



# Bancassurance

Digital Integration between Risk and Insurance

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<b>Definition &amp; Benefits of Bancassurance</b>	<b>Global Bancassurance History &amp; Regulatory Framework</b>	<b>Bancassurance Products &amp; Market Share</b>	<b>Entry Strategies, Models &amp; Distribution Channels</b>	<b>Trip to Jordan in Bancassurance</b>	<b>Concluding Remarks</b>

# Definition of Bancassurance



- **MICRO:** Bancassurance or Retail Financial Services Industry (RFSI) means a wide range of operations whereby a bank cross-sells insurance to its customer base.
- **MACRO:** Bancassurance could mean integrating banking and insurance in the world of business risk by structuring hybrid instruments in innovative ways.

# Why Bancassurance ?



Due to the increasing competition between banks, and in view of the diminishing profit margins from traditional products, bank had to explore opportunities to make better use of retail branches.

With economic incentives and synergy effects, bancassurance had benefits to all parties involved.

## Synergy Effects:

- Staff Sharing & Utilization of Intangible Assets
- Common Asset Management

# Why Bancassurance ?



## Benefits to the Insurer:

- Expand customer base
- Diversification of the insurance product distribution channels
- Benefit from the good image, trust and security perceived in Banks
- Fast implementation on a new market
- Leveraging point of sales and cost effectiveness

# Why Bancassurance ?



## Benefits to the Bank:


- New source of revenue
- Diversification of profit generating activities
- Help in financial planning and fiscal advantage effectiveness
- Loyalty of the clientele of the bank
- Leveraging distribution costs
- Encourage savings through commitment

# Why Bancassurance ?



## Benefits to the Consumer:

- Accessibility to all finance services of the bank
- Achieve cost effective insurance services
- Simplified Regulation
- Better automation of consumer's needs from integrated bancassurance offering
- “One stop shop” of financial services



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# When did Bancassurance start ?



**France** is the birth place of Bancassurance when it introduced simple bank distribution models in the **1970s**.

The concept later spread across the region and was adopted all over **Europe** during the **1980s**.

After the success in the Spanish market, Bancassurance started in **Latin America** in the **late 1990s**.

In the **United States of America**, it wasn't until the Gramm-Leach-Bliley Act in **1999** that banks were allowed to engage in insurance sales.

It later started in **China** in the **early 2000s** and gradually became a major distribution channel

# Different Legal Systems ?



The laws and regulations in a country play a huge role in the performance growth of Bancassurance.

In USA, the Glass-Steagall Act of 1933 created barriers between insurers, bankers and securities firms.

In Europe, there are 2 types of regulations:

- The Anglo-saxon Model followed in the UK and Ireland
- The Continental Model followed in France, Italy and Spain

In Latin America, the regulation generally provides an accommodating environment for Bancassurance with the particular case of Ecuador.

In China, there are specific regulations for banks to distribute financial products. It has to be made clear that these are insurance products.

