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BANCASSURANCE IN INDIA: OPEN ARCHITECTURE – PROS AND CONS

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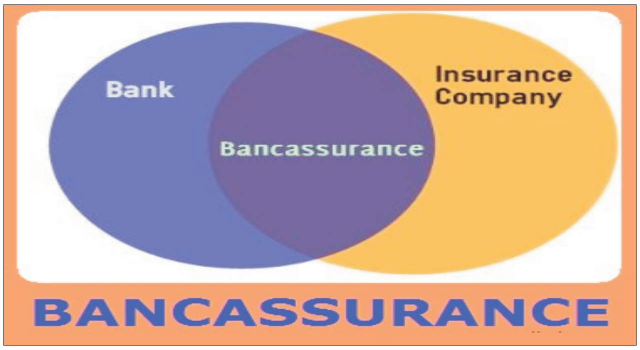
ABSTRACT

Bancassurance as a concept initially began in European countries especially in France. Bancassurance is selling of insurance products through banks. It's clear from the study that private life insurance companies are far better in using banks as the distribution channel compared to LIC of India. However, theoretically bancassurance is clearly a win-win strategy for all parties involved- Banks Insurance Companies and Customer only when implemented in befitting manner.

KEYWORDS: *sell insurance products , private life insurance companies ,banking services .*



INTRODUCTION :

According to IRDA, 'bancassurance' refers to banks acting as corporate agents for insurers to distribute insurance products, products through bank branches. It is also be defined as "The partnership between a bank and an insurance company in which the insurance company uses the bank"s sales channel to sell insurance products". Quite reverse of the concept of bancassurance, there is also a concept known as 'assure banking' which refers to the provision and distribution of financial and banking services by insurance companies , but it's in a nacent stage .With the implementation of Malhotra Committee's far reaching recommendations, the insurance sector had undergone sweeping changes during the later 1990s and 2000 onwards and of which only a few develop-ments are highlighted here. IRDA was established in the year 2000 as an exclusive Regulatory Authority for the insurance sector through the enactment of IRDA Act, 1999. A number of amendments were brought in various insurance related statutes, viz., Insurance Act, 1938, LIC Act, 1956 and General Insurance Business Nationalisation Act, 1972 (GIBA). Globally, bancassurance has emerged as an important insurance distribution channel that has not only allowed insurance companies to expand their geographical presence but also enabled banks to expand their overall product portfolio and fee based income. Banks have played a substantial role in the growth of Indian economy as they formed the critical base through which a plethora of financial services are offered. At present in India there are 26 nationalized banks, out of which the largest group is headed by State bank of India and its seven associate banks, 25 private sector banks 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Apart from the above mentioned banks there are more than 30 foreign banks either operating themselves or doing business through their branches in India. (http://www.ibef.org)

The IRDA has very recently drafted guidelines to promote "open architecture" in bancassurance. With this the customer will have a wider range of insurance products offered by different insurers. It will also lead to a deeper penetration in the selling of insurance products. In India from 1st April 2016, IRDA has allowed each bank to tie-up with 9 insurance players 3 each in life, non-life and health insurance companies but not made it mandatory. The choice is left to banks. This business structure became known in India since 2006 when bank were allowed to do insurance business by tying knots using various models like distribution agents like LIC appointing axis bank to sell policies to their customer, starting up their own insurance subsidiaries as in case of SBI Life. Slowly as the model started catching up in India and bancassurance became popular as promising channel of distribution even then it has long way to go.In this paper, the attempt has been made to find out the impact of bancassurance as a distribution channel between LIC and Private life insurance players and how the new concept of open architecture of bancassurance is accepted in India and its pros and cons on insurance sector in the country. The India industry still procures 71.42% of new life insurance business through agents. Market leader LIC has built a countrywide agency network and is procuring 95.97% of its individual business through its tied agents. Private insurers as a whole are getting 35.73% of their business through agents and 47.37% through banks.

