

7th Asian Conference on
Bancassurance & Alternative Distribution Channels

Who/What drives Bancassurance in India?

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Taj President, Mumbai

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Outline of the Presentation...

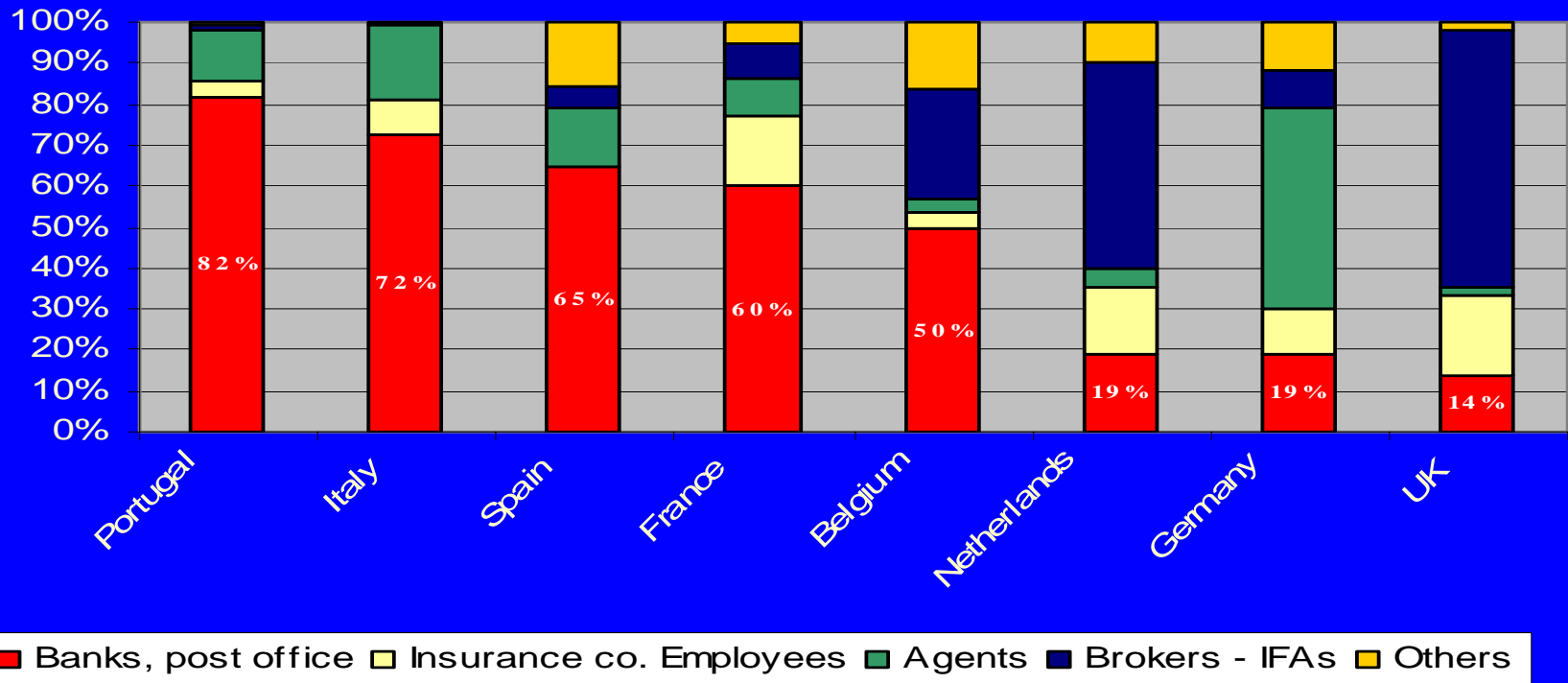
- ✓ Global Bancassurance Trends
- ✓ Why Bancassurance
- ✓ Potential of Bancassurance in India
- ✓ Key Drivers of Bancassurance
- ✓ Don'ts in Bancassurance
- ✓ Case Studies:
 - BALIC & Standard Chartered Bank
 - BALIC & Syndicate Bank

Global Bancassurance Trends...

- The key factors impacting development of Bancassurance across the globe are:
 - Regulatory Environment in the country
 - Tax Advantages attached to insurance products
 - Banking Habits – Is Visiting the Bank natural to customers?
- Europe - Bancassurance accounts for the 35% of the sales in the European life insurance market and is the dominant distribution channel in a number of South European countries such as Belgium, France, Italy, Spain and Portugal.
- US – Bancassurance started developing post the crumbling of barriers set by the Glass-Steagal Act in late 1990s
- Asia – Bancassurance is in its nascent stage in Asian Life Insurance Market but is developing very rapidly due to presence of *Brick & Mortar Model* of Banking in most of the Asian countries.