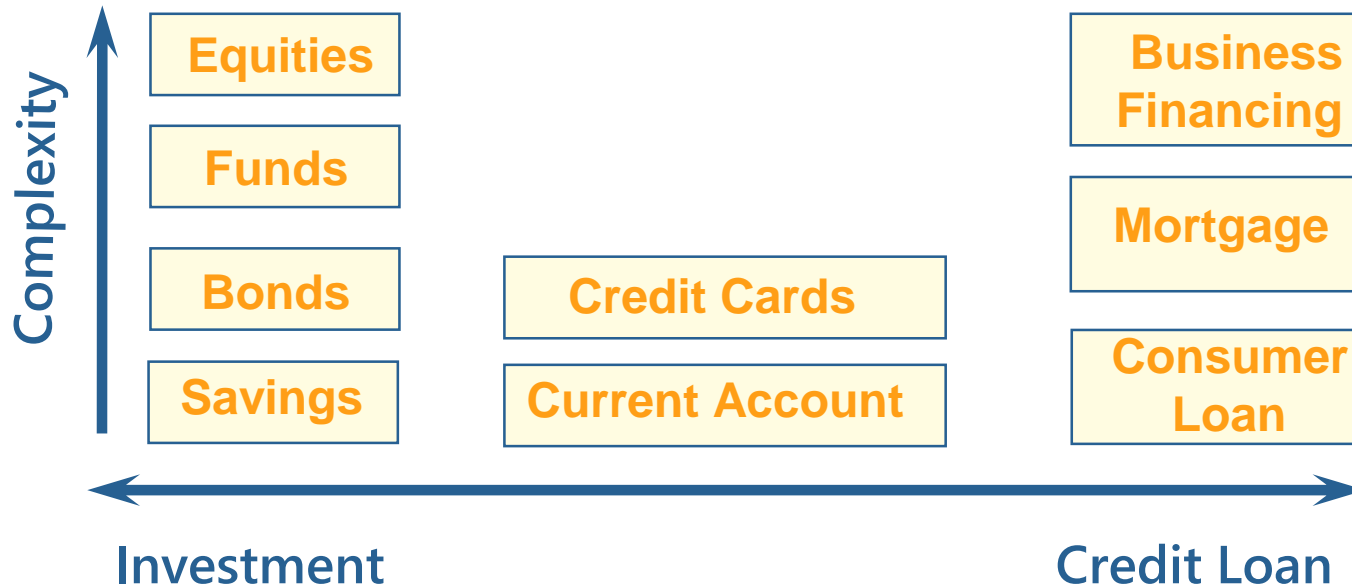


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# What are the Bancassurance Products ?