I.REVIEW OF LITERATURE

A. Karunagaran*explores the 'bancassurance strategy' which integrates banking and insurance sector to harness the synergy and its allied problems and prospects in the Indian context. Pani & Swain state that, Banks have been allowed to sell insurance products of more than one company. The caveat that has been attached to this model is that banks have to necessarily have their brokering arms. N.Majumdar opines that Banks are in an ideal position to help people reach their financial goals. While insurers have to "sell" their products rather than getting them "bought", banks are in an enviable position of getting quality customers without much difficulty. No wonder, banks are most effective distribution channels after the tied agents at this moment. They have well educated employees who can communicate professionally with the customers and can influence the decision making of the customers also. P.C.James finds out that in India, the recognised distribution channels currently include: 1) Individual agents,2) Corporate agents,3) Bancassurance (banks as corporate agents),4) Insurance Brokers,5) Direct channel, 6) Micro insurance agents,7) Distance marketing channels,8) Web aggregators, 9) Insurance Marketing Firms. S Sarvanakumar concludes that excellent customer relationship would me the main highlight and banks need to work in that direction was bancassurance would turn out to be a norm rather than an exception in future in India.

II. STATEMENT OF THE PROBLEM

Bancassurance has become the common word and many authors have chosen it as a subject for their study and lot of literature is available as mentioned above but still there is a gap in the literature as it seems that the concept has been over written but no clear picture is seen. The current study attempts to find out the reality of Banc assurance since its inception in India. According to World Insurance Report 2015 in India customer prefer the agent to 54.0%, 34.3% Phone, internet 49.7%, Mobile Apps 40%. In India the signs of initial success are already there despite the fact that it is completely a new phenomenon. The success of Bancassurance depends on how the social and cultural needs of the target populations are understood. In addition a major segment of Indian population is not understood. The research studies have shown, customer's demographic data such as income, education, life cycle, financial sophistication, age and gender can predict the probability of acquisition of financial products and services and may affect customer's likelihood of purchasing another product from the same financial service provider.

III. SCOPE OF THE STUDY

The current study is about finding the reality of Bancassurance by analyzing the secondary data from various research articles, annual reports of LIC and IRDA and also other websites. The study is done based on the performance of bancassurance contribution to insurance sector in entire country by both public and private insurance companies in last 10 years from 2006-07 to 2014-15. The data is collected from Annual reports of IRDA and Insurance companies.

IV. OBJECTIVES OF THE STUDY

1. To understand how Bancassurance has grown since its inception
2 To know the contribution of bancassurance as a distribution channel to the Development of Indian insurance sector.
3. To understand the size and scope of Bancassurance industry in India
4. To understand the regulatory developments in India with regard to Bancassurance

The growth of bancassurance as a distribution channel for insurance company since its inception in the year 2006. From the table below it can be inferred that among the various channels of distribution of insurance like Individual Agents, Corporate Agents-Banks, Corporate Agents -Others, Brokers ,Direct Selling MI Agents, Common Service,centres (CSCs), bancassurance is also contributing significantly.

TABLE 1: INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURERS - CHANNEL WISE

NUMBER OF POLICIES ISSUED									
Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Individual Agents	42301907 (93.15)	44752611 (88.01)	43460589 (85.38)	45036904 (86.44)	41581811 (86.44)	39103141 (88.55)	39370820 (89.17)	36792083 (90.10)	21654232 (83.71)
Corporate Agents-Banks	1426919 (3.14)	1693610 (3.33)	1896457 (3.73)	2084543 (3.92)	1936562 (4.03)	2180018 (4.94)	2452767 (5.55)	2327836 (5.70)	2414000 (9.33)
Corporate Agents Others*	1284785 (2.83)	2599723 (5.11)	2798776 (5.50)	3819790 (7.18)	2988481 (6.21)	1588650 (3.60)	1093960 (2.48)	701276 (1.71)	393200 (1.52)
Brokers	259177 (0.57)	227403 (0.45)	306277 (0.60)	439396 (0.83)	511388 (1.06)	476054 (1.08)	427151 (0.97)	315769 (0.77)	256740 (0.99)
Direct Selling	139077 (0.31)	1573849 (3.10)	2442772 (4.80)	1814558 (3.41)	1088426 (2.26)	812478 (1.84)	809926 (1.83)	.698100 (1.71)	66858 (2.58)
MI Agents	-	-	-	-	-	-	-	-	482297 (1.86)
Common Service Centres (CSCs	-	-	-	-	-	-	-	-	2029 (0.01)
TOTAL	45411865 (100.00)	50847196 (100.00)	50904871 (100.00)	53195191 (100.00)	48106668 (100.00)	44160341 (100.00)	44154624 (100.00)	40835064 (100.00)	25869356 (100.00)
Referrals	715933 (1.55)	1349398 (2.65)	1952102 (3.83)	1232079 (2.32)	548772 (1.14)	12274 (0.03)	12168 (0.03)	12725 (0.03)	8669 (0.03)

Inference

It can be inferred fro the above table that even after 25 and half years of liberalization and 10 years of bank entering to distribute the contribution of in terms of no of policies issued individual agents- channels of distribution dominates as 83.71 % is and Bancassurance only 9.33%.

