimulate the bancassurance market growth handled by banks in light of the business code approached by the Federal Reserve Bank which is able to create a positive outlook for the market.

Additionally, the bank handling bancassurance activity has to be registered in the insurance agents register by the Federal Federation of Insurance Companies, as well as all bank employees who handle bancassurance activities have to be registered as technical representatives.

Furthermore, The United States bancassurance market size reached US\$ 41.4 Billion in 2021 and expected to reach US\$ 57.6 on 2023 due to the rapid digitization of several bancassurance services in the US has significantly boosted online sales (IMARC Group,2022)

Eventually the market is experiencing a positive outlook as well as the rapid digitization of several bancassurance services in the US has boosted online sales due to Covid19 outbreak and remote services which encourage the insurance companies to approach digital strategies to improve their performance, contributing to the market's growth.

Section Two

Challenges and Opportunities

Regarding to the mentioned in the previous lines for the bancassurance model which has been in existence in many markets for nearly 20 years and due to the changing of social and economic conditions, purchasing patterns, behaviours of individuals, technological drivers and the globally rise of prices of many services and energy as well as efforts made by governments in the region to control these challenges by promoting the financial inclusion and insurance awareness.

Thus, in order to achieve the above goals as well as handling the new challenges during the current circumstances, the regulatory bodies in our region developed several techniques and approach significant reforms through analysing those challenges and capitalize it into opportunities in order to keep pace with the sustainable development goals.

Bancassurance's challenges

The bancassurance faces several challenges in respect of all aspects of their business process such as underwriting, marketing, investing and claims whether the entire entity or with handling their operations with different stakeholders, as with the other models of insurance business. The following issues considered the main challenges of the bancassurance model, as summarized as follows:

1. Shortage of the talent

As a result of fewer opportunities for qualified technicians, lack of training, a lack of job descriptions and the bank's employees are not fully aware of the insurance products, which negatively impacts the insurance sales and leads to missed opportunities.

2. Competitors' bad practices

The competition between the insurance companies to enter into partnerships with the banks lead the profitability continues to go downhill due to high commission rates and signature grants (Rumah Asaad,2022) as well as increasing pressure to control and reduce expenses which lead to market volatility and sustained low rates for the underwritten which effect directly on the bottom line for the insurer's results.

3. Lack of engagement of bank's platform

A number of digital platforms and mobile applications are used today by banks to make handling business much easier for their customers due to digital transformation initiative and Fintech drivers. In the absence of insurance products being introduced on the bank's digital platform and relying solely on

staff, many opportunities are lost and customers are dissatisfied. (Anurag Kumar,2018)

4. Conflict of interest Vs. Products design

Whenever the insurance company enters into a partnership with the bank, they must design and offer insurance products tailored to meet the needs of the bank's target customers, resulting in a conflict of interest due to the bank's savings products, which could be used as an alternative to the bank's term deposits or certificates. (Nuno Calha,2022) (Mithqal Issa Muqtash,2013) Furthermore, the insurance products offered will be not competitive with the bank's products which recently reached in Egypt 25% interest on the deposits. Moreover, the bancassurance model in many markets the banks may be signing bancassurance partnership with more than one insurance company, resulting in conflicting financial returns for products provided by one insurance company to another, creating a conflict of interest for consultants. (Mithqal Issa Muqtash,2013)

However, in the Egyptian market such partnerships are not allowed due prevention by central bank and the insurance regulator to prevent interest's conflict, but allowing two insurance companies to be in partnership with the same bank, one commercial and one takaful.

5. Lack of business integration and strategies

In cases where both parties do not handle the business in the same way of operations and strategies, the bancassurance model may be faced with challenges due to non-integration of strategies and visions. As a result of this, cross-selling could not be promoted and value was lost, leading to the difficulty of business operations integrating for both parties. (Nuno Calha,2022)

6. Clarity lack of legal responsibility

The challenges arises when there is a dispute regarding any issue related to the handling of claims, such as the identification of legal responsibility, and establishing that clear definition can be challenging, which can negatively affect the bank's reputation when the bank is involved.

7. Cyber Risks

Due to the access of the insurance companies of the bank's customers data base which led to the threats of cyber risks and breach of cyber-security that can negatively impact business operations like web-based attacks and denial of service as per mentioned in exhibit no.6_ Allianz Risk Barometer 2022 which classify the types of attacks concerning the cyber exposures that

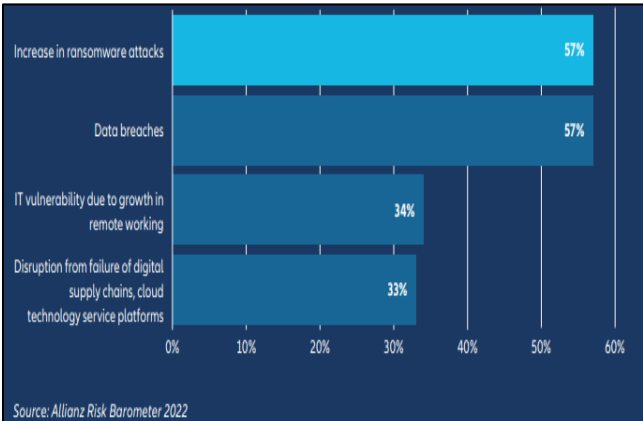


Exhibit 6: Ranking of the cyber risks
Source: Allianz Risk Barometer 2022

may face by banks. As a result, banks might be hesitant to share their customer database or involve insurance companies in their platform to protect their customers' information

8. Less contribution of the non-life

In spite of the fact that bancassurance is available in several different forms and models, non-life insurance plays a relatively small role, and non-life insurance companies and banks have fewer agreements than life insurance companies do, because non-life commission schemes are not attractive to banks, as well as the high acquisition costs for non-life insurance companies in the short term, which include bank commissions, staff bonuses, brokerage commissions, signup fees, and advertising expenses that cannot be covered with one year of the policy.

Consequently, the contribution of the bancassurance model to nonlife insurance falls to 2% of the volume of global premiums, compared to 29-32% of life insurance, according to McKinsey & Company,2020 which mentioned in Chapter One.

9. Operational Challenges Vs. Legal framework

It is considered one of the biggest challenges that bancassurance does not have an organized legal framework that regulates its business within a legislative framework that is binding on both parties. As a result, conflicts of interest arise, commission structures are not defined, and the legal responsibility of each party is not clearly defined.

Reforms to capitalize on the challenges

Recently, almost of the parties involved in the bancassurance model including the regulators and central banks are responding to the above challenges by taking several reforms which include creating a comprehensive framework for the digital transformation, approach regulatory reforms, following of international codes and take initiative to develop new solutions to limit the threats of each challenge as follows:

1. Reduce the talent gap

Reduce the talent gap of the bank staff and insurance representative by utilizing several new innovation edges that educate the types of insurance products, redefined the nature of work and workflow, integrating advanced technologies, training by advanced education programs and exams with international institute coordination to get the most out of analytics for business management.

2. Market reset

A number of regulations should be implemented, including codes of conduct, and mandatory arrangements should be established to eliminate bad practices and control market volatility. In addition, both parties should establish a win-

win scenario by distributing surpluses at the end of the year in accordance with the agreed-upon percentage.

3. Engagement of bank's platform

The change in customer behaviour and shopping habits, as well as their preference for digital products via the internet and credit cards have resulted in the need to have those insurance's products offered through its branches to be on the bank's digital platform, and replace traditional advertising methods with social media platforms like Facebook and Instagram.