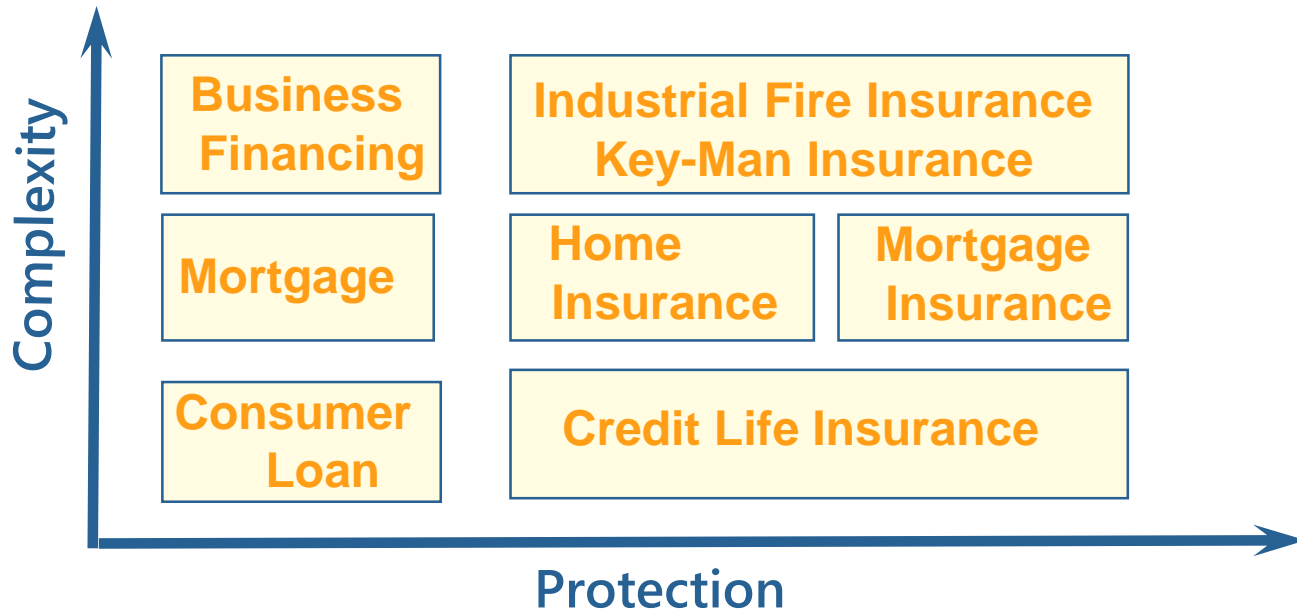
## Portfolio of Existing Bank Products



# What are the Bancassurance Products ?



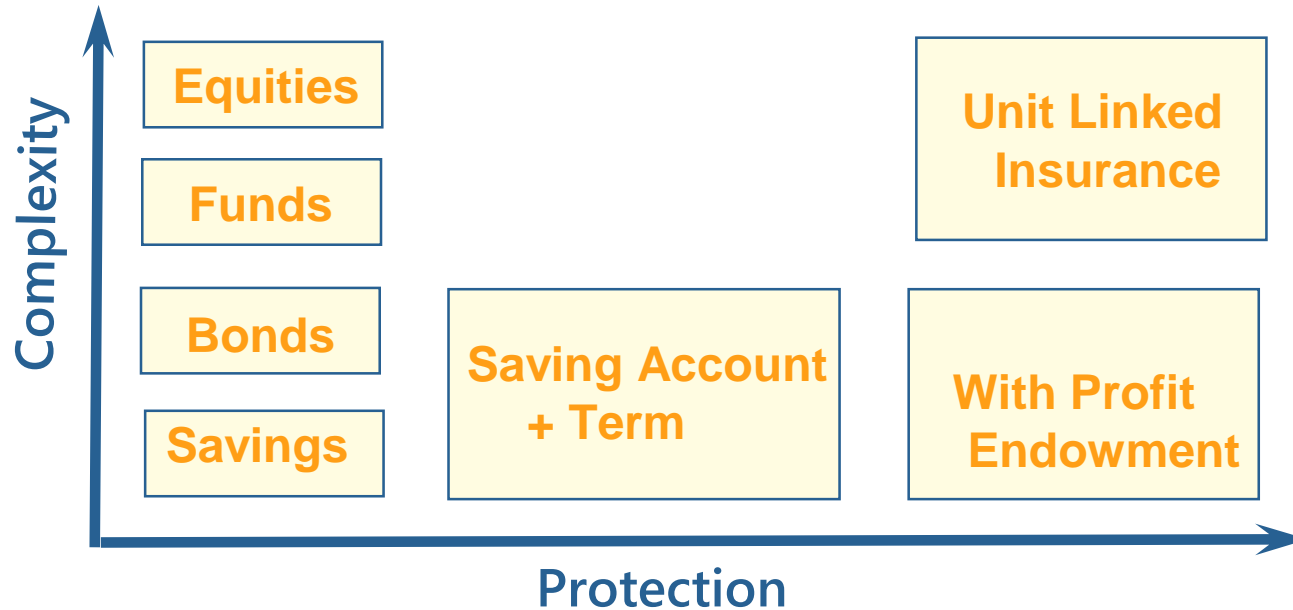
## Insurance Protection Dimension and Credit Products



# What are the Bancassurance Products ?



## Insurance Protection Dimension and Investment Products



# What are the success factors of Bancassurance Products ?



- ❑ The success of products depends on the market environment.
- ❑ Properties characterizing successful bancassurance products:
  - Easy to sell: there are different degrees of complexity
  - Bundled with a bank product
  - Complements a bank product
  - Creates added value
  - Respond to market environment and customer needs

# What is Bancassurance Global Market Share ?



## Global Bancassurance Market Share: 23%

USA: 6%

UK: 1%

France: 65%

Germany: 36%

Italy: 77%

Spain: 49%

Lebanon: 21% [E]

Jordan: less than 1%

China: 52%

Latin America: 39%

Australia: 43%





					
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# What are the different Bancassurance entry strategies?



