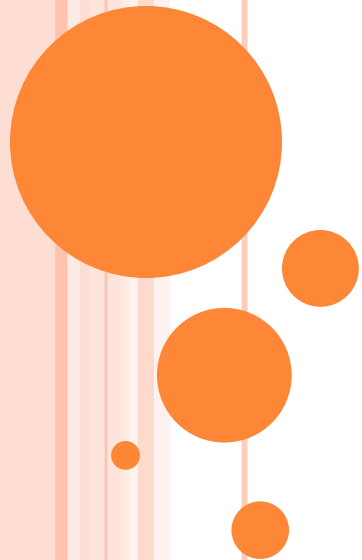


# BANCASSURANCE



# WHAT IS BANCASSURANCE?



- Distribution of insurance products through a bank's distribution channels.
- According to **IRDA**, 'bancassurance' refers to banks acting as corporate agents for insurers to distribute insurance products
- **Life Insurance Marketing and Research Association's** insurance dictionary defines bancassurance as "the provision of life insurance services by banking and building societies".



# BANCASSURANCE IN INDIA

- In the year 2002 the banks of India were permitted to do insurance business for the first time.
- It is regulated by both RBI and IRDA as it is combination of bank and insurance.
- It is a Win-Win Strategy
- **Example:** SBI Life Insurance Company Ltd has tie up with SBI.



# RBI GUIDELINE FOR BANKS ENTERING INTO INSURANCE SECTOR PROVIDES THREE OPTIONS FOR BANKS. THESE ARE:

- Joint venture will be allowed for financially strong banks wishing to undertake insurance business with risk participation;
- For banks which are not eligible for this joint-venture option, an investment option of up to 10 % of the net worth of the bank or Rs. 50 crore, whichever is lower, is available.
- Any commercial bank will be allowed to undertake insure business as agent of insurance companies. This will be on a fee basis with no-risk participation.



# THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA) GUIDELINES FOR THE BANCASSURANCE ARE:

- Each bank that sells insurance must have a chief insurance executive to handle all the insurance activities;
- All the people involved in selling should under-go mandatory training at an institute accredited by IRDA and pass the examination conducted by the authority;
- Commercial banks may become corporate agents for one insurance company
- Banks cannot become insurance brokers.



# BANCASSURANCE SALES MODELS



## ○ **Separate Sales Force**

Minimum integration between the staff of the partners and merely utilize the customer database for insurance product prospecting.

## ○ **Hand in Glove**

- Sales force of the insurer utilizing the resources of the bank (customer base, brand infrastructure , bank staff expertise).
- Bank staff sells simply package product, but act as introducers & in the case of more complex products the insurer's financial planner undertake the constructive selling process and final lead closure.
- High interaction between the bank and insurer's staff.

## ○ Fully Integrated

- Insurance sales process is wholly owned by the bank staff while the insurer acts only as a product and service provider.
- Exploitation of bank's strength and does not utilize the skills of the insurer.



# ADVANTAGE FOR THE BANKS

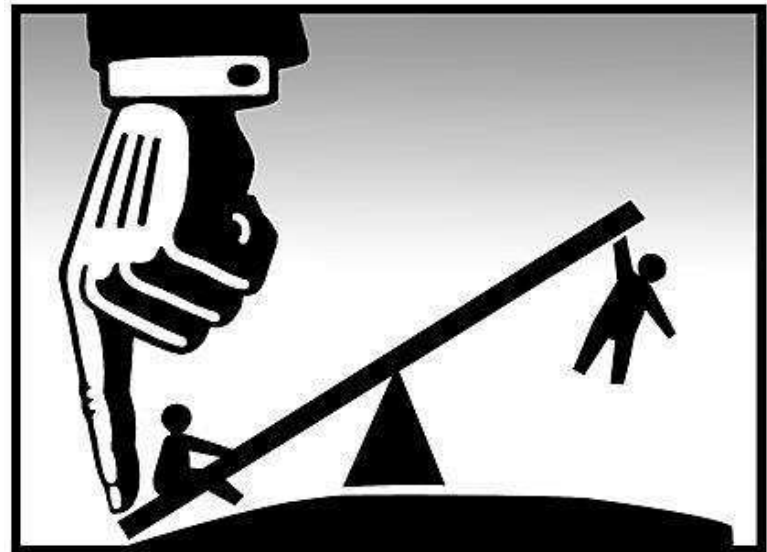
- Revenue diversification
- Satisfaction of more financial needs under the same roof
- Customer retention-Increase in customer loyalty
- More profitable resource utilization
- Enriched work environment
- Establish sales oriented culture





# ADVANTAGE FOR THE INSURANCE COMPANIES

- Revenue and channel diversification
- Quality customer access
- Quicker geographical reach creation of brand equity
- Increase in volume and profit
- Improved brand equity



# ADVANTAGE FOR THE CONSUMER

- Enhanced convenience
- One stop shopping for all financial services
- Innovative and better product ranges
- More credible solution



# SWOT ANALYSIS

## STRENGTH:

- ❖ Vast untapped market
- ❖ Huge pool of skilled professionals



## WEAKNESS:

- ❖ Lack of networking among bank branches
- ❖ Saving Ability of Middle Class





## OPPORTUNITY:

- ❖ ***Data mining*** :Banks have a huge customer database which has to be properly leveraged. Target segments should be identified and tapped.
- ❖ Wide distribution networks of banks

## THREATS:

- ❖ Human Resource Challenges
- ❖ Non-response from the target groups can also pose a challenge.



Thank  
you

