

Leveraging Bancassurance as a key growth channel

Challenges and Opportunities

Bancassurance is often defined as the distribution of Insurance /Takaful products by Banks

Types of Bancassurance Models

Business Model	Description	Advantages	Disadvantages
Distribution Agreement	Bank act as an intermediary for the Insurance / Takaful Company	Operation starts quickly, no capital investment (low cost)	Possibility of differences in corporate culture.
Joint Venture	Joint subsidiary with one or more Insurance / Takaful Company	Transfer of expertise and know-how	Difficult to manage in the long term
Full Integration	Creating a subsidiary	Same Corporate Culture	Substantial Investment

Advantages for the Bank

The Bank sees the Bancassurance as a way of creating a new revenue flow and extensive branch network is efficiently used.

Diversifying its business activities

Cover all customers' needs – whether financial or protection related.

The distribution costs are marginal since it is the Bank's existing employees who sell the products.

Advantages for the Insurance Company

Extends its customer base due to Bank's extensive network.

Access to customers who were difficult to reach
Vary the distribution channels.

The Insurance Company often benefits from the trustworthy image and reliability that people are more likely to attribute to Banks.

Lower cost compared to the cost of the traditional sales representatives.

Advantages for the Customers

The consumer enjoys greater access to all financial services from the Bank including protection.

The consumer can get cheaper Insurance products than through traditional channels.

Premium payment methods are simplified since they are collected directly from Bank accounts.

Opportunities

Insurance penetration rate is extremely low in the region hence with simple and comprehensive products, a value proposition can be created and higher level of penetration can be achieved.

By value addition to the mandatory insurance products like Motor – Travel Medical and more to add, low to medium income groups can be targeted.

Challenges

Segmentation of the client Base.

The traditional "mass market" bancassurance

Private bancassurance (aimed at wealthy individuals)

Corporate bancassurance and SMEs (small to medium-sized enterprises) to reach their employees

Products should flow through the banks network easily.

Responding to the customers need rather than offering off the shelf products.

Risk Assessment, Training of the Bank staff and Remuneration.

The Way Forward

To move beyond product-oriented cross-selling to customer-focused cross-buying requires a holistic approach to bancassurance.

The right customers (as identified by customer segmentation) need to be provided with products which are attractive (to both the customer and the bancassurer) through convenient distribution channels.

Reinforced by accurate and usable data, the organization will use its processes, metrics and rewards to create a culture and behavior which result in a customer-focused and profitable institution.

These components of a comprehensive bancassurance program really do add up to many times the sum of its parts.