## Alternative Entry Vehicles for Banks Entering Insurance

### **Greenfield Entry**

**Foundation of a new company**

### **Merger/Acquisition**

**Combination and integration of two separate corporations**

### **Joint Venture**

**Jointly owned separate legal entity underwriting insurance**

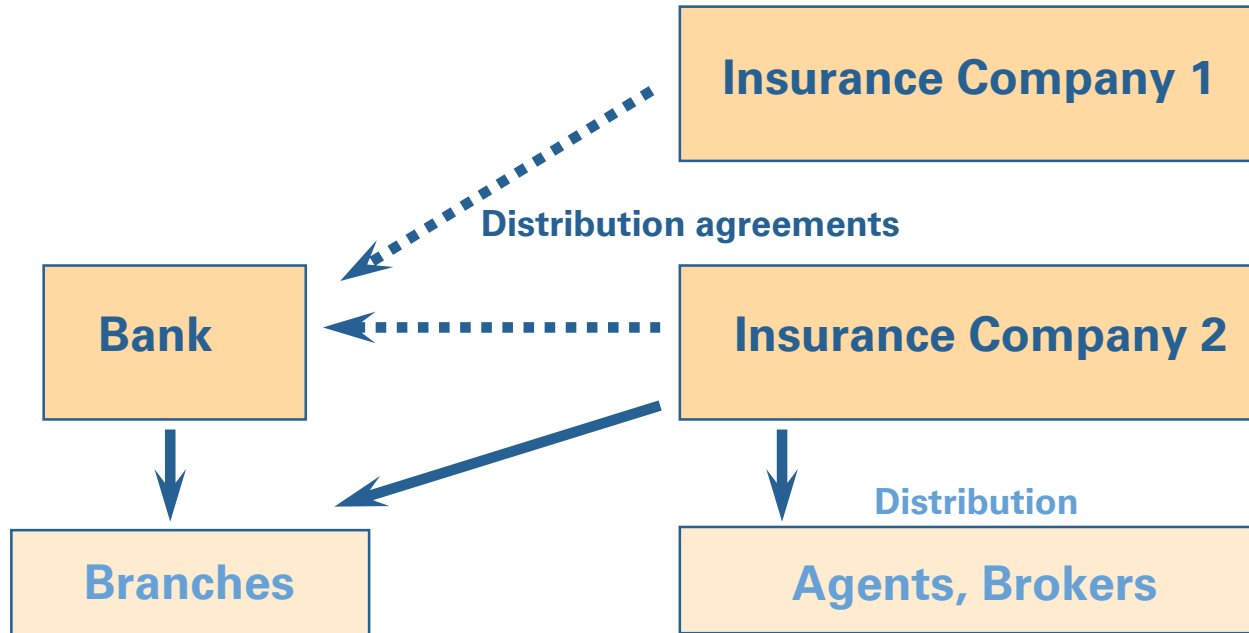
### **Distribution Alliance**

**Co-operation agreement concerning distribution**

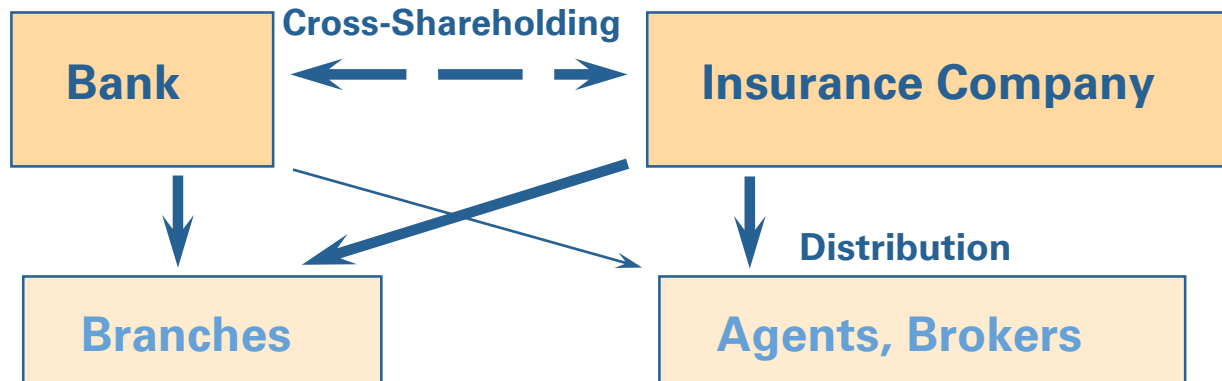
# What are the different Bancassurance models?