4. Align business Vision and products offered

Before conduct a bancassurance partnership the insurance company and the bank must ensure that the vision, mission, business strategies, and target customers are the same as well as the type of business whether commercial or takaful. Furthermore, it is important to ensure that the products offered by the insurance company do not conflict with the products offered by the bank, since they complement each other to deliver innovative financial services to customers and not to miss out on any opportunities. Moreover, banks must establish an exclusive contract with one insurance company to provide all insurance products and programs, so that the bank does not have more than one partner, which can result in a conflict of interest between products offered to insurance companies and those of bank advisors.

5. Incorporating streamlined of business operations and strategies

Among the most important reforms was the revision of the strategies followed, priorities and target segments of both the bank and insurance company, and the integration of these, as well as the use of digital platforms and business follow-up to unify business plans. Along with establishing a strong governance system, which includes conscious roles and measures of success, periodically evaluate what's working and what needs revision. (Avinash Deshmukh,2021)

6. Transparency

Transparency is one of the most important aspects of bancassurance reforms, both between the banks and insurance companies, as well as in the insurance contracts held by the customers. If a claim occurs, the insurance company is liable for indemnity to the insured or his or her legal heirs.

7. Cyber's Cover

Utilize smart solutions to manage cyber risks, secure the customer's data, arrange to get the appropriate insurance cover and understand the implications that are supported by experts, such as reinsurers and statistical models.

8. Non-Life Insurance's agreements

In spite of the decline in bancassurance partnerships between life insurance companies and banks, non-life insurance companies have recently tended to sign up non-binding agreements for different types of insurance with banks based on their customers' credit portfolios including approach of the profit share between the bank and insurance company instead of the concept of signup fees which applied through non-life insurance companies in their partnership with banks.

Most famous among these are real estate insurance to cover real estate loans and car insurance, which cover damage to financed cars, travel insurance, and comprehensive insurance for small and medium enterprises.

Additionally, the researcher noticed from the market analysis that the success of non-life bancassurance in the Egyptian market was based on the presence of a life insurance branch of the company as shown by Allianz, AXA and Misr life Ins.

9. Bancassurance's specific regulations

Due to the increased volume of bancassurance business in the Arab region, most of legal authorities amended the banking and insurance laws in order to add a separate section regulating the bancassurance model and the developments in those two sectors with the advent of bancassurance which appears clear according to the Financial Regulatory Authority Issue No.36 for 2013.

Meanwhile, one of the main initiatives in the Egyptian Market by approaching the draft of "Unified Insurance Law" which aims to control the bancassurance activities, approach the technological drivers which are able to achieve the spreading culture of financial awareness.

As well as the Saudi Market who approached recently by SAMA the draft of the bancassurance which regulate the specific qualifications, training and business follow to avoid miss opportunities

Chapter Three

Bancassurance's Enhancement

The researcher has explained in the previous two chapters the bancassurance model, concept of financial inclusion, as well as the initiatives taken regarding sustainable development goals and 2030 visions. Consequently, the businesses were digitizing, supporting small and medium enterprises, developing infrastructure, spreading the financial awareness and new technological payments systems.

Additionally approach the developments of many business models, amend laws and regulations of both banking and non-banking activities, including insurance to enhance the business results and reach new segments.

Also, the researcher analysed the concept of bancassurance and how it will impact the Arab insurance market, along with its expected returns for both sectors, as per Swiss Re_ Sigma-Explorer, which indicated a significant increase in life and non-life insurance premiums, as well as the financial performance of both banks and insurance companies as a result of this model. Furthermore, the researcher had difficulty collecting accurate statistical data on bancassurance, relying only on newsletters, news articles, and survey questionnaire to reach the research goal.

Moreover, studying the bancassurance model according to international and Arab experiences including the challenges and the regulatory reforms approaches to capitalize on these challenges.

Possibly, the aforementioned reforms which discussed before are not optimal enough due to changes of current and prospective economic, social and technological which aren't consistent enough with the strategies of global sustainable development. Due to this, most insurance regulators and central banks in the region adapted strategies that supported innovation and used technological business models and solutions to improve the results of bancassurance, which contribute effectively to achieving the goals of financial inclusion and sustainable development. (Raymond Giblett, Timothy Chan _2021)

Therefore, the researcher in this chapter will focus on the new creative proposed developments to include the regulatory and technical infrastructure based on the current circumstances as well as the effect of the of the bancassurance model to enhance the financial inclusion as part of the economic reform programs in the region, which are recently pursued by many governments towards the 2030 growth vision.

This is the point that the researcher will seek in the following lines how to address the proposed developments and its effect on the financial inclusion by studying the following two sections:

Section One: New Proposed Reforms and Innovations through approach several techniques and technologies based on the changes of current and prospective economic, social and technological as well as the proposed regulatory framework reforms and Innovations towards the 2030's Vision.

Section Two: How the bancassurance effect on financial and insurance inclusion through analysing the bancassurance effect on the economics and other business sectors as well as analysing the future outlook of this model.

Section One

New Proposed Reforms and Innovations

In order to enhance the performance of the bancassurance which reflect its feedback on the business results of both sectors as well as enhance the environment of the financial inclusion based on the several initiatives that has been taken as well as the changes of current and prospective economic, social and technological drivers. Therefore, the central bank and insurance regulators have to work together developing and innovative solutions as well as adapt the manual and rules which match with the current and upcoming circumstance.

Furthermore, the following lines will focus the researcher's points of view in respect of the new proposed reforms and innovations to achieve the governments goals and match with the public's needs.

Development of Regulatory Framework

One of the most significant developments of the insurance and banking sector regarding the financial inclusion is to approach the regulatory and supervisory amendments and reforms aimed at achieving sustainable insurance goals within its regulatory framework integrated with suitable infrastructure technology.

The new updated regulatory framework has to be updated enough to include new approach of existing segments such as small and medium enterprises, new ways of payments by bank transfer or credit cards, new working techniques such as digital signature and work from home.

The researcher reached the following conclusions during their research on the main factors the central bank and the insurance regulator should consider when approaching reforms and innovations:

1) Set agenda for national financial and insurance inclusion program

It is considered one of the main important reform and development towards achieving financial and insurance inclusion , As part of its government's approach to achieving sustainable development goals, the state's insurance regulator and central bank determine the goals, implementation mechanisms, geographical spread, and measurement criteria, including the percentage of mechanization, citizen participation rates, bank branch growth rates, and the spread of branches, as well as the growth rate of payment points and sales points. Furthermore, approach many initiatives supporting small and medium enterprises with advisory, credit facilities and spread of ATMs machines. (Ali Yahya Al-Eryani,2005)

Eventually adopting innovative ideas, studies, and research related to smart solutions and requiring banks and insurance companies to establish specialized departments for financial inclusion and mechanization of payments.

2) New creative operational models

According to a McKinsey study on the future of bancassurance based on conversations with CXO's, which included recommendations on what the ideal bancassurance model should look like based on the experience of Europe and Latin America with assist of adaptable regulatory frame work concluded more focus on the non-life in order to capture a broad share of customers' wallets to be full instead of focus on bank's liabilities only ,approach new services, customised products and facilitating innovation(Guillaume Oreckin,2021)

As well as the regulators also have to facilitate the approval of digital products, digital processes, and digital marketing, as demonstrated by the advanced technologies applications that facilitate risk underwriting, such as the CCTV for household use and the smart watch for health insurance (Jorge Matuk Chijner, 2021).

Therefore., the regulators have involved within it's the new regulatory structure the protocol of coordination with the manufacturing companies of smart devices, supervisory of the insurance activity as well as access to the platform of model.

Meanwhile the regulators also have also to reconsider the requirement of obtaining a live signature from the customer while open bank accounts, or mobile phone wallet accounts, and amend the regulating laws towards paperless initiative and allow the customer to self-register through electronic means.