Banks dominate Life distribution in Southern Europe, & making progress in Northern Europe...

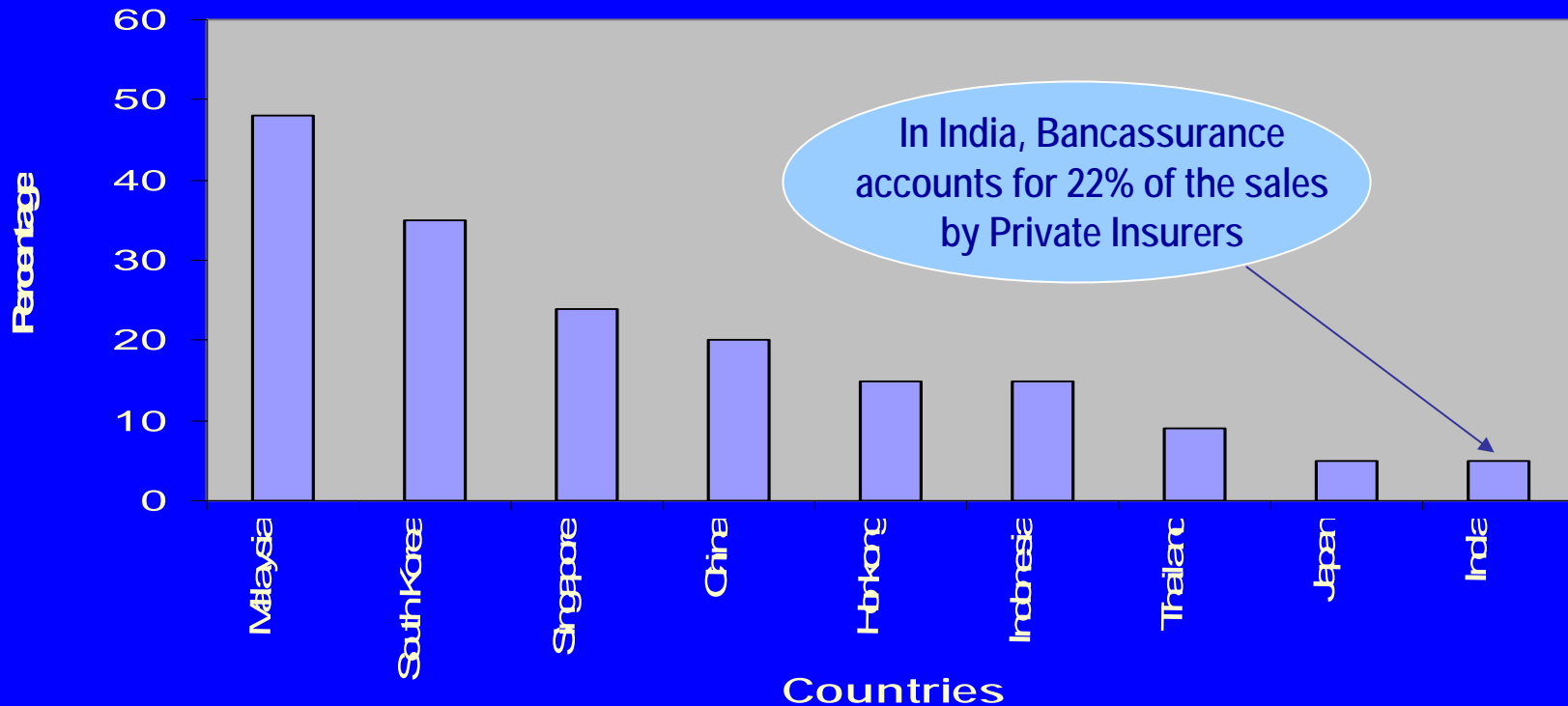
Distribution Channels - Life



European Bancassurers are generating 15% to 20% of Banks Retail Profits from Insurance Sales

Recent Bancassurance Trends in Asia...