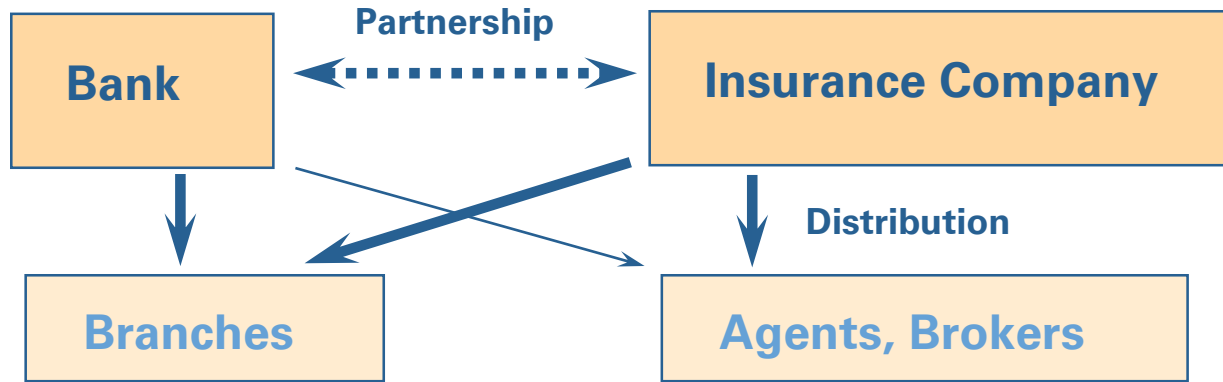
# Models of Bancassurance



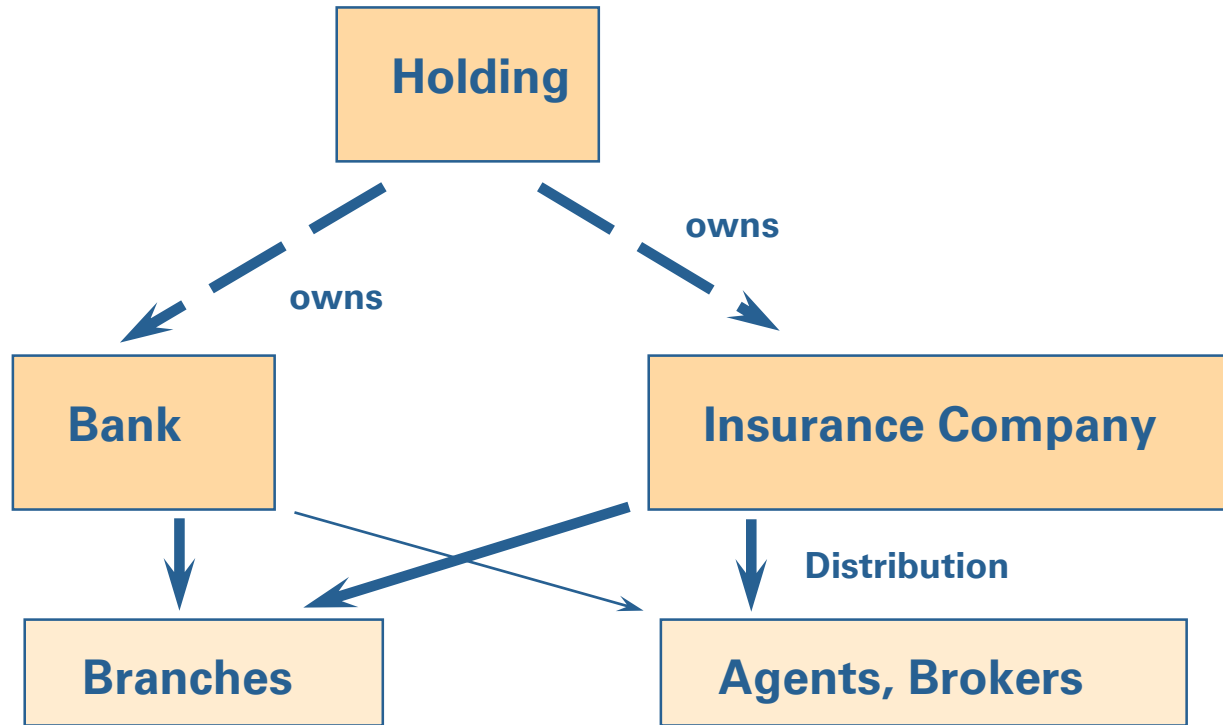
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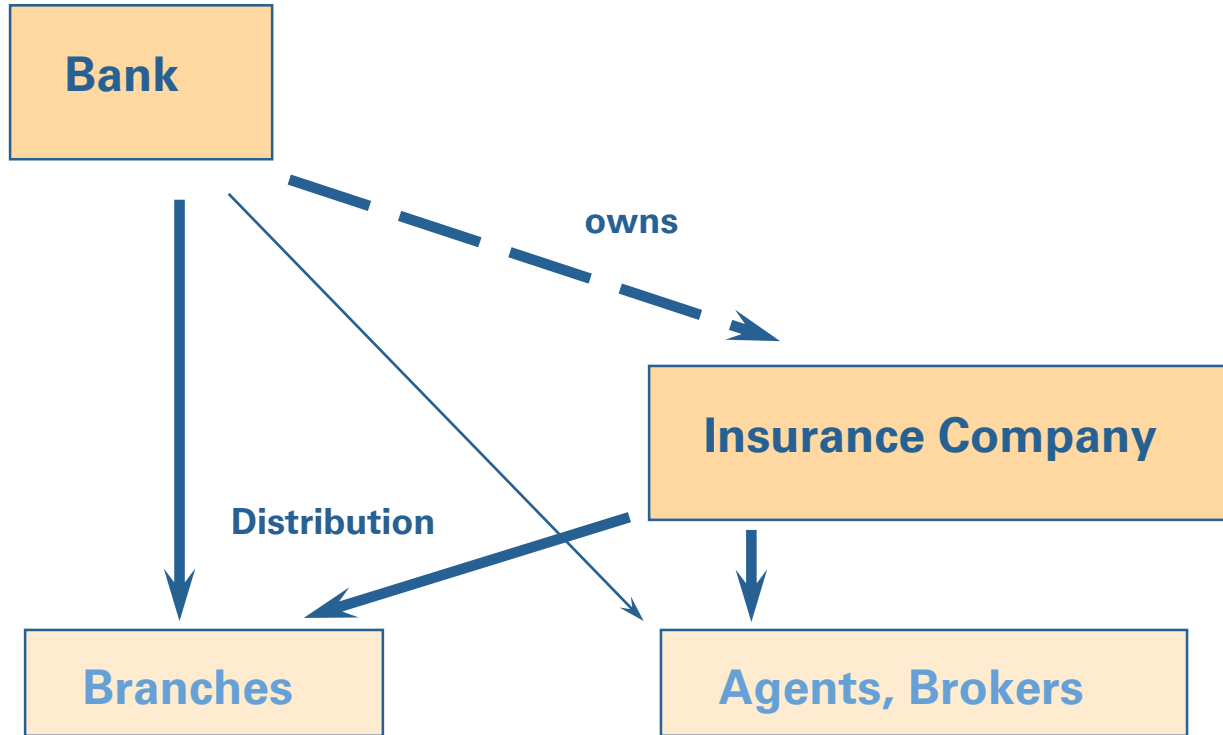
# Models of Bancassurance