3) Follow the global financial codes and standards

The regulators have to obligate the banks and insurance companies in the bancassurance model to follow the new global financial codes and standards such as Solvency II and IFRS within its manual which provide analysis tools aims to increase efficiency, effectiveness and competitiveness among the bancassurance products which will result to improve risk-sensitivity, enhance quality and improve the protection of policyholders (European Commission, 2021) Furthermore, revise the criteria of assessing customer financial solvency degree by applying a smart system based on big data and modern digital technology. With the informal economy's attractive characteristics and citizens' need for health insurance and a suitable payment system, this provides the government with a control tool to monitor this type of cash flow.

4) Integration with the other sectors and respond to emerging risks

The comprehensive program of financial and insurance inclusion must be complemented by integration of other sectors like microfinance and real estate financing, in order to provide the most appropriate mechanism for managing funds and risks based on the experience bancassurance model. This enables the provision of credit facilities and control over those facilities.

As well as involving in its program the companies that rely exclusively on technological engines and smart models, which contribute more to the process of digital transformation. Moreover, due to the approach of sustainable development by most sectors in the region, new terminology such as Sustainable Insurance and Sustainable Finance has been introduced to achieve the goals of the World Bank which result to create new tailor-made products to cover the low incomes community (Insurance Federation of Egypt,2017)

In addition, in order to respond with the emerging risks which result to arrange issue the green products that friendly environmental such as NATCAT bonds and Women's Empowerment such as Gender bonds.

5) Develop talented employees

Through establishment of national institutes aimed at creating professional training and offering specialized training programs for the anti-financial crime sciences to guarantee the security of the national economy.

In addition, numerous technical and research competitions are held regularly between employees in the sector, and similar international organizations are consulted to transfer the best practices and experiences from foreign markets abroad. Furthermore, creation a digital platform to exchange experience and create many short awareness films to spread financial awareness to the employees and public.

6) New Regulatory issues

The regulatory development agenda have also to include topics such as Consumer Protection, Data Focus, Privacy, and Cybersecurity to ensure integration with existing and potential customer portals, advanced modelling techniques as well as eliminate any threats, determine whether data is used properly, with permission, and is well guarded and secure. (Raymond Giblett & Timothy Chan,2021)

Furthermore, setup several regulations and rules to enhance the digital environment such as obligatory online or credit cards payment as per the Electronic Payments and Receipts Law, remote working rules and reduce the dependence of the traditional ways of working.

Eventually focus their attention on Environmental, Social, and Governance issues as well as the Digital Asset Ecosystem due to their anticipated growth and the potential negative effects of climate change on insurance companies.

Development of infrastructure technology

In order to enhance the environment of the financial and insurance inclusion as well as guarantee the success of bancassurance model is to adopt strategies that encourage investment in digitalization and digital products, approach use a variety of new techniques such as digital marketing, establish controls and

facilities for electronic payment mechanisms, and arrange the cover for cybersecurity in order to secure bank’s customers database.

It mentioned in the Exhibit No.7 Leadership capabilities towards digital transformation which prepared by (Capgemini Digital Mastery Survey, global respondents,2021) that the insurance and banking industries have been undergoing a digital transformation to cut costs, fight off competition from new market entrants, and meet changing customer demands like other surrounded financial institutions.

The results from Capgemini’s survey suggest that FIs need to do more to master digitization, key to their success will be enhanced by innovation by personalizing products and services.

In this way, the public shall be educated about financial technology which include Fintech and Insurtech techniques in an organized and comprehensive manner to go digitalization faster.

Bank Branch Density

One of the main factors that enhance the bancassurance is the number of branches, the number of insurance specialists per branch, the number of customers, the cross-selling ratio and the degree of training. In the case of the larger factor, the potential buyers from the total customer base will generate positive net benefits. (Hamoul Tarik1, Zeghni Nadjia, Ammam rim,2021)

Financial awareness

Increasing public awareness of the variety of financial products will result in a greater variety of financial products, including credit cards, taking into account electronic means of payment including the credit cards.

In addition, the obligatory online or credit cards payment as per the Electronic Payments and Receipts Law, current economic situation, including interest rates offered by banks for deposit and pension plans will play a key role in bancassurance success.

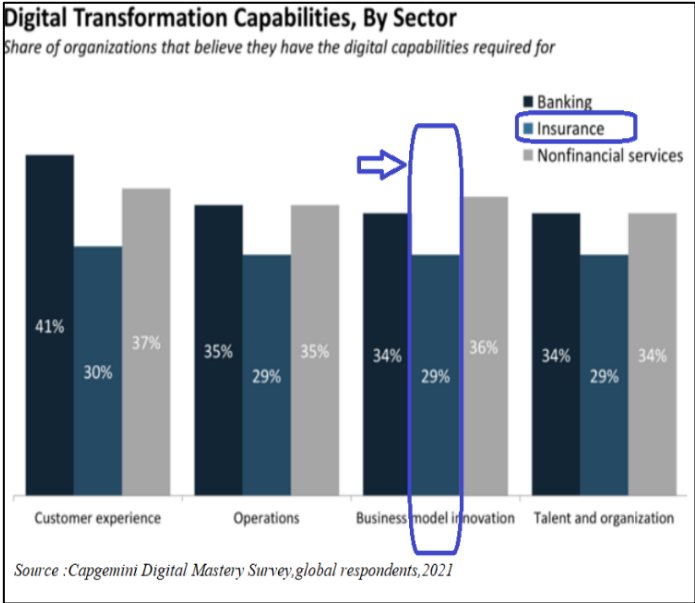


Exhibit 7: Leadership capabilities towards digital transformation
Source: Capgemini Digital Mastery Survey, global respondents,2021

Section Two

How the bancassurance effect on financial and insurance inclusion

The researcher conducted a detailed analysis of the bancassurance model as much as possible after the preliminary study, which examined all of the organizational aspects of the model as well as its financial impact on many business outcomes for the insurance industry, insurance companies, banks, as well as the market experience in terms of organizational and legal issues. The challenges and opportunities will be explored after reviewing previous studies, academic and market research, interviewing directors of bancassurance in both the banking and insurance sectors, and submitting survey questions in accordance with the attached appendix at the end of research.

The researcher has reached in the following lines which represent the research's objective: examining the impact of the bancassurance model on financial and insurance inclusion, after financial inclusion has become one of the main economic reform programs pursued by Arab governments recently. Hence, the impact research was conducted based on the previous sections that presented the business processes, challenges, and reforms to capitalize on those opportunities.

Financial inclusion and insurance penetration

As part of the introduction to the first chapter, the researcher outlined financial inclusion, its aspects, the parties involved, along with the efforts made by all financial institutions to offer suitable financial products, including digital transformation of almost all business processes that are integrated with others to achieve sustainable development goals and public needs based on the development visions of our Arab governments towards 2030's vision.

Additionally, the bancassurance is considered a valuable tool for boosting financial inclusion and insurance penetration in our markets especially in the markets with high populations like Egypt or welfare such as the Saudi and UAE which is this the most successful markets in our region which illustrated in detailed as follows:

1. Integration of the informal economy into the formal economy

As part of the bancassurance model offers to individuals, it aims also to offer appropriate insurance coverage to protect informal workers while also preserving their savings which clearly stated in the Aman Assurance Policy, which was issued after Egyptian President Abdel Fattah El-Sisi instructions to provide appropriate cover for the free labour.

It issued in cooperation with four Egyptian banks and Misr Life Co which able to integrate the informal economy into the formal economy and reducing informal transactions by using the bancassurance model.