Estimates of New Business generated from Bancassurance in 2004



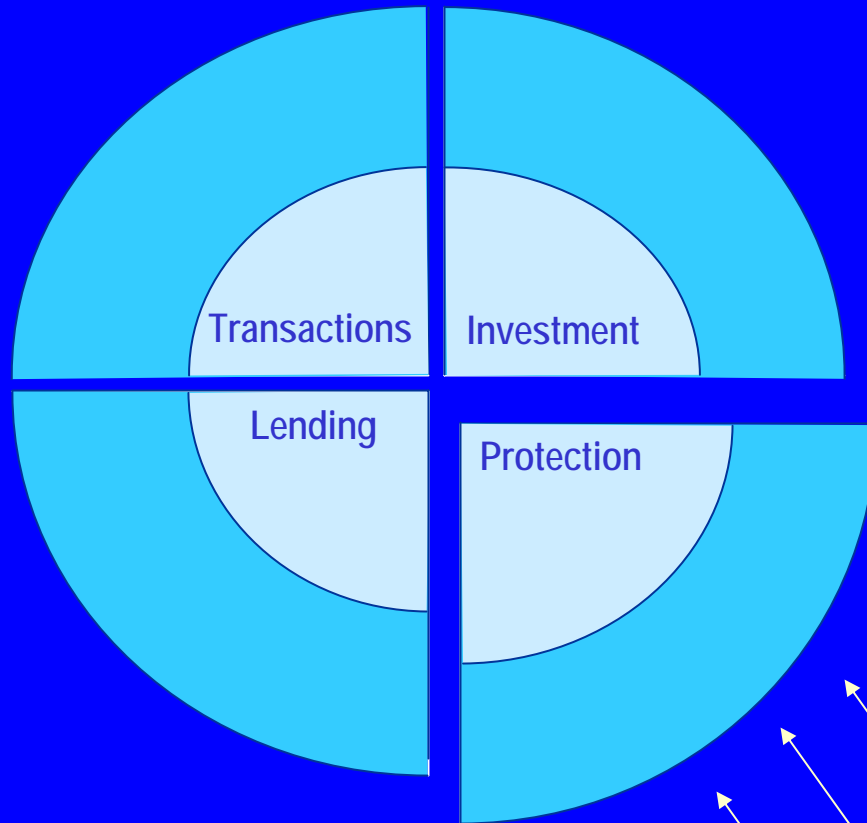
Due to presence of Brick & Mortar Model of Banking in India, Bancassurance is increasing its Market Share very rapidly

Why Bancassurance...

BANK

- Phone Banking
- ATM
- Savings Account
- Current Account
- Checking

- Credit Card
- Overdraft
- Business Loans
- Mortgage
- Personal Loan
- Vehicle Loan



- Time Deposits
- Foreign Currency
- Shares
- Trading/Financing
- Mutual Funds

- Income
- Education
- Assets
- Health / Medical
- Savings
- Life
- Travel
- Accident Life