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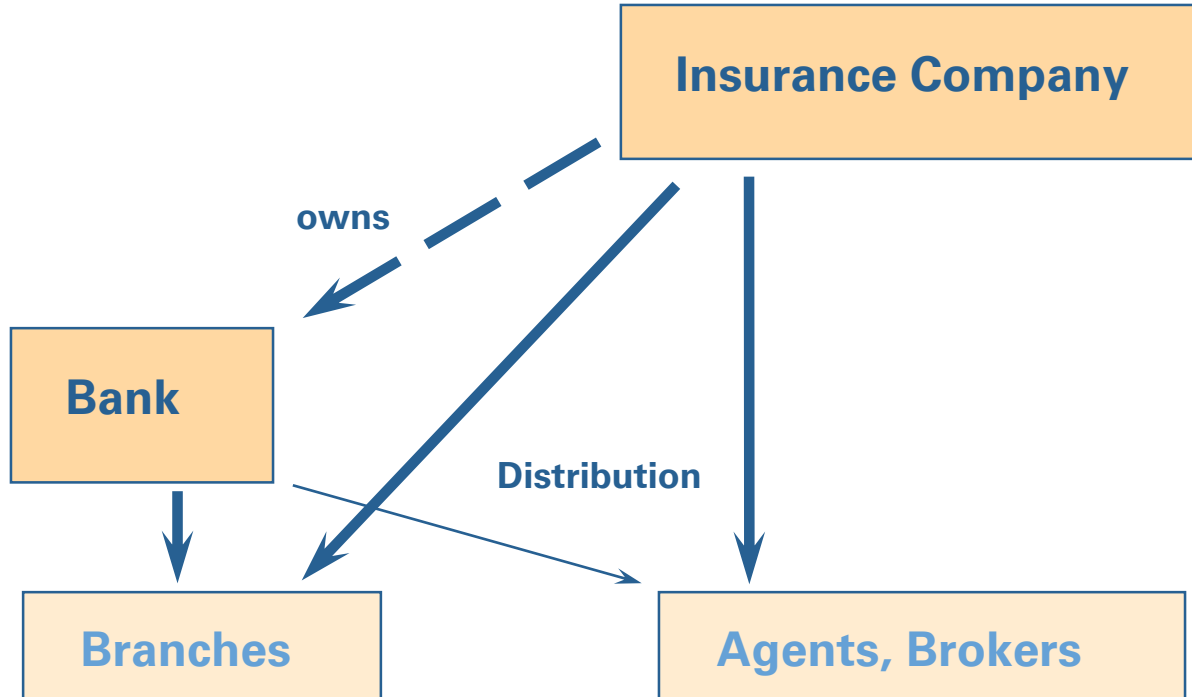