2. Contribute on the economic governmental database project

As a result of bancassurance's products for many different segments of society and the data collected, a comprehensive database is able to be prepared, along with incentives and regulatory issues by following up on their economic activity, therefore the state can remove any obstacles or challenges in order to eliminating illegal activities.

In addition, it will contribute to financial inclusion, supporting sustainable development, sustainable insurance, digital transformation, and information technology, as well as providing optimal mechanisms to combat tax evasion, supporting emerging industries, and providing the most appropriate mechanism for the competent authorities to examine complaints and disputes.

3. Anti-Money Laundering and Terrorist Financing

Due to the request of registration documents which include the tax card, commercial register and KYC in the bank's transactions including the bancassurance model which will be added value to develop new techniques and measures aims to detect money laundering and terrorist financing which consistent with the national objective of financial inclusion

Furthermore, the bancassurance will usefully tool for developing effective supervisory practices to combat the phenomenon of greenwashing and fighting money laundering and terrorist financing risks.

4. Handling new products with creative tools

Due to the approach of the digital transformations in the bancassurance model which will be valuable to introduce new products for various segments of bank clients matched with their needs and business processes, such as the agricultural sector, which uses satellite communications and smartphone applications in the finance and insurance transactions , as well as the development of existing products such as medical insurance based on digital watches and phone applications that allow credit officers and insurance underwriters to underwrite and monitor risks on a regular basis and handle claims effectively.

5. Serving a new segment

In response to financial inclusion initiatives, bancassurance products were extended to serve emerging sectors based on the tendency of our Arab governments recently to support them, this is Small and Medium Enterprises , which led to the emergence of a new business model and the inevitable co-operation between both sectors to facilitate the growth of this sector and work to encourage it and overcome all obstacles, leading to the development of numerous banking financing tools and specialized insurance programs, which contributed by the bancassurance to support them through tailormade model.

6. Market Reset

As a result of the initial partnership between the bank and the insurance company on all conditions applicable to the portfolio at the beginning of the agreement, bancassurance contributes to restoring market control and eliminating many incorrect practices and competitions, resulting in transparency and an increase in business volume.

Furthermore, it also leads to an increase in the insurance penetration of GDP, as well as an increase in the number and volume of clients' transactions with the bank, which in turn contributes to a greater understanding of financial issues and dealers' confidence in the banking and insurance systems, which are the main goals of financial inclusion.

Bancassurance's future outlook: An outlook for the next decade

Consequently, as a result of the development of bancassurance activities, technological tools, and the improvement of individuals' standard of living, the confidence of public in the banking system and the insurance market has increased, the following lines include the outlook of the bancassurance based on the current economic reforms and Vision 2030:

1. Several regulatory reforms

Due to the expectation of an increase in bancassurance business volume and potential of many technological drivers that will greatly affect current and future business models, it is assumed that many reforms and legal amendments will be made to adapt the regulatory framework to the new and expected technological tools and applications such as artificial intelligence and machine learning.

2. Digital ecosystems shift

The bancassurance will be a useful tool for the shifting of full ecosystems through a creation of a network of all parties involved in this model who will work together in collaboration to achieve the highest level of business value using the Insurtech and Fintech technologies, which are clearly demonstrated on the in the Exhibit 8 Ecosystem_ An Outlook for the Next Decade

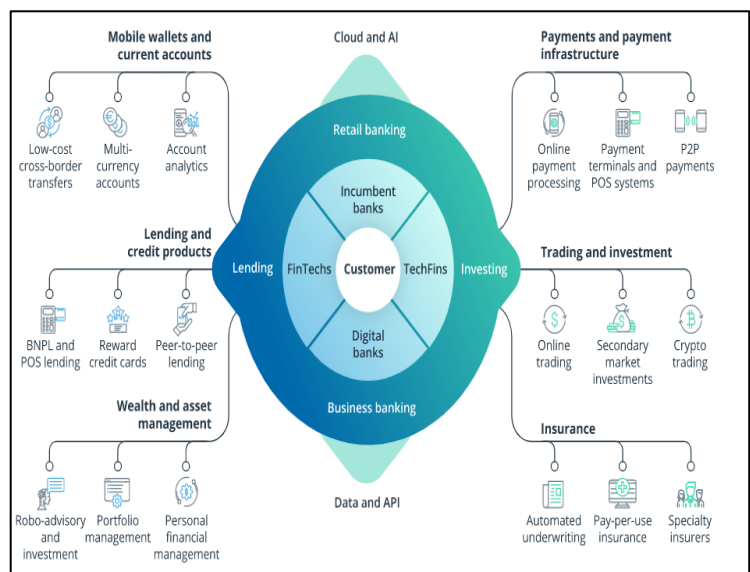


Exhibit 8: Ecosystem_ An Outlook for the Next Decade (2022–2030)

Source: Intellias_ Global Technology Partner,2022

(2022–2030)which prepared by (Intellias _ Global Technology Partner,2022) shown the integration of almost financial institutions including digital payment means as mentioned in the exhibit to build a financial layer in the technology stack to offer financial services to their customers and build new companies based on digital way.

3. New ways of reinsurance through the financial inclusion

The bancassurance may involve opportunities to all parties through issuance by banks for certificates or bonds to be written by the public to addressing the lack of reinsurance capacity through a new technique called Alternative Risk Transfer, which provides a wide range of options for reinsurance, to cover risks written by direct insurance companies and reinsurance companies, which facilitating the transfer of insurable risks to be investment tool which increasing the efficiency of both investment and insurance sector. (World Economic Forum,2021)

Research Methodology

In this research the analytical descriptive approach was used to review studies, articles, books and survey questionnaire relating to bancassurance and its impact on financial inclusion, and analyse the data collected from the sample members to reach conclusions and recommendations on how bancassurance supports financial inclusion.

Characteristics of the sample population (Personal data)

There were 135 survey questionnaires distributed electronically to the sample, including employees from the insurance and banking at all levels of management, and individual clients in the Egyptian market. After checking received 127 samples, 13 samples were discarded because the required data was not provided. This resulted in 114 questionnaires being applied.

The research dealt with a set of personal data of the survey sample in terms of gender, age, educational level, number of years of experience, and based on that, the research sample was described through frequencies and percentages as follows:

Table No.1: Sample demographic characteristics

Variable	Level/Category	Frequency	Percentage %
Gender	Male	80	70%
	Female	34	30%
	Total	114	100%
Age	Less than 25 years old	6	5%
	25 years to less than 35 years	36	32%
	35 years to less than 45 years	28	25%
	45 years and over	44	39%
	Total	114	100%
Educational level	Diploma or less	3	3%
	Bachelor's	83	73%
	Master's	19	17%
	Ph.D	9	8%
	Total	114	100%
Experience years	Less than 5 years	16	14%
	6-10 years	27	24%
	11-15 years old	34	30%
	16 years and over	37	32%
	Total	114	100%

According to the above table, 70% of the survey sample was male, while 30% was female, meaning that majority of research sample was male.

With regard to the age group, the highest percentage was in favour of the category (45 years and over), with a percentage 39% of the sample, then the category (25 years to less than 35 years) with a percentage 32% of the sample,

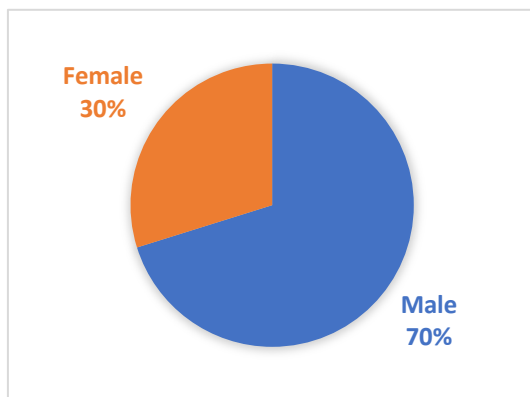
then category (35 years to less than 45 years) with a percentage 25% of the sample and finally the category (Less than 25 years old) with a percentage 5% of the sample.