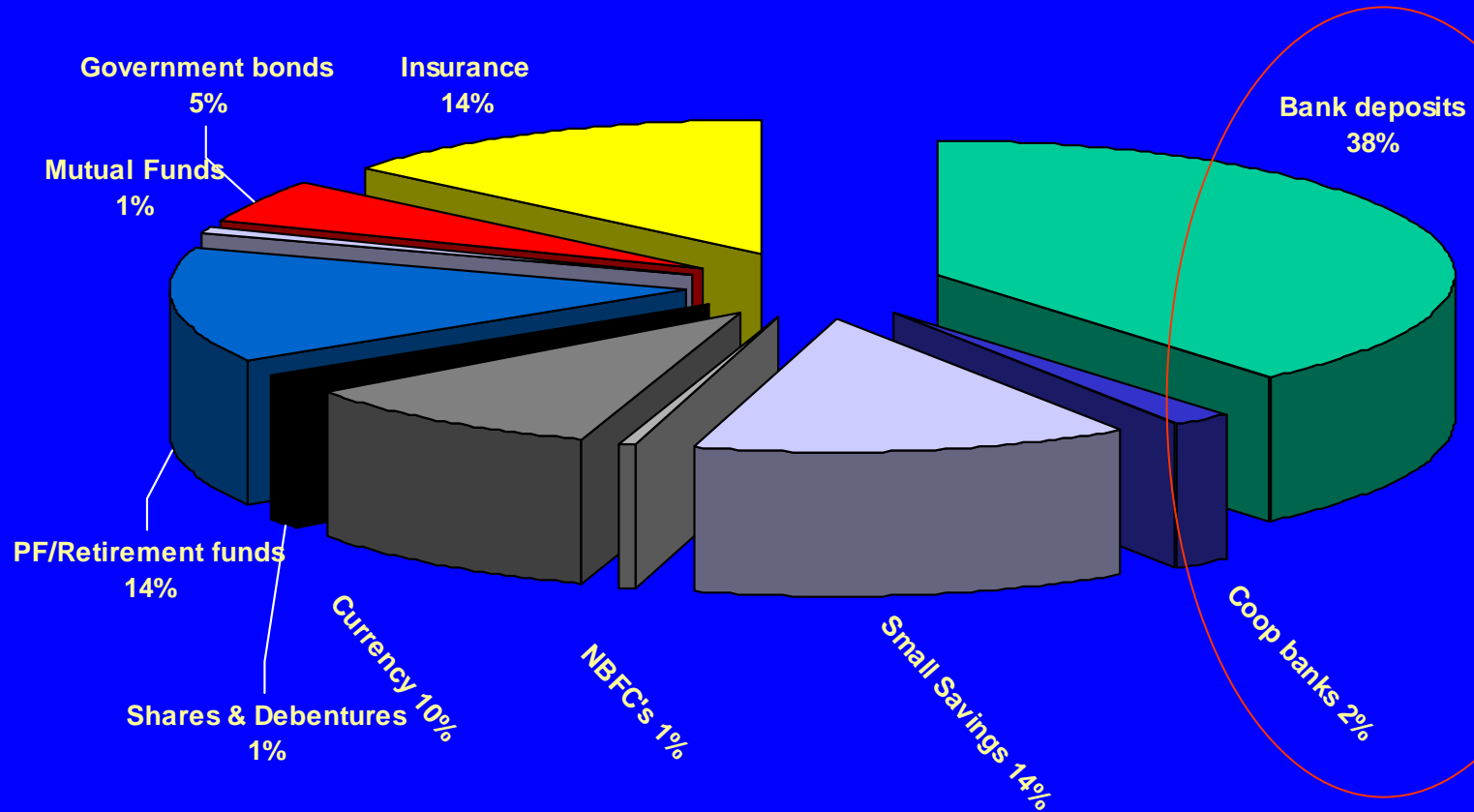
Insurance Company

Insurance Products complete the financial relationship of the Bank with the customers

Potential of Bancassurance in India...

- Banks are major players in the Indian Financial System:
 - 67,000 branches (32,000 rural and 14,700 semi urban)
 - Enormous retail account base of 450 mn Deposit Accounts
 - Total deposit base of Rs. 14 trillion (USD 300 bn)
- Brick & Mortar Model of Banking
 - Approximately 80% of Banking Transactions are done at the Bank Branches
- Very High Trust in the Banking System
- Bank Managers looked upon as "Financial Advisors"

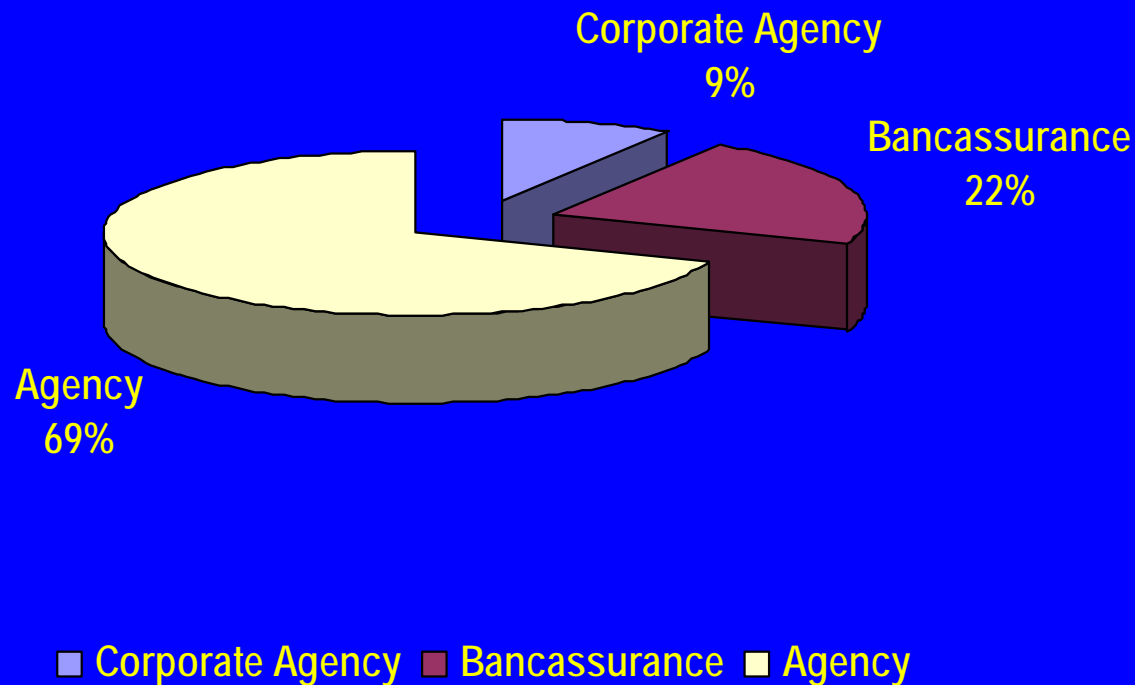
Incremental Financial Household Savings – '05



OPPORTUNITY for Bancassurance: Over 40% of Financial Household Savings lie with the Banks

The India Experience...