Table 2 Individual New Business Performance of Life Insurers - Channel Wise (Premium in ` Crore)

NUMBER OF LIVE COVERED									
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Individual Agents	27384 (0.13)	5236297 (15.16)	2805100 (5.30)	8996036 (11.15)	3435632 (4.13)	8703095 (13.05)	11626637 (14.88)	11644649 (12.39)	6934791 (5.64)
CorporateAgents-Banks	1479025 (7.40)	1767953 (5.12)	2246435 (4.25)	1181334 (1.46)	4651600 (5.59)	2618616 (3.93)	2698080 (3.45)	3282246 (3.49)	4485704 (3.65)
Corporate agents- Others*	467838 (2.34)	674212 (1.95)	536188 (1.01)	6539250 (8.10)	6735374 (8.09)	1143544 (1.71)	6281462 (8.04)	4621554 (4.92)	34022937 (27.69)
Brokers	492044 (2.46)	720816 (2.09)	643499 (1.22)	4926933 (6.11)	4657417 (5.60)	2370781 (3.55)	2296292 (2.94)	3793588 (4.04)	5537280 (4.51)
Direct Selling	17358013 (87.36)	26149338 (75.69)	46649328 (88.22)	59049732 (73.18)	63752022 (76.60)	51877235 (77.76)	5521420 5 (70.68)	70669931 (75.17)	71855360 (58.48)
MI Agents	-	-	-	-	-	-	-	-	253.01 (0.02)
`Common Service Centres (CSCs)	-	-	-	-	-	-	-	-	-
TOTAL	**1982430** (100.00)	**34548616** (100.00)	**52880550** (100.00)	**80693285** (100.00)	**83232045** (100.00)	**66713271** (100.00)	**78116676** (100.00)	**94011968** (100.00)	**122861373** (100.00)
Referrals	62913 (0.31)	2183 (0.01)	4771 (0.01)	53746.00 (0.07)	319262 (0.38)	841 -	792 -	- -	- -

Table 3 Individual New Business Performance of Life Insurers - Channel Wise (Premium in ` Crore)

AMOUNT OF PREMIUM in Crores									
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Individual Agents	54605 (90.46)	66515 (83.75)	55327.5 4 (79.57)	65289.2 5 (79.61)	65665.5 2 (78.95)	50972.3 2 (78.69)	48257.3 6 (77.53)	47789.83 (78.40)	39568.04 (71.42)
Corporate Agents- Banks	3363 (5.57)	6329 (7.97)	6737.38 (9.69)	8688.68 (10.60)	11062.63 (13.30)	9692.90 (14.96)	10072.9 6 (16.18)	9523.00 (15.62)	11547.45 (20.84)
Corporate Agents Others*	1826 (3.02)	3462 (4.36)	3380.54 (4.86)	510.76 (4.28)	2957.75 (3.56)	1749.78 (2.7)	1288.68 (2.07)	811.93 (1.33)	795.50 (1.44)
Brokers	332 (0.55)	474 (0.60)	773.62 (1.11)	1128.50 (1.38)	1471.80 (1.77)	1134.64 (1.75)	1033.15 (1.66)	948.53 (1.55)	1019.93 (1.84)
Direct Selling	235 (0.39)	2643 (3.33)	3310.33 (4.76)	3389.85 (4.13)	2016.32 (2.42)	1222.61 (1.89)	1588.71 (2.55)	1883.57 (3.09	2450.70 (4.42)
MI Agents	-	-	-	-	-	-	-	-	17.01 (0.03)
Common Service Centres (CSCs)	-	-	-	-	-	-	-	-	0.32 (0.01)
TOTAL	60361 (100.00)	79423 (100.00)	69529.4 1 (100.00)	82007.0 5 (100.00)	83174.0 3 (100.00)	64772.2 4 (100.00)	62240.8 8 (100.00)	60956.86 (100.00)	55398.95 (100.00)
Referrals	1257 (2.04)	2346 (2.95)	2714.81 (3.90)	2567.61 (3.13)	835.91 (1.01)	34.90 (0.05)	20.87 (0.03)	19.64 (0.03)	7.98 (0.01)