It is also shown in the table that the highest percentage was for bachelor's degree holders with 73%, followed by master's degree holders with 17%, followed by Ph.D. holders with 8%, while Diploma or less holders had the lowest percentage with 3%.

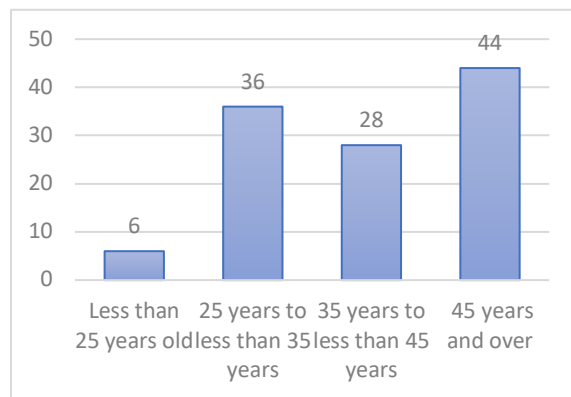
Additionally, the table indicates that 32% of the sample had their experiences (16 years and over), 30 % of the sample had their experiences (11-15 years old), 24% of the sample had their experiences (6-10 years) and finally sample had their experiences (Less than 5 years) with a percentage 14%.

The below diagrams shown the demographic characteristics of the research:

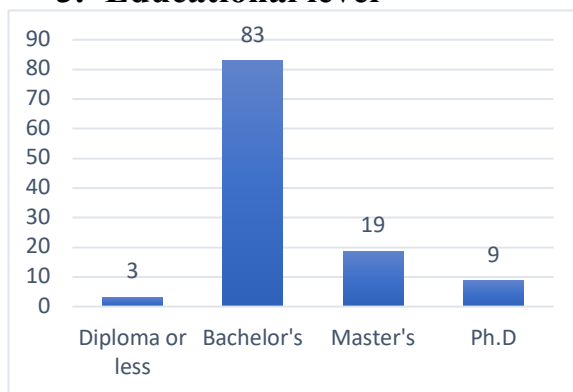
1. Gender



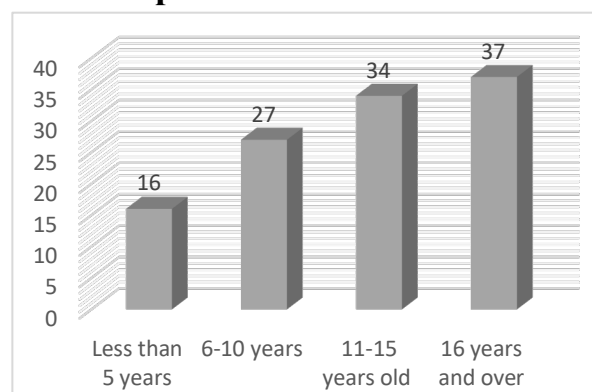
2. Age



3. Educational level



4. Experience Years



Survey questionnaire structure

The survey questionnaire was built by the researcher according to the objectives and questions of the study, and it included three parts as follows:

First Part: information includes personal data of the sample according to demographic characteristics (gender, age, educational level, number of years of experience).

Second Part: This part includes paragraphs covering the variables of the research around 45 phrases split into 5 sections which include (challenges, reforms to capitalize on the challenges, new proposed innovations, how the bancassurance effect on financial and insurance inclusion and bancassurance's future outlook)

Third Part: This part involved interview with the top management of banks and insurance companies regarding the challenges and potential of the future outlook of bancassurance in the region. It covered around 7 questions that had been conducted through phone conversations, meetings, or virtual meetings. These conversations couldn't be entered into the statistics model and they sufficed to fill out the questionnaire form by themselves.

Survey questionnaire result

The following table No. (2), include the grand total of the questionnaire results for repetition and percentage are included to clarify the analysis of the responses on each paragraph.

Table No.2: Analysing the responses to each questionnaire paragraph

No.	Phrase	Repetition/ Percentage	Options				
			Totally Agree	Agree	Neutral	Not Agree	Not Agree at All
<u>Bancassurance's challenges</u>							
Q1	Shortage of the talent	Repetition	34	54	25	1	0
		Percentage	30%	47%	22%	1%	0%
Q2	Competitors' bad practices	Repetition	53	8	53	0	0
		Percentage	46%	7%	46%	0%	0%
Q3	Lack of engagement of bank's platform	Repetition	30	30	41	13	0
		Percentage	26%	26%	36%	11%	0%
Q4	Conflict of interest Vs. Products design	Repetition	6	27	49	30	2
		Percentage	5%	24%	43%	26%	2%
Q5	Lack of business integration and strategies	Repetition	29	53	30	0	2
		Percentage	25%	46%	26%	0%	2%
Q6	Clarity lack of legal responsibility	Repetition	65	23	24	0	2
		Percentage	57%	20%	21%	0%	2%
Q7	Cyber Risks	Repetition	64	14	23	13	0
		Percentage	56%	12%	20%	11%	0%
Q8	Less contribution of the non-life	Repetition	5	82	14	13	0
		Percentage	4%	72%	12%	11%	0%
Q9	Operational Challenges Vs. Legal framework	Repetition	35	62	17	0	0
		Percentage	31%	54%	15%	0%	0%

Reforms to capitalize on the challenges							
Q10	Reduce the talent gap	Repetition	78	33	3	0	0
		Percentage	68%	29%	3%	0%	0%
Q11	Market reset	Repetition	40	68	6	0	0
		Percentage	35%	60%	5%	0%	0%
Q12	Engagement of bank's platform	Repetition	64	29	20	1	0
		Percentage	56%	25%	18%	1%	0%
Q13	Align business Vision and products offered	Repetition	61	17	34	2	0
		Percentage	54%	15%	30%	2%	0%
Q14	Incorporating streamlined of business operations and strategies	Repetition	31	46	37	0	0
		Percentage	27%	40%	32%	0%	0%
Q15	Transparency	Repetition	42	65	6	1	0
		Percentage	37%	57%	5%	1%	0%
Q16	Cyber's Cover	Repetition	74	28	12	0	0
		Percentage	65%	25%	11%	0%	0%
Q17	Non-Life Insurance's agreement	Repetition	30	65	19	0	0
		Percentage	26%	57%	17%	0%	0%
Q18	Bancassurance's specific regulations	Repetition	21	71	20	2	0
		Percentage	18%	62%	18%	2%	0%
New Proposed Reforms and Innovations							
A. Development of Regulatory Framework							
Q19	Set agenda for national financial and insurance inclusion program	Repetition	57	57	0	0	0
		Percentage	50%	50%	0%	0%	0%
Q20	New creative operational models	Repetition	70	44	0	0	0
		Percentage	61%	39%	0%	0%	0%
Q21	Follow the global financial codes and standards	Repetition	77	35	2	0	0
		Percentage	68%	31%	2%	0%	0%
Q22	Integration with the other sectors and respond to emerging risks	Repetition	76	24	13	1	0
		Percentage	67%	21%	11%	1%	0%
Q23	Develop talented employees and financial awareness	Repetition	75	39	0	0	0
		Percentage	66%	34%	0%	0%	0%
Q24	New Regulatory issues	Repetition	66	41	7	0	0
		Percentage	58%	36%	6%	0%	0%
B. Development of infrastructure technology							
Q25	Adopt strategies that encourage	Repetition	64	27	23	0	0
		Percentage	56%	24%	20%	0%	0%