Channel-wise New Business Premium by Private Players*



Leading Players have a 25% + share of New Business from Bancassurance

Key Drivers for successful Bancassurance...

- ✓ Commitment from the Top Management
- ✓ Involvement of Bank Branch Staff
- ✓ Target Customer Segments & Products
- ✓ Distribution Strategies

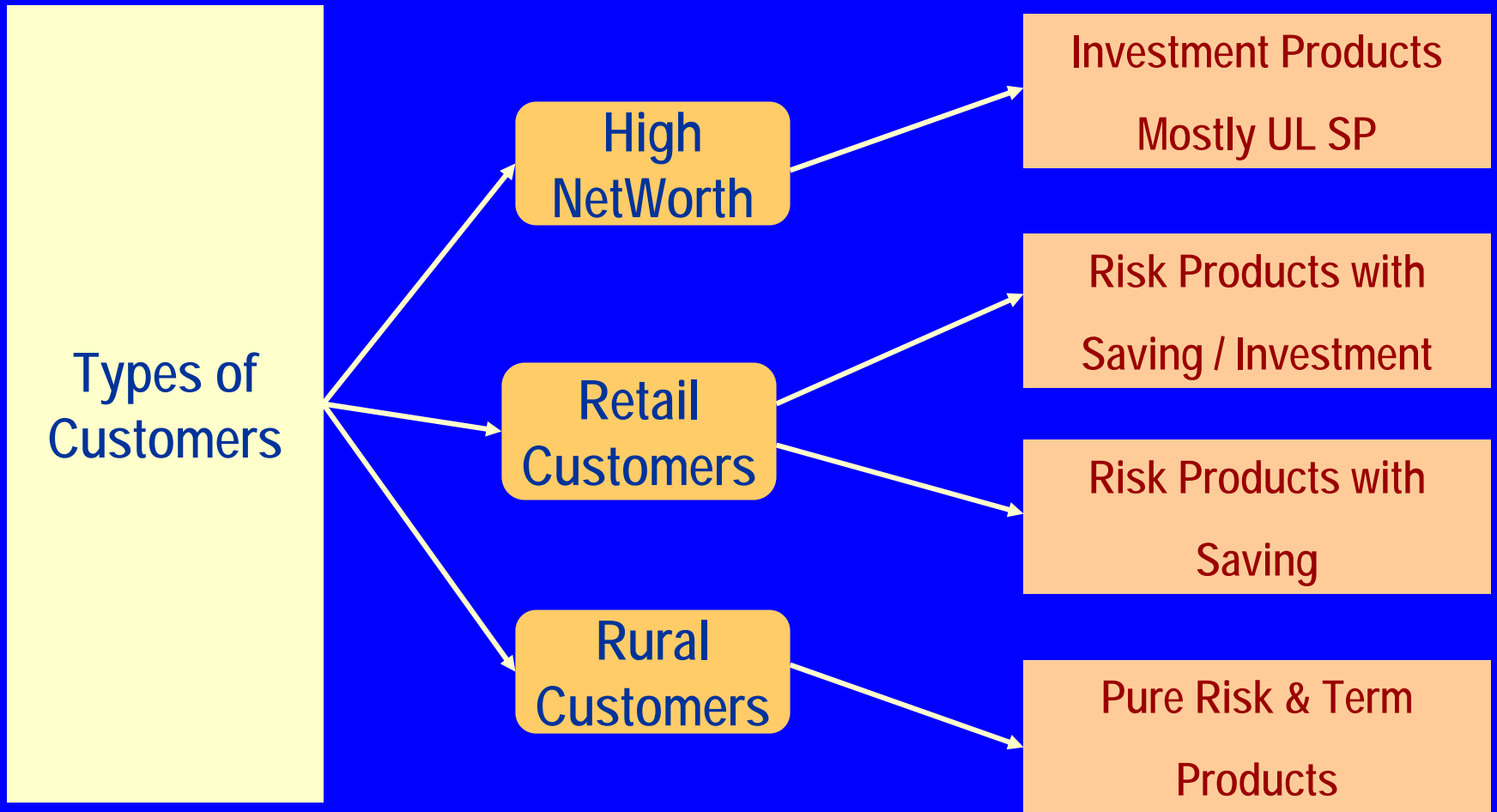
Commitment from the Top Management...