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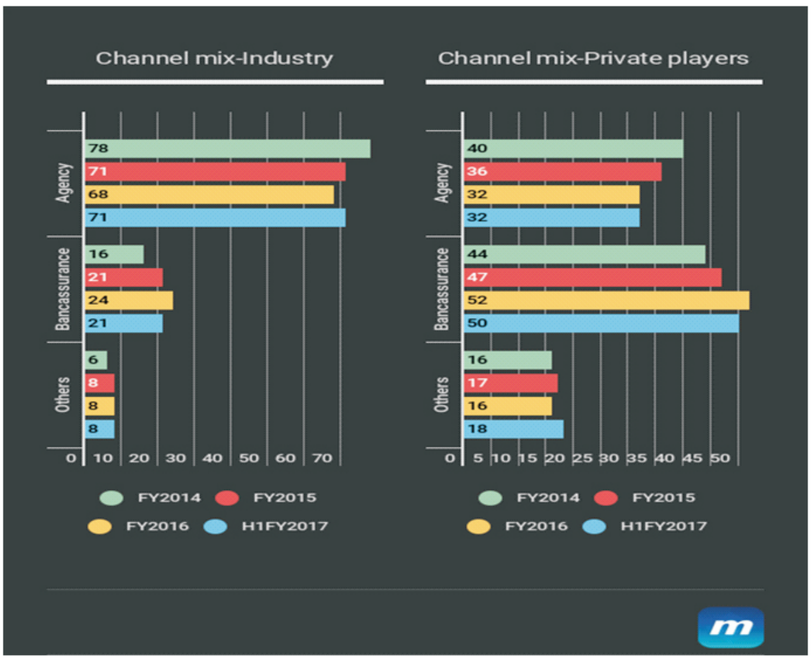
Table 4 Group New Business Performance of Life Insurers - Channel Wise (Premium in ` Crore)

AMOUNT OF PREMIUM in Crores									
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Individual Agents	5.63 (0.04)	1095.27 (7.68)	1556.76 (8.96)	1617.12 (5.81)	2428.39 (5.63)	2140.40 (4.36)	1503.21 (3.34)	1041.62 (1.76)	1678.66 (2.90)
CorporateAgents-Banks	326.98 (2.33)	492.69 (3.46)	569.19 (3.28)	599.57 (2.15)	1328.61 (3.08)	3117.71 (6.35)	2081.27 (4.63)	1804.20 (3.05)	1283.07 (2.22)
Corporate agents- Others*	3.17 (0.02)	40.83 (0.29)	130.74 (0.75)	401.73 (1.44)	318.92 (0.74)	572.45 (1.17)	364.42 (0.81)	4621554 (4.92)	34022937 (27.69)
Brokers	31.01 (0.21)	99.55 (0.70)	83.72 (0.48)	347.90 (1.25)	213.54 (0.49)	325.57 (0.66)	254.77 (0.57)	318.89 (0.54)	5537280 (4.51)
Direct Selling	13611.19 (97.39)	12531.47 (87.88)	15029.91 (86.53)	24872.06 (89.34)	38869.75 (76.60)	42939.92 (87.46)	40791.39 (90.66)	55594.01 (93.91)	53767.68 (93.05)
MI Agents	-	-	-	-	-	-	-	-	.018
`Common Service Centres (CSCs)	-	-	-	-	-	-	-	-	-
TOTAL	**13979.49 (100.00)**	**14259.83(100.00)**	**17370.32 (100.00)**	**27838.37 (100.00)**	**43159.21 (100.00)**	**49096.06 (100.00)**	**44995.07 (100.00)**	**16662 (100.00)**	**57786 (100.00)**
Referrals	1.50 (0.01)	1.64 (0.01)	15.83 (0.09)	42.29 (0.15)	39.23 (0.09)	0.26 -	- -	**59199** -	- -

Inference:

From the above table it can be inferred that Direct selling channel has outperformed with 93.05% in FY 2014-15 all the channels in case of group new business and bancassurance has contributed only 2.22% in FY 2014-15

The following chart shows how private players have banked on bancassurance compared other channels



Private life insurance companies have significantly increased their exposure to bancassurance. From 44 percent in FY14, the number has gone up to 50 percent in first half of FY17. During the same period, business from agency channel went down to 32 percent from 40 percent. A majority of private life insurers either have banks as promoters or as partners which gives them an almost exclusive access to their entire branch network. Newer tie-ups are also being entered into every month. The industry, however, which is dominated by Life Insurance Corporation of India (LIC), is heavily dependent on insurance agents.