	investment in digitalization and digital products						
Q26	Establish controls and facilities for electronic payment mechanisms	Repetition	82	30	2	0	0
		Percentage	72%	26%	2%	0%	0%
Q27	Arrange the cover for cybersecurity in order to secure bank's customers database	Repetition	98	1	14	0	1
		Percentage	86%	1%	12%	0%	1%
Q28	Education of public about Fintech and Insurtech	Repetition	67	32	15	0	0
		Percentage	59%	28%	13%	0%	0%
C. Bank Branch Density_ enhance the bancassurance environment							
Q29	Number of branches	Repetition	25	87	2	0	0
		Percentage	22%	76%	2%	0%	0%
Q30	Number of insurance specialists per branch	Repetition	51	63	0	0	0
		Percentage	45%	55%	0%	0%	0%
Q31	Number of customers	Repetition	36	57	21	0	0
		Percentage	32%	50%	18%	0%	0%
Q32	Cross-selling ratio	Repetition	54	54	6	0	0
		Percentage	47%	47%	5%	0%	0%
Q33	Degree of training	Repetition	76	38	0	0	0
		Percentage	67%	33%	0%	0%	0%
D. Financial awareness_ enhance the bancassurance environment							
Q34	Public financial awareness Vs. greater variety of financial products	Repetition	81	26	7	0	0
		Percentage	71%	23%	6%	0%	0%
Q35	Electronic payment means	Repetition	50	52	12	0	0
		Percentage	44%	46%	11%	0%	0%
Q36	Interest rates offered by banks	Repetition	53	42	19	0	0
		Percentage	46%	37%	17%	0%	0%
<u>How the bancassurance effect on financial and insurance inclusion</u>							
Q37	Integration of the informal economy into the formal economy	Repetition	46	67	1	0	0
		Percentage	40%	59%	1%	0%	0%
Q38	Contribute on the economic governmental database project	Repetition	72	29	12	0	1
		Percentage	63%	25%	11%	0%	1%
Q39	Anti-Money Laundering and Terrorist Financing	Repetition	26	87	1	0	0
		Percentage	23%	76%	1%	0%	0%

Q40	Handling new products with creative tools	Repetition	93	8	13	0	0
		Percentage	82%	7%	11%	0%	0%
Q41	Serving a new segment	Repetition	67	43	4	0	0
		Percentage	59%	38%	4%	0%	0%
Q42	Market Reset	Repetition	52	62	0	0	0
		Percentage	46%	54%	0%	0%	0%
<u>Bancassurance's future outlook</u>							
Q43	Several regulatory reforms	Repetition	51	60	2	1	0
		Percentage	45%	53%	2%	1%	0%
Q44	Digital ecosystems shift	Repetition	59	52	2	0	1
		Percentage	52%	46%	2%	0%	1%
Q45	New ways of reinsurance through the financial inclusion	Repetition	36	26	51	0	1
		Percentage	32%	23%	45%	0%	1%

According to the previous table, most respondents rated their answers as totally agree, agree or neutral which is largely in line with the researcher's vision. However, some variances have emerged regarding the legal responsibility of the bancassurance model, the critical need of regulatory reforms, supporting of digital transformation, and bank's application versus approaching of the bank directly which is varied according to the educational level, the experience level, and gender.

Stability Testing

The stability test was confirmed after applying it to an exploratory sample outside the research sample using the Cronbach's Alpha method and Test Reliability. Which is represented by calculating the Cronbach Alpha coefficient (in order to verify the internal consistency of the options mentioned in the questionnaire as a measurement tool, where the value ranges between (0-1) and its value is acceptable at (60%) and above (Sekaran, U. and Bougie, R. 2013), and table No. (3) refers to the test results:

Table (3) Internal consistency stability coefficients_Cronbach's Alpha

Phrase	No of items	Cronbach's Alpha
Bancassurance's challenges	8	0.736
Reforms to capitalize on the challenges	9	0.746
New Proposed Reforms and Innovations	18	0.782
How the bancassurance effect on financial and insurance inclusion	6	0.720
Bancassurance's future outlook	3	0.705
Total	45	0.9778

It noticed from the previous table that the stability coefficients for all phrases were greater than 60% which indicates that there is internal consistency between the paragraphs in each field.

Meanwhile, it's also noticed that the stability coefficient for the whole phrases was (97.7%), and the researcher concluded the existence of internal consistency between the paragraphs of the field.

Hence, testing hypotheses with the questionnaire is validity and significant.

Statistical methods description

For the purposes of the research, the following test were eventually conducted using the SPSS program.

Descriptive Statistics: through determining the opinions of the employees and individuals regarding bancassurance based on the values of the arithmetic mean and standard deviation

Analytical Statistics: A regression analysis (One sample t-test) and (One-Way ANOVA) were used to test the hypotheses of the research

Arithmetic means and standard deviations of the questionnaire phrases

The research aimed to identify the nature of bancassurance and its challenges and expected opportunities based on what has been discussed in the previous chapters, then approached questionnaire to survey the opinions of the research sample in order to achieve the purpose of the research, entered the data into the statistical model, and then a statistical analysis was conducted to calculate the Arithmetic means and standard deviations as follows:

Table (4) Arithmetic means, Variance and standard deviations

No.	Phrase	Mean	Mode	Std. Deviation	Variance	Rank	Grade
Q1	Shortage of the talent	1.94	2	0.74	0.55	9	High
Q2	Competitors' bad practices	2	1 ^a	0.97	0.94	8	High
Q3	Lack of engagement of bank's platform	2.32	3	0.99	0.98	2	High
Q4	Conflict of interest Vs. Products design	2.96	3	0.89	0.79	1	High
Q5	Lack of business integration and strategies	2.06	2	0.82	0.68	5	High
Q6	Clarity lack of legal responsibility	1.69	1	0.92	0.85	20	Middle
Q7	Cyber Risks	1.87	1	1.10	1.21	11	High
Q8	Less contribution of the non-life	2.31	2	0.73	0.53	3	High
Q9	Operational Challenges Vs. Legal framework	1.84	2	0.66	0.44	13	High
Q10	Reduce the talent gap	1.34	1	0.53	0.28	39	Weak

Q11	Market reset	1.7	2	0.56	0.32	17	Middle
Q12	Engagement of bank's platform	1.63	1	0.80	0.64	23	Middle
Q13	Align business Vision and products offered	1.8	1	0.93	0.87	14	High
Q14	Incorporating streamlined of business operations and strategies	2.05	2	0.77	0.60	6	High
Q15	Transparency	1.7	2	0.61	0.37	17	Middle
Q16	Cyber's Cover	1.46	1	0.68	0.46	34	Weak
Q17	Non-Life Insurance's agreement	1.9	2	0.65	0.42	10	High
Q18	Bancassurance's specific regulations	2.03	2	0.66	0.43	7	High
Q19	Set agenda for national financial and insurance inclusion program	1.5	1 ^a	0.50	0.25	31	Weak
Q20	New creative operational models	1.39	1	0.49	0.24	37	Weak
Q21	Follow the global financial codes and standards	1.34	1	0.51	0.26	39	Weak
Q22	Integration with the other sectors and respond to emerging risks	1.46	1	0.73	0.53	34	Weak
Q23	Develop talented employees and financial awareness	1.34	1	0.48	0.23	39	Weak
Q24	New Regulatory issues	1.48	1	0.61	0.38	33	Weak
Q25	Adopt strategies that encourage investment in digitalization and digital products	1.64	1	0.80	0.64	22	Middle
Q26	Establish controls and facilities for electronic payment mechanisms	1.3	1	0.50	0.25	43	Weak
Q27	Arrange the cover for cybersecurity in order to secure bank's customers database	1.29	1	0.75	0.56	45	Weak
Q28	Education of public about Fintech and Insurtech	1.54	1	0.72	0.52	28	Middle
Q29	Number of branches	1.8	2	0.45	0.20	14	High
Q30	Number of insurance specialists per branch	1.55	2	0.50	0.25	27	Middle