- Commitment of Top Management – both Bank and Insurance Co.
 - *Bank Management to promote insurance as a CORE PRODUCT*
 - *Insurer to provide all relevant sales and operational support*
- Clear & Comprehensive Agreement & Business Plan
- Bank to give sufficient weightage to Insurance products in the internal performance scorecard
- Insurance sales to be included in Bank Officers Appraisal Process

Involvement of Bank Branch/Sales Staff...

- Bank Branch/Sales staff to accept Insurance products as one of their CORE PRODUCTS
- Constant motivation & incentivisation of Bank staff to sell insurance products
 - Run Reward & Recognition Programs
 - Develop some 'Branch Champions'
 - Celebrate & Promote Success
 - Progress Monitoring System
- Bank Staff should be well coached by the Insurer

Target Customer Segments & Products...



Meet assurance needs of the Customers over his lifetime

Different customer segments needs to be approached differently...

Branch Walk
ins

Insurance Sales
Staff Presence in
each branch
location

Fresh Accounts

An Outbound
Insurance Sales
Team to contact
all customers
entering into new
relationship with
the Bank

Non Walk-in
Customers

Direct Mailers /
Tele Marketing to
all Non Walk-in
customers

Employees of
Corporate
Customers

Worksite
Marketing

The More You Reach,
The More You Insure

Don'ts in Bancassurance...

- Treat as an extension to an 'Agency' force
- Don't 'Rent the List' – Do not provide just the customer database to the insurance partner
- Quick fix training
- Lack of 'REAL' commitment – watch for 'Excuses'
- Fast results that don't last – no real culture change
- Bursts of activity – no consistency

Case Study

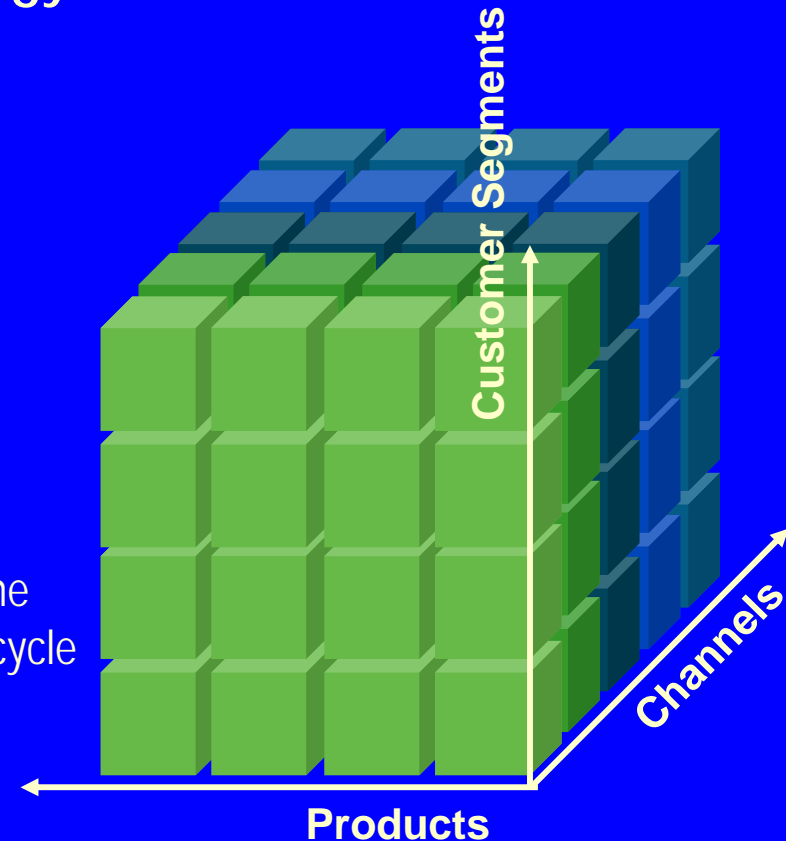
BALIC & Standard Chartered Bank

BALIC & Syndicate Bank

Standard Chartered Bank & BALIC

Key Elements of our Bancassurance Strategy...