# Models of Bancassurance

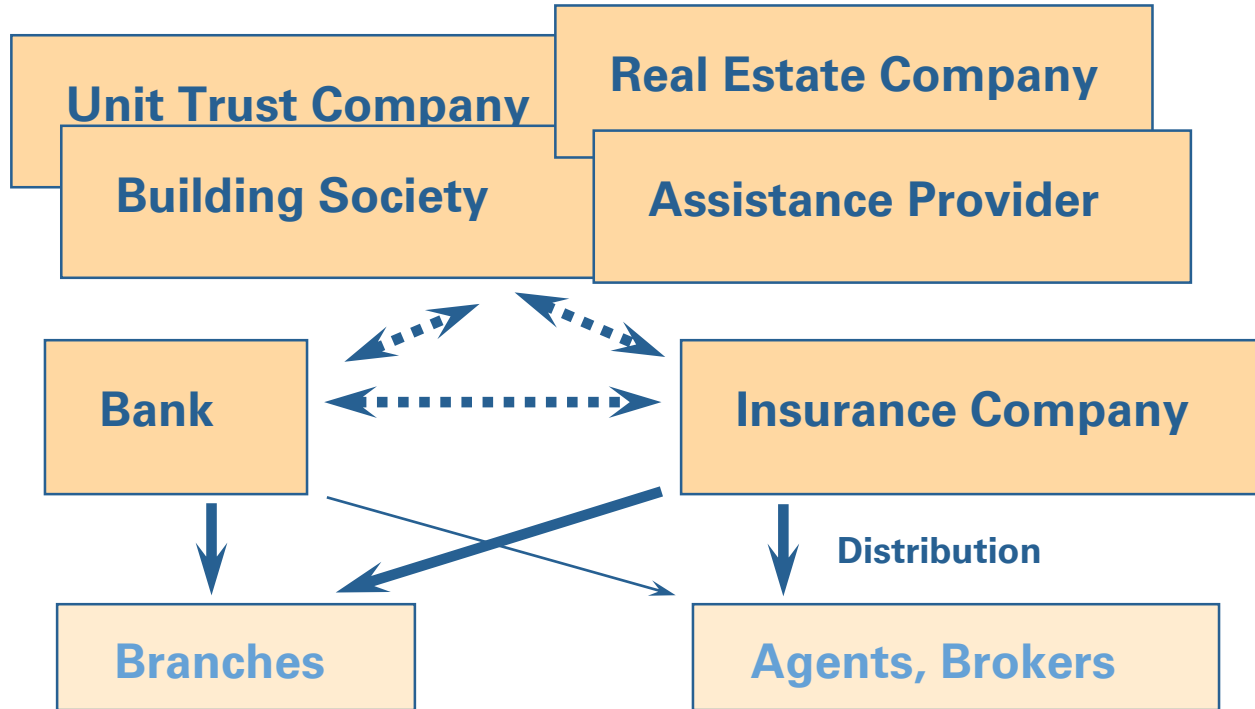




# Models of Bancassurance



# Models of Bancassurance - Allfinanz -



# Policies to make Bancassurance Work



Organisational Arrangement/ Objectives	Loose Shareholding (Cross/ Marketing)	Joint Venture	Ownership (Bank/Insurance) Subsidiary	Integrated Retail Financial Business
Cross-Selling	●	●	●	●
Market Share	○	○	● / ○*	●
Efficiency	○	○	●*/○	●
Quality of Revenue	○	●	●	●

- Good Potential to Realize Objective
- Average Potential to Realize Objective
- Poor Potential to Realize Objective
- \* If Built from Scratch rather than Acquired

# Bancassurance Distribution Channels?



## The potential for selling insurance via the bank counter is huge

- **The Direct Approach:** Provide advice on financial planning and risk management to customers based on available information
- **The Indirect Approach:** Define situations which are suitable for touching the insurance question

# How to make Bancassurance work?



- Incorporating insurance sales into targets
- Increase Effectiveness of Sales Channels and Product Mix
- Tailor Products to Combined Customers Based New Segments
- Invest in Technology and Redesigned Automated Business Processes
- Move towards further Activities Integration - Economies of Scale



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# What is the Regional Outlook?



Currently, the Bancassurance industry is affected by the following:

- Need for a Comprehensive Insurance Supervisory Authority & Universal Insurance Legislation
- High Number of Small Insurance Companies and Banks
- Absence of Compulsory Insurance in most States
- Low Public Awareness
- Cultural and Religious Growth Barriers
- Protectionist Policy in some Arabic countries

# What is the Regional Outlook ?



- All this coincided within a “Globalization” environment
- A large potential growth is expected in Arab countries due to the vested interest and synergies banks have in entering cooperation with Insurance Companies
- Bancassurance could constitute one of the essential channels in the development and growth of financial institutions