Q31	Number of customers	1.87	2	0.70	0.49	11	High
Q32	Cross-selling ratio	1.58	1 ^a	0.59	0.35	26	Middle
Q33	Degree of training	1.33	1	0.47	0.22	42	Weak
Q34	Public financial awareness Vs. greater variety of financial products	1.35	1	0.60	0.35	38	Weak
Q35	Electronic payment means	1.67	2	0.66	0.44	21	Middle
Q36	Interest rates offered by banks	1.7	1	0.74	0.55	17	Middle
Q37	Integration of the informal economy into the formal economy	1.61	2	0.51	0.26	24	Middle
Q38	Contribute on the economic governmental database project	1.5	1	0.76	0.57	31	Weak
Q39	Anti-Money Laundering and Terrorist Financing	1.78	2	0.44	0.19	16	Middle
Q40	Handling new products with creative tools	1.3	1	0.66	0.44	43	Weak
Q41	Serving a new segment	1.45	1	0.57	0.32	36	Weak
Q42	Market Reset	1.54	2	0.50	0.25	28	Middle
Q43	Several regulatory reforms	1.59	2	0.58	0.33	25	Middle
Q44	Digital ecosystems shift	1.53	1	0.63	0.39	30	Middle
Q45	New ways of reinsurance through the financial inclusion	2.16	3	0.91	0.82	4	High
Total		1.69	1.55	0.67	0.48	22.73	Middle

The previous table shows a mean level of the bancassurance model with an arithmetic mean (1.69) and standard deviation of (0.67) ,in addition the sample members' arithmetic averages range from (2) to (1.35), with a range of appreciation ranging from average to high

The phrase No.4 (Conflict of interest versus product design) has the highest rating with an arithmetic mean of (2.96). However, phrase No.27 (Arrange the cover for cybersecurity to secure bank's customers database) had the lowest estimate with an arithmetic mean of (1.29).

Differences in the sample opinions for demographic factors

The following tables is one-way ANOVA test to indicate the extent to which there are statistically significant differences based on demographic means regarding:

1. Tests regarding Bancassurance's Challenges

Table (5) One-Way ANOVA_ Bancassurance's Challenges

Item		Sum of Squares	df	Mean Square	F	Sig.
Gender	Between Groups	1.906	12	0.159	0.731	0.718
	Within Groups	21.953	101	0.217		
	Total	23.860	113			
Age	Between Groups	26.268	12	2.189	2.753	0.003
	Within Groups	80.302	101	0.795		
	Total	106.570	113			
Educational level	Between Groups	22.316	12	1.860	7.353	0.002
	Within Groups	25.544	101	0.253		
	Total	47.860	113			
Experience Years	Between Groups	31.403	12	2.617	2.843	0.002
	Within Groups	92.957	101	0.920		
	Total	124.360	113			

According to the above table, there are statistically significant differences at significance level $\alpha \leq 0.05$ between the sample's opinions as follows

- Gender's sample, the value of f (0.731) at the level of statistical significance (0.718), which is greater than the specified value (0.05)
- Age's sample, the value of f (2.753) at the level of statistical significance (0.003), which is less than the specified value (0.05)
- Educational level's sample, the value of f (7.353) at the level of statistical significance (0.002), which is less than the specified value (0.05)
- Experience level 's sample, the value of f (2.843) at the level of statistical significance (0.002), which is less than the specified value (0.05)

The following table calculates the arithmetic means and standard deviations of bancassurance's challenges.

Table (6) One sample t-test _ Bancassurance's Challenges

Item	Item	Mean	N	Std. Deviation
Gender	Male	2.125	80	0.555
	Female	2.075	34	0.418
	Total	2.110	114	0.517
Age	Less than 25 years old	2.540	7	0.792
	25 years to less than 35 years	2.046	36	0.464
	35 years to less than 45 years	2.016	28	0.186
	45 years and over	2.155	43	0.620

	Total	2.110	114	0.517
Educational level	Diploma or less	3.481	3	0.170
	Bachelor's	2.138	83	0.517
	Master's	1.906	19	0.186
	Ph.D	1.827	9	0.216
	Total	2.110	114	0.517
Experience Years	Less than 5 years	2.201	16	0.773
	6-10 years	2.274	28	0.522
	11-15 years old	2.037	33	0.286
	16 years and over	2.012	37	0.522
	Total	2.110	114	0.517

The above table shows the arithmetic mean and standard deviation of the sample regarding the bancassurance's challenges, which shows convergence between the averages except for the educational level, as almost all the sample holders are bachelor's degree holders.

2. Tests regarding New Proposed Reforms and Innovations

Table (7) One-Way ANOVA_ New Proposed Reforms and Innovations

Item		Sum of Squares	df	Mean Square	F	Sig.
Gender	Between Groups	2.387	12	0.199	0.936	0.515
	Within Groups	21.473	101	0.213		
	Total	23.860	113			
Age	Between Groups	26.860	12	2.238	2.836	0.002
	Within Groups	79.711	101	0.789		
	Total	106.570	113			
Educational level	Between Groups	20.508	12	1.709	6.311	0.002
	Within Groups	27.351	101	0.271		
	Total	47.860	113			
Experience Years	Between Groups	20.508	12	1.709	6.311	0.002
	Within Groups	27.351	101	0.271		
	Total	47.860	113			

According to the above table, there are statistically significant differences at significance level $\alpha \leq 0.05$ between the sample's opinions as follows

- Gender's sample, the value of f (0.936) at the level of statistical significance (0.515), which is greater than the specified value (0.05)
- Age's sample, the value of f (2.836) at the level of statistical significance (0.002), which is less than the specified value (0.05)

- Educational level's sample, the value of f (6.311) at the level of statistical significance (0.002), which is less than the specified value (0.05)
- Experience level 's sample, the value of f (6.311) at the level of statistical significance (0.001), which is less than the specified value (0.05)

The following table calculates the arithmetic means and standard deviations of New Proposed Reforms and Innovations

Table (8) One sample t-test _New Proposed Reforms and Innovations

Item	Item	Mean	N	Std. Deviation
Gender	Male	1.509	80	0.289
	Female	1.505	34	0.266
	Total	1.508	114	0.281
Age	Less than 25 years old	1.683	7	0.300
	25 years to less than 35 years	1.471	36	0.313
	35 years to less than 45 years	1.482	28	0.197
	45 years and over	1.527	43	0.293
	Total	1.508	114	0.281
Educational level	Diploma or less	1.683	7	0.300
	Bachelor's	1.471	36	0.313
	Master's	1.482	28	0.197
	Ph.D	1.527	43	0.293
	Total	1.508	114	0.281
Experience Years	Less than 5 years	1.601	16	0.304
	6-10 years	1.524	28	0.335
	11-15 years old	1.498	33	0.228
	16 years and over	1.464	37	0.270
	Total	1.508	114	0.281

The above table shows the arithmetic mean and standard deviation of the sample regarding the new proposed reforms and innovations, which shows convergence between the averages.