- **DISTRIBUTION CHANNELS**
 - Covering 13 Banking Distribution Channels
- **CUSTOMER SEGMENTS**
 - Well defined customer segments
- **PRODUCTS**
 - A complete Product Basket cover varied needs of the different customer segments during their entire life cycle

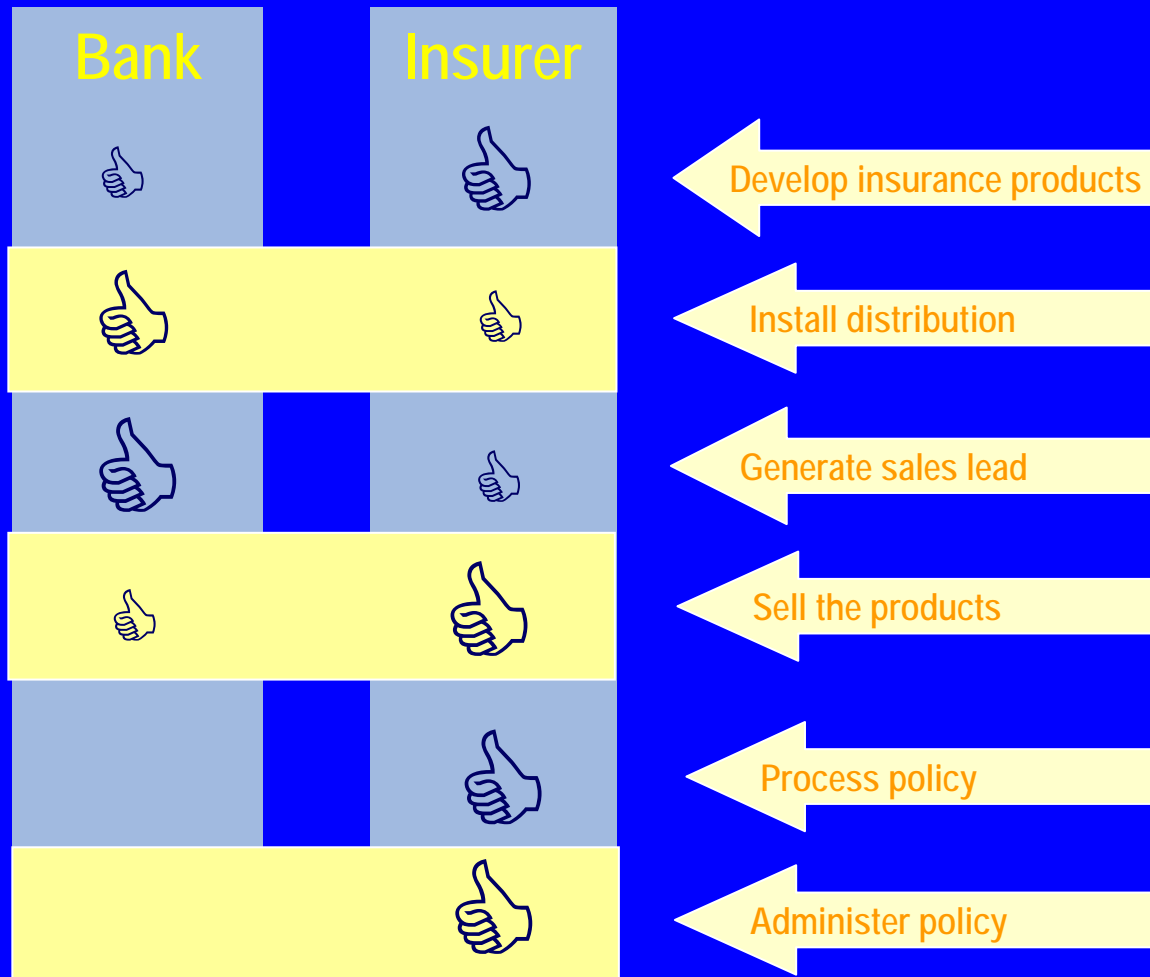



A key to success lies in *INTEGRATION* of these Key Factors


Implementing Bancassurance at Standard Chartered Bank



Clearly Defined Roles & Responsibilities...



Natural role 

Role extension 

Results...

- Achieved GWP of Rs 4,250 million (USD 36.8 mio) in the FY 2005-06
- Average Monthly Business of over Rs 250 million (USD 5.68 mio) of Premium collection in current FY.
- Average productivity of Rs. 650,000 (USD 14,500) per insurance salesman per month
- Avg Productivity in the retail channel is over 12-14 policies per month. Avg Premium = Rs 50,000. (USD 1,036)
- Main Products sold are Investment Linked / Savings

Benchmark in Indian Bancassurance Industry

Syndicate Bank & BALIC

Critical Success Factors...