Table.5 Individual New Business Performance of Life Insurers for 2015-16 --- Channel Wise (Figures In Percent Of Premium)

Life Insurer	Individual Agents	Corporate Agents		Brokers	Direct Selling	MI Agents	Common Service Centres (CSCs)	Web	IMF	Online	Total Individual New Business	Refereals
		Bank	Others									
Private Total	31.90	51.70	3.00	3.64	8.65	0.01	0.004	0.00	0.00	1.10	100.00	0.06
LIC#	96.50	2.18	0.14	0.02	1.03	0.06	0.00	0.00	0.00	0.07	100.00	0.00
Industry Total	68.27	23.82	1.39	1.60	4.36	0.04	0.002	0.00	0.00	0.52	100.00	0.03

In FY 15-16 banks accounted for 51.70% share of Individual New Business Premium of Private Life Insurance companies and 23.82% of total industry. * Share of banks in Overall New Business Premium of Private Life Insurance (including group) was 35.48% and 10.99% of total industry* Share of banks in Health Insurance Individual Policies premium was 11% and overall premium including group policies was 7%.*

Table 6 Group New Business Performance of Life Insurers For 2015-16 --- ChannelWise (Figures in percent of Premium)

Life Insurer	Individual Agents	Corporate Agents		Brokers	Direct Selling	MI Agents	Common Service Centres (CSCs)	Web	IMF	Online	Total Individual New Business	Refereals
		Bank	Others									
Private Total	0.77	8.79	4.71	3.17	82.56	0.00	0.00	0.00	0.00	0.00	100.00	0.00
LIC#	1.91	0.00	0.07	0.02	98.0	0.00	0.00	0.00	0.00	0.00	100.00	0.00
Industry Total	1.69	1.69	0.96	.63	95.03	0.00	0.00	0.00	0.00	0.00	100.00	0.00

Table 7 Individual and Group New Business Performance of Life Insurers for FY 2015-16 Channel Wise (Figures in percent of Premium)

Life Insurer	Individual Agents	Corporate Agents		Brokers	Direct Selling	MI Agents	Common Service Centres (CSCs)	Web	IMF	Online	Total Group New Business	Refereals
		Bank	Others									
Private Total	20.13	35.48	3.65	3.47	36.59	0.00	0.000	0.00	0.00	0.68	100.00	0.04
LIC#	33.68	0.73	0.09%	0.02	65.43	0.02	0.000	0.00	0.0	0.02	100.00	0.00
Industry Total	29.68	10.99	1.14%	1.04	56.92	0.02	0.0007	0.00	0.00	0.22	100.00	0.01

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At the aggregate level (individual and group business together), 'Direct Selling' had contributed 56.92 per cent of the total new business compared to 49.67 percent in 2014-15. The share of individual agents to the aggregate premium had decreased to 29.68 percent from 36.44 percent of 2014-15.

The contributions made by Banks and Corporate Agents other than Banks were 10.99 percent and 1.14 percent respectively. The contribution of Brokers was 1.04%. Online sales channel had contributed 0.22% of new business premium. The contribution of MI Agents and Common Service Centers (CSCs) was at 0.02% and zero percent respectively

Table 8. Share of Various Channels of Distribution - Number of Policies Issued and Amount of Premium for FY 2015-16

Name of the Channel	Individual Business		Group Bu		Total (Individual + Group)	
	No. of policies Issued	Gross Premium	No. of policies Issued	Gross Premium	No. of policies Issued	Gross Premium
Brokers	4%	4%	7%	39%	4%	24%
Corporate Agent – Banks	13%	11%	44%	4%	14%	7%
Corporate Agent - Other than Banks	3%	5%	11%	1%	3%	2%
Direct Sale - Online	2%	2%	2%	2%	2%	2%
Direct Sale - Other than Online	10%	8%	3%	43%	9%	28%
Individual Agents	69%	70%	33%	6%	68%	33%
Micro-insurance Agents	0.02%	0.00%	0.04%	0.00%	0.02%	0.00%
Web- aggregators	0.21%	0.23%	0.00%	0.00%	0.20%	0.10%
Others	0.01%	0.15%	0.03%	4.78%	0.01%	2.82%
Total of all channels	100%	100%	100%	100%	100%	100%