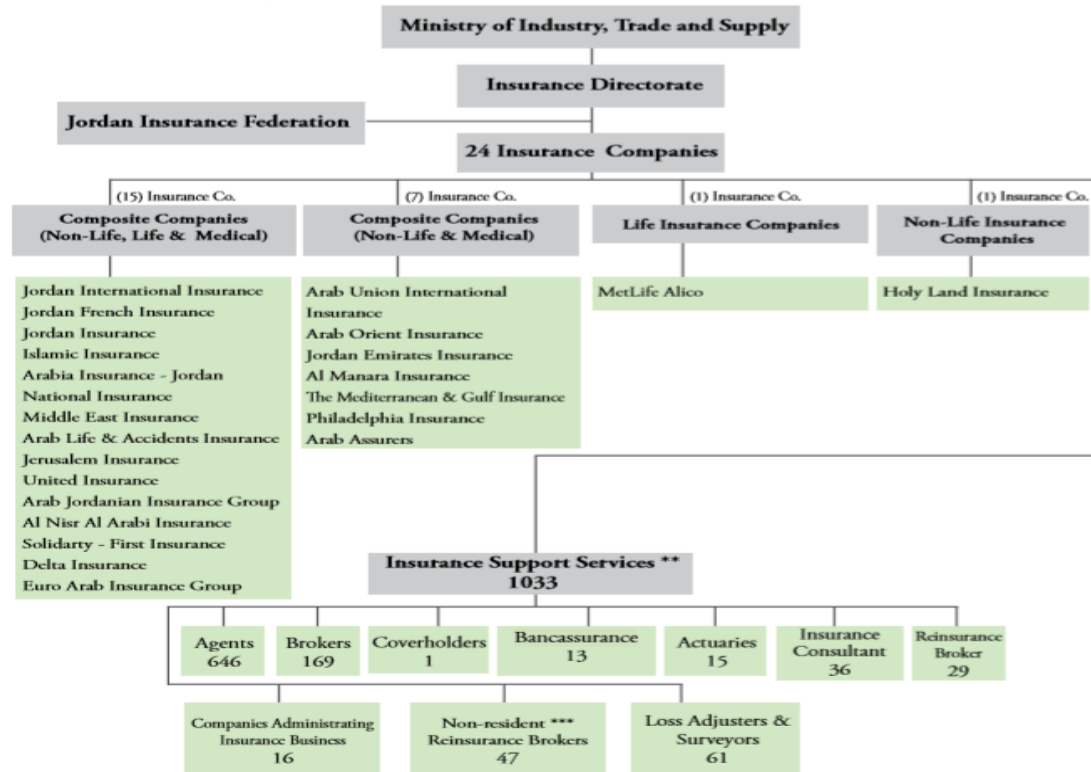


# Trip to Jordan in Bancassurance



- Bancassurance started in Jordan in 2005
- Banks are authorized to practice bancassurance in accordance with the Banks law and licensed by the Commission to practice insurance business in the Kingdom
- A bank must have a bancassurance unit
- License to practice bancassurance is given based on the type and subdivisions of the insurance required.

# Structure of the Jordanian Insurance Sector



Number of employees in insurance sector: \*\*\*\*\*

<http://www.joif.org/SystemFiles/Assets/Annual%20Insurance%20Business%20Report%202016%20English.pdf>

## Distribution Channels in Jordan ?



- Insurance Agents
- Insurance Brokers
- Direct Sales
- Unified Insurance Office
- Bancassurance

Of total written Premium  
Bancassurance constitutes slightly  
less than 1% of insurance share



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# Threats, Challenges and Opportunities



## Bancassurance Typical Problems

- Hesitating attitude of bank staff towards
  - Insurance products
  - Selling methods
- Competition between insurance products and bank products
- Rivalry between management of bank and management of insurance company

## Other Challenges

- Regulation
- Cyber Risks

# Future Outlook



- Bancassurers have to be regarded as severe competitors for traditional insurers because of
  - Cost Advantages
  - Better Customer Access
- If they overcome the hesitating attitude of the bank branches sales staff they may even become more successful
- Trend towards technology
  - Improved effectiveness
  - Reduced costs
  - Product development using digital technologies

# Recommendations



- Design innovative Bancassurance products for a clearly defined target group using latest available technologies
- Have a close and transparent cooperation with the Bancassurance partner
- Use partners' expertise to structure highly secure and trustworthy Bancassurance products
- To optimize Bancassurance efficiency, we need to optimize 3 parameters:
  - Distribution channels
  - Customer Reach Frequency
  - Product Design

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