

BANCASSURANCE CHANNEL – A SWOT ANALYSIS

S. Saravanan

Assistant Professor, Justice K S Hegde Institute of Management, Nitte, India
Email: saravanansnr@gmail.com

ABSTRACT

The bancassurance is going to be a saga in Indian insurance industry. This article analyzes Indian bancassurance with the help of SWOT analysis. It distills the bancassurance processes to reach its maximum potential. Equal importance has been given to different components of the SWOT tool. This article explains Indian bancassurance environment in a nutshell and can be elaborated further.

Keywords: Distribution Channel, Customization, Customer Retention, Productivity, Loan Offers

INTRODUCTION

Bancassurance is one of the important channels for any insurer. In India the growth rate of bancassurance is moderate in comparison with other developed countries. The growth can be enhanced many fold times with appropriate strategies such as SWOT analysis. This article focuses on SWOT analysis of the bancassurance channel exclusively. The scope of bancassurance can be inferred from the SWOT analysis easily. The grey areas of bancassurance highlighted in the SWOT can be handled with appropriate strategies to avoid pitfalls. Thus the outcome of the SWOT will be very useful for the insurer and bank. Many times the bancassurance channel is over focused. This article has balanced approach towards bancassurance channel.

Strengths

Accurate Customer Details

The accuracy in customer details can do wonders. The data generated by many sources lacks accuracy. But the accuracy of data is very high in bancassurance. This helps in targeting right segment of customers for right policy. The communication address and phone number of customers are updated on time and avoids waste of time and resources in communication.

Insurance Is Mandatory For Loans

The bank whenever offers loan bound to issue appropriate class of insurance too. It is legally mandatory for a bank to club loan products with relevant insurance. For example, life insurance is required for personal loan. In case of property insurance, fire insurance is mandatory. Similarly, for different classes such as cattle insurance, Agri insurance etc demanded while selling the loan products for the same.

Customized Policies at Lower Premium

The insurance policies are customized for bancassurance channel. The statistical analysis of customer data helps to devise right set of policies for different customers. The features and premium of insurance products designed for bancassurance channel comparatively better than any other channel. In fact, the insurance policies are lucrative in bancassurance channel.

Issuance of Very Special Class Insurance

The risky class of businesses will not be issued as it affects the profit of the insurer. Some of the risky classes are weather insurance, cattle insurance etc. if the customer approaches through bacassurance channel then the policies will be issued. In other words, the risky policies are issued only bancassurance customer and not for others.

Good Numbers of Leads to Cross Sell

The bank customers can be targeted to sell insurance policies. The existing customer database can be used to generate leads. As the number of sales leads increase the sale closures also increases. Thus the more leads ends in more sale closure. The banks can cross-sell insurance policies to its customers.

Services Under One Roof for Customers

The customer can enjoy convenience of core banking products and insurance policies under one roof. Otherwise the customer needs to run around in search of different financial products to meet his needs time to time.

Relationship Based Business Model

The insurance is considered as concept selling. The sales executive cannot expect immediate sale closure. Each phase of the sales process consumes time. The time taken to follow-up etc is lengthy. The success of insurance sales is purely based on relationship between the seller and the buyer. The bank employees can turn the rapport created as policies.

Important Source of Income

The fee-based services increase the productivity of the employee as well as the bank branch. The existing resources can be utilized to sell financial products. Otherwise the insurance company needs to spend on resources. It is easy to train the bank employees as they are graduates. Banks due to competition loses profit in core banking products and it can be compensated in selling insurance products.

Weaknesses

Lack of Initiatives from Bank Employees

The bank employees should sell insurance in addition to their routine works. They perceive insurance as a burden on their head without considering its benefits. They are not interested in attending insurance training and suffer without product knowledge. The initiatives to create rapport with insurance company employees are minimal.

Dependency on insurer Employee

The bank employees are solely depending on bancassurance executive for sales. The sales executive can handhold in the initial time but not always. A bancassurance executive will be given handful of bank branches. It is difficult to manage and address all the requirements simultaneously.

Customer Orientation Is Less

Most of the bank employees tend to sell the policies which can fetch maximum benefits for them in terms of commission volume. But they forget to fulfill the customer requirements. The bank employees are having profit orientation not customer orientation.

Can Only Promote Tie-Up Insurer Products

As per IRDA guidelines, an insurer can have tie-up with any number of insurers. But a bank can have tie-up with only one life insurer and one non-life insurer. Thus a bank is restricted to sell only one bank products and cannot sell multiple insurers products simultaneously.

Opportunities

Growing Channel of Marketing

The bancassurance generates significant proportion of premium for any insurer. The bancassurance is inevitable as it generates huge premium next to agency channel. The growth rate of bancassurance channel is exponential in recent years.

Dual Support Model

The customer who takes the insurance policy through bancassurance channel is expected to enjoy dual support. In other words, support from bank as well as insurance company. The scope for better customer services is higher in bancassurance.

Tax Payers Can Be Targeted

Every year during March, the sale of life insurance reaches its peak. At that time selected customers (preferably tax payers) can be targeted for single premium policies. In a nutshell the bank employees should be prepared to allot time for insurance in March.

Sales Can Be Driven By New Campaigns

The insurers can devise new campaign to motivate bank employees for selling the insurance policies. The winner of each campaign can be awarded with foreign tour, gold, cash prizes etc. thus the inner urge to sell more and win can be increased.

Scope of Premium Payment through EMI's

As per IRDA regulations, the premium for non-life insurance cannot be paid in installments. But the banks can pay the premium to insurer on behalf of the customer and can collect premium from customers in installments. Thus the bank can extend the comfort of premium installments to its customers.

Threats

Insurance Becomes Additional Responsibility

The bank employees should sell insurance in addition to core banking activities. During the introductory phase the burden will be extreme for them. But the bank employee will be more comfortable in selling insurance as the time progresses. The friction is more in the initial phase of the bancassurance tie-up. Those successfully completes the first phase can really excel in selling insurance.

Rapport Maintenance between Employees

The rapport between bank employee and sale executive is affected by variety of factors. Some of the important factors are: the initiatives taken by bank employees and executive, meticulous planning and allocation of time for selling insurance, the number of branches under the supervision of executive etc. for example, if an executive is allotted with more number of banks then the rapport level with each bank employee is limited due to lack of time.

Brand Equity and Poor Service

Generally, out of bancassurance tie-up, the brand equity of the insurer is improved. But the poor insurance service may dilute the bank brand equity. So the bank needs to analyze the insurer carefully before tie-up. Otherwise poor insurance service may hinder the sale of core banking products.

Competitive Quotes from Others

Sometimes, the premium quote of other channels is comparatively lower than the bancassurance channel. More specifically, the direct marketing motor premium is cheapest one. In such cases, the customer prefers to buy from the channel which charges the lowest premium.

New Bancassurance Proposals

The bancassurance channel has limited contractual term and can be renewed subsequently. Generally, each bank receives invitation from insurer to become bancassurance channel partner. If bank gets profitable contract than the current one then the present tie-up will come to an end.

CONCLUSION

It is important for an insurer to understand the merits and demerits of bancassurance channel. It helps immensely to plan the resources in accordance with the channel requirement. In other words the contractual terms etc can be planned to maximize the channel effectiveness. Otherwise smooth functioning of bancassurance channel is difficult. Thus the analysis of internal and external environment of bancassurance channel is vital one for an insurer.

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