SCOPE AND IMPORTANCE OF BANCASSURANCE IN INDIA

Contribution of bancassurance in Indian insurance business in terms of premium has not been big but in terms of number of polices, it accounts for a very large number of polices – especially health (14% of total policies sold in 2015-16*). Across insurance industry the share of bancassurance business varies widely amongst private insurers very meager with LIC of India, from close to 100% for some of the bank promoted life insurance companies to nil for few insurers. Over time, role of bancassurance in overall business of bank promoted insurance companies has decreased as the insurers develop other channels; however it continues to be a very substantial for them. With increase in number of Public Sector banks promoted insurance companies, the penetration of insurance amongst public sector banks which account for majority part of the banking network in the country has been increasing steadily and in the coming years this will add significantly to the overall insurance penetration in the country.

PREFERRED CHANNEL FOR INSURERS IN INDIA

A single tie-up brings colossal capacity to distribution ability of the insurer vs. the effort essential to build similar capacity on its own. An insurer wanting to enhance number can invest with confidence in bank employees thereby improving human resource efficiency for insurer. Banks provide high quality of infrastructure (physical, information technology, people. Long term relationship with the bank customers ensured lowest mis-selling compared to other distribution channels across the insurance industry. Most banks have moved up the curve in terms of permanence of business. Over all bancassurance enjoys several merits of other distribution channels in India

FACTORS PROMOTING BANCASSURANCE

1. Favorable legal system in the respective country,
2. Availability of strong banking infrastructure
3. Relationship banking

4. Flexible banking system suiting the financial needs of customer
5. Tax incentives for investing in insurance.

OPEN ARCHITECTURE – REGULATORY MILESTONES

Opening of the Indian insurance sector at the end of the century by passage of IRDA Act in 1999 led to entry of bank promoted private life insurance companies. This was followed by Corporate Agency Guidelines by the insurance regulator in 2002 which led to entry of banks into insurance distribution as corporate agents or opening up of their own subsidiaries. Discussion on open architecture in bancassurance began as early as 2009. IRDA came out with a Exposure Draft on Licensing of Bancassurance Entities in 2011-12 which –

Proposed geographic bifurcation of country in 3 zones and location wise tie-up with insurance companies.

1. Allowed banks to tie-up with multiple insurers zone wise
2. Restricted the total number of tie-ups with a single insurer in each zone
3. In effect forced multiple tie-ups but different for each geography

Thereafter at various forums there were discussions on mandating banks to act as brokers. Banks at that time needed to form a separate subsidiary to undertake broking activity. Proposal to make broking a mandatory route for banks to distribute insurance would have lead to banks taking liability on their books which was not in line with the guidelines from RBI for bank's with clear distinction on - with and without risk participation in insurance business. In July 2013, after consultation with various stakeholders, IRDA issued fresh guidelines, opening up broking license for banks without forming a separate company for undertaking broking activity. However the RBI regulations also required modification to enable banks to take it up. In November 2013, RBI came out with a Draft Guidelines on Entry of Banks into Insurance Broking Business and In January 2015 RBI issued the revised guidelines on Entry of banks into Insurance business which allowed banks to take up broking without forming a subsidiary as allowed in the IRDA guidelines.

CURRENT REGULATORY PROPOSAL

None of the banks applied for broking license since the guidelines from RBI allowing it in Jan 2015. On March 31st 2015, IRDA came out with an exposure draft on Registration of Corporate Agents Guidelines. The key points were:

1. Allow corporate agents to tie-up with 3 insurers in each line
2. Restricting share of business to one insurer, with gradually narrowing share to single insurer, thereby forcing multiple tie-ups
3. Registration of corporate agents with IRDA directly instead of through insurance companies earlier.

On May 29th, after receiving representations from various stakeholders, IRDA has come out with the 2nd Exposure Draft of the Registration of Corporate Agents Guidelines.