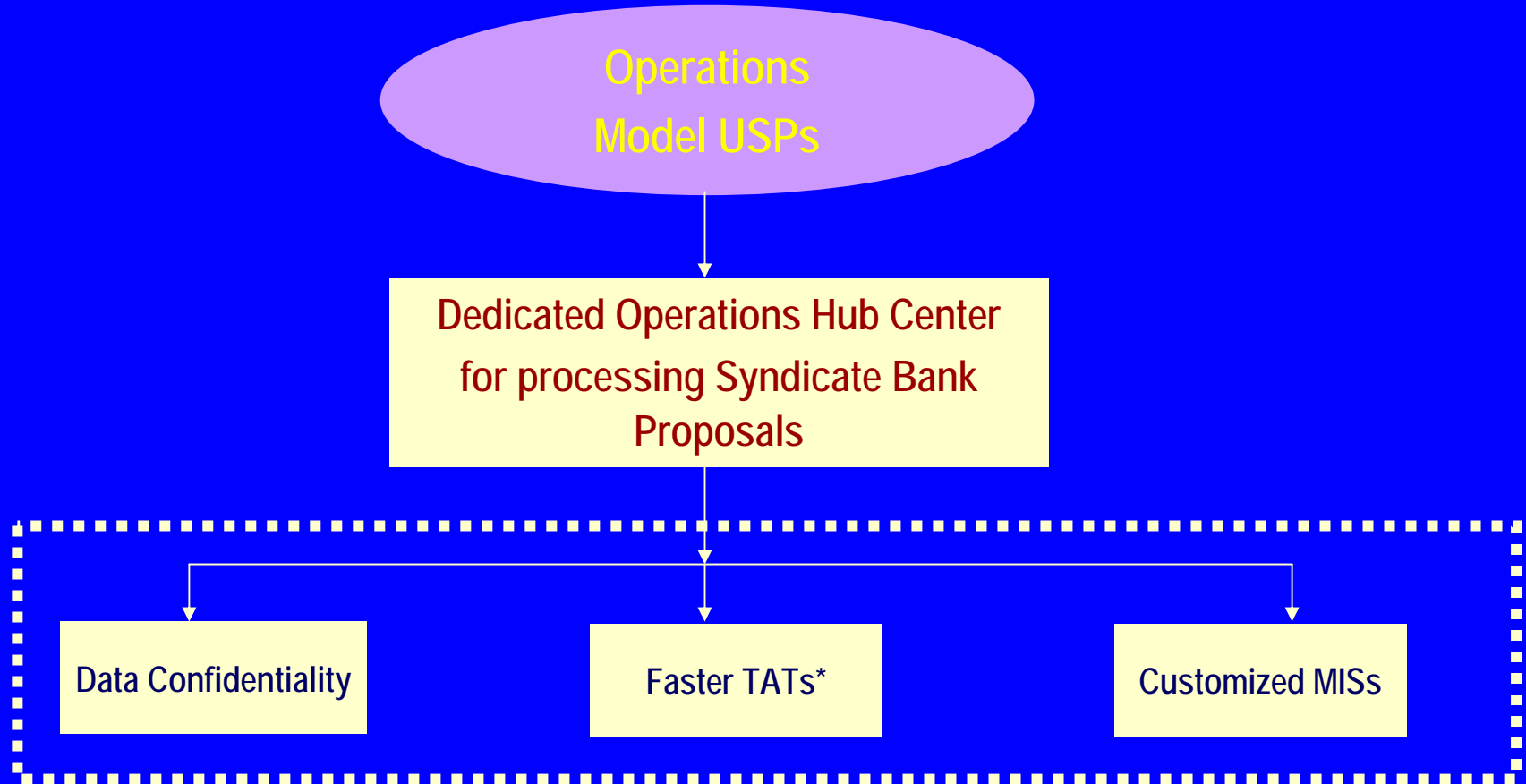
Bank Partner

- Senior Management commitment via Joint Steering Committee
- Top Down Alignment – Staff targets, incentives/bonus, appraisal
- Respect for Insurance Company Expertise
- Integration into day-to-day activity
- Pro-active lead generation/sales management

Insurance Company

- Senior Management commitment via Joint Steering Committee
- Extensive Lead Spotting, Product & Sales Training
- Dedicated Ops Hubs for processing Syndicate Bank Proposals
- Respect for Bank service culture & customer relationship
- Sales management expertise
- Openness to new ideas & processes

Dedicated Ops Model...



*TATs

Issuance of Non Medical Policies – 1 Day

Issuance of Medical Policies – 7 Days

Results...

- Achieved GWP of Rs 1,030 million (USD 22.88 mio) in FY 2005-06
- Over 60,000 policies sold in FY 2005-06
- Average Monthly Business of over Rs 150 million (USD 3.33 mio) of Premium collection in current FY
- Main Products sold are Savings / Mortgage Linked
- Over 90% of the policies have an average annual premium of Rs 12,000

Thank You...