Furthermore, the holders of diplomas or less have the highest mean (1.683), while the holders of bachelor degrees have the lowest mean (1.471), and the holders of master's degrees have a moderate mean (1.482).

Statistics' conclusion

The following conclusions were reached based on the results of the sample's research:

1. According to the research statistics, there is no significant difference between the researcher's opinion and the opinions of the research sample on all aspects of the bancassurance model which include the challenges and proposed reforms which will lead to the success of the bancassurance model in supporting governmental initiative of financial inclusion insurance penetration and digital transformation.
2. Moreover, the sample showed differing opinions about the reforms and invitations pursued by the central bank and insurance regulators in support of bancassurance and other business models.
3. According to the results of the research, there were no statistically significant differences between the research sample regarding the bancassurance's challenges model in terms of gender for men, but there were statistically significant differences in terms of age for those under 25 years old, educational level for bachelor's degree holders, and experience from 6-10 years.
4. Additionally, the results of the research regarding new proposed reforms and innovations, there were no statistically significant differences between the research sample in terms of gender for men, but there were statistically significant differences in terms of age for those under 25 years old, educational level for diploma or less holders, and experience from less than 5 years.
5. Eventually, the variance is only due to differences in educational level and experience in terms of supporting new creative business models aligned with Vision 2030.

Conclusion and Recommendations

According to the previous chapters, the bancassurance model is one of main successful models that contribute effectively to financial inclusion and insurance penetration due to its role in supporting the informal economy and integrating it into the formal economy which providing governments with new tools towards achievement of the sustainability and development goals based on 2030's vision. The researcher studied several articles, books, survey questionnaire, and interviews with top management of bancassurance in both the banking and insurance sectors in the Egyptian market in order to reach up the following recommendations:

1. Launching numerous governmental initiatives intended to support all classes of peoples ,contribute to supporting the informal economy, spreading the culture of financial awareness and financial inclusion and supporting sustainability of all models aspects , similar to the initiatives that had been taken by Egyptian President Abdel Fattah El-Sisi, such as the financial inclusion initiative, financing for small businesses, financing for real estate, and preparing for green environments, all of which aim to integrate all financial institutions to provide innovative solutions to support the economy and society.
2. Approach regulatory and supervisory reforms for almost of financial activities based on development of individual needs and new technological developments.
3. Enhancement of the culture and awareness of the digital financial environment such as approaching obligatory rules to digitalize.
4. Develop the ecosystem between business partners to achieve the highest level of business value through technological and organizational innovations aimed at sustainable development and the preservation of environmental systems and resources.
5. Build strong infrastructure technology through the collaboration between banks and insurance companies which will be able to include several opportunities and create new models depend on this integration
6. Respond to the emerging risks and lack of reinsurance capacities through approach new financial products such as Nat cat Bonds.
7. Establishment of a national agenda includes several reforms aimed at overcoming the challenges of the financial sector, including ensuring that people acquire minimum levels of training, promoting financial awareness, using best practices in handling business, and serving all segments of society.

الْحَمْدُ لِلَّهِ الَّذِي بِنِعْمَتِهِ تَتِمُّ الصَّالِحَاتُ

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Appendix No. 1
Survey questionnaire

Dear Colleagues

According to this survey, the researcher conducts research on Bancassurance: its Impact on Insurance & Financial Inclusion

In order to ensure quality scientific research, I would like you to fill out the following data accurately and objectively.

Additionally, please note that the data you provide will be treated in strict confidentiality and only used for scientific research.

Thanks in advance

1) Personal Data

A. Name (Optional)

B. Number of Company Employees

• Male

C. Gender

• Female

• Less than 25 years old

• 25 years to less than 35 years

D. Age

• 35 years to less than 45 years

• 45 years and over

• Diploma or less

• Bachelor's

E. Educational level

• Master's

• Ph.D

• Less than 5 years

F. Experience Years

• 6-10 years

• 11-15 years old

• 16 years and over

2) Technical Options

Please kindly put a tick (√) under the appropriate option

No	Phrase	Options				
		Totally Agree	Agree	Neutral	Not Agree	Not Agree at All
<u>Bancassurance's challenges</u>						
1	Shortage of the talent					
2	Competitors' bad practices					
3	Lack of engagement of bank's platform					
4	Conflict of interest Vs. Products design					
5	Lack of business integration and strategies					
6	Clarity lack of legal responsibility					
7	Cyber Risks					
8	Less contribution of the non-life					
9	Operational Challenges Vs. Legal framework					
<u>Reforms to capitalize on the challenges</u>						
1	Reduce the talent gap					
2	Market reset					
3	Engagement of bank's platform					
4	Align business Vision and products offered					
5	Incorporating streamlined of business operations and strategies					
6	Transparency					
7	Cyber's Cover					
8	Non-Life Insurance's agreement					
9	Bancassurance's specific regulations					
<u>New Proposed Reforms and Innovations</u>						
A. Development of Regulatory Framework						
1	Set agenda for national financial and insurance inclusion program					
2	New creative operational models					
3	Follow the global financial codes and standards					
4	Integration with the other sectors and respond to emerging risks					
5	Develop talented employees and financial awareness					
6	New Regulatory issues					
B. Development of infrastructure technology						

1	Adopt strategies that encourage investment in digitalization and digital products					
2	Establish controls and facilities for electronic payment mechanisms					
3	Arrange the cover for cybersecurity in order to secure bank's customers database					
4	Education of public about Fintech and Insurtech					
C. Bank Branch Density_ enhance the bancassurance environment						
1	Number of branches					
2	Number of insurance specialists per branch					
3	Number of customers					
4	Cross-selling ratio					
5	Degree of training					
D. Financial awareness_ enhance the bancassurance environment						
1	Public financial awareness Vs. greater variety of financial products					
2	Electronic payment means					
3	Interest rates offered by banks					
<u>How the bancassurance effect on financial and insurance inclusion</u>						
1	Integration of the informal economy into the formal economy					
2	Contribute on the economic governmental database project					
3	Anti-Money Laundering and Terrorist Financing					
4	Handling new products with creative tools					
5	Serving a new segment					
6	Market Reset					
<u>Bancassurance's future outlook</u>						
1	Several regulatory reforms					
2	Digital ecosystems shift					
3	New ways of reinsurance through the financial inclusion					

I Would really appreciate your assistance to put a tick (√) under the appropriate option from your point of view

Please accept my sincere thanks and support in advance

Appendix No. 2

Interviews with the Bancassurance Top management in the Insurance and Banking sectors

Dear Respected Sirs

With reference to the above-mentioned subject as well as our pleasant telecom conversation since a minute ago It would be highly appreciated if you could clarify the following inquiries which would be useful to me in my research which I am participating in the scientific competition at the Aqaba Conference 2023, focusing on Bancassurance and its effect on insurance and financial inclusion.

- 1) Does there exist a statistical book on the results of the Egyptian and Gulf markets' bancassurance business?
- 2) Would it be possible to share the data on the development of direct premiums of Bancassurance over the last 3 years, which will be explicitly mentioned in the research?
- 3) Would it be possible to share the distribution of percentages of distribution channels for business results over the last three years (Bancassurance, Traditional Agents, Brokers, Insurer's own offices and other channels)
- 4) What are the most important regulatory issues that had an impact on bancassurance whether positively or negatively and/or in the insurance or banking sector?
- 5) In what ways does the sector face challenges and opportunities?
- 6) How does bancassurance impact financial inclusion?
- 7) Do you have any ideas for the new proposed developments for bancassurance?

I Would really appreciate your assistance to find the answers of the above questions or to nominate one of your colleagues to take the call.

Thanks in advance for your understanding and support