Key proposals are:

1.Banks can tie-up with up to 3 insurers in each line of business – life, general and standalone health insurance.
2.No restriction on the share of business that can be given to a single insurer.
3.Banks, at the time of registering under the new guidelines have to submit a board approved policy which gives the bank's stand on the open architecture policy and its implementation.
4.This would give discretion to IRDA to question their policy, seek suitable amendments and thereafter the policy would be binding on the bank to implement.
5.Several points which were not relevant to banks have been redrafted and now apply only to corporate agents with more than 50% share of total income coming from insurance.

BANKS – VIEWPOINT ON OPEN ARCHITECTURE

Many banks oppose to forced multiple tie-ups but almost all welcome the flexibility of multiple tie-ups. Key Question is what value does it add? The answer can be different for different banks depending on status of

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existing insurance distribution: Level of maturity has they reached in terms of insurance distribution. Market it operates in and challenges it faces in insurance distribution – Brand acceptance of the insurer Geographical presence/support of the insurance partner Bank's significance for the insurer, level of support Cultural alignment/fitment Whether the bank is the promoter of the insurance company Positioning of the bank – mass/mass-affluent/HNI Needs can be unique, some may want an additional LI partner whileothers may want a GI/Health product provider to fill existing gaps in product portfolio.

Apprehensions from new regulations, additional regulatory compliance with one more regulator: keeping regulator informed on opening of branches declare branches selling insurance keep copies of proposal forms duplicate the complaint management process of the insurer in bank(related to service, product etc. which currently go to the insurer) duplicate the insurer's process of renewal notification, etc. Additional requirement of informing customer of all availableproducts – how to fit with the need analysis process. Curtailment of lead generation on phone unless customer's requestis recorded first may limit reaching out to customers. Certification and training of staff, earlier as per product sold by the staff, now as per status of license – stand alone/composite, higher number of hours of training will make the certification PROCESS MORE DIFFICULT.

OPPORTUNITIES FOR BANKS

1. Fill gaps in product portfolio, could be significant in some GI/Health lines
2. Offer choice to customers in product lines where significant
3. differentiation between products of different insurers exists.
4. Choice of product provided to the channel and consequent competition
5. will increase the level of support, engagement, productivity.

Even if the larger business is doing well with the current insurer, can address smaller segments through additional tie-ups. If the existing relationship with an insurer is not taking off and switching is not an option, addition of a partner can create the spark to ignite both sides of the business. Address regional disparities by creating options through multiple tie-ups. Can look forward to adopting best practices and technological enhancements like digitization of sales process for the bancassurance business through a new partner if the existing partner is not ready

CHALLENGES FOR BANKS

Unlike other product lines with open architecture where the product differentiation is low – insurance products are complex product and process training requirements are high, mostly done by the insurer. Ability to train and keep the bank's team update on product features and process on 1 product provider is challenging, managing multiple product of multiple insurers is going to be complex. Risk of mis-selling/wrong selling in case of any gaps in knowledge would go up significantly. Risk of customer dissonance in case of inability to answer all queries convincingly will be high Most successful bancassurance channels are also great partnerships between both teams of the bank and insurer. It takes time to create this partnership, bring cultural alignment and consequently high level of control over a business where there are 2 different sales teams involved in execution. Level of control bank will need to execute on sales process will go up significantly and thereby its cost.

IMPORTANT IMPEDIMENTS FOR BANKS

Additional Regulatory compliance would require more investment in manpower, training, IT systems etc. from banks, significantly increasing the expense it currently incurs for the distribution of insurance products. Higher number of training hours for certification, more stringent processes can significantly limit the coverage of the bank network for distributing insurance products. Any gaps in executing multiple tie-ups properly can affect customer experience, relative perception and result in customer dissonance which would ultimately hurt the bank's franchise in the long term.

CONCLUSION

The customer till now expected a bank to provide the full bouquet of products of one insurance

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company, the availability of multiple brands from one banker will set off customer expectation to a higher level. Demand creation will mostly start from the evolved customer base –metro/urban, educated, mass affluent/HNI. One can expect banks operating in these markets and segments to move towards multiple tie-ups sooner or later. In cases where the partnerships have not been able to move forward significantly, the banks may be interested to get into multi-insurer tie-ups. Success stories thereafter will define the direction. Banks already have norms prescribed by RBI for selling insurance products; IRDA has also specified additional measures like product disclosures, Staff Certification, etc. Banks will have to be watchful that control over the business quality is maintained, as any lapses can result in over-regulation which has been found to be disruptive in several markets.

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