CHAPTER – 7

SUMMARY AND CONCLUSION

The opening up of the insurance sector for the private participation or global players has resulted in stiff competition among the players. Competition has brought in more products, better customer service and has a positive impact on the economy in terms of income generation and employment growth. The success of private players has been attributed to their innovative offers, customer-centric products, increasing awareness levels of consumers through a need-based, structured approach of selling sound risk management policies, enhanced service standards and reaching out to the customer through a number of distribution channels.

Among these diverse distribution channels, Bancassurance as a business generating channel has been increasingly becoming important for the insurance companies and has the potential to be an effective distribution channel in India especially because of the extensive banking network built over the years. Innovative products, smart marketing and aggressive distribution have enabled insurance companies to sign up Indian consumers faster than anyone expected.

With the demographic changes and changes in life style, the demand for insurance cover has also evolved taking into consideration the needs of prospective policy holders for packaged products. There has been a lot of innovation in the types of products developed by the insurers, which are relevant to the people of different age groups and suit their requirements.

The focal point of this study is to evaluate the effectiveness of bancassurance model in generating insurance business for the life and non-life insurance companies and to study the customer’s perception and satisfaction about banks as a medium of selling life and non-life insurance products. For the purpose, four companies each of the life and non-life insurance segment were selected, viz. (i) Life insurance corporation of India (ii) SBI Life (iii) ICICI Prudential and (iv) Aviva Life in the life insurance segment and (i) ICICI Lombard (ii) Bajaj Allianz (iii) Oriental insurance and (iv) New India insurance in the non-life insurance segment.
The present work has studied the nature of tie-up arrangements that insurance companies in the life and non-life insurance segment have entered into with the banks, the contribution of banks as intermediaries in business generation of the selected insurance companies and its impact on total polices sold and revenues realised by the companies. For this purpose, the business generated by the companies in the last seven years through its different channel intermediaries has been taken as a parameter of comparison and the literature regarding the nature and extent of tie ups has been obtained from the official websites of the companies.

It also attempts to study the acceptability of bancassurance among the consumers and the factors affecting their present and future buying decisions while purchasing insurance policies from the banks. To study customer perception and satisfaction, a non–disguised, structured questionnaire was devised and information was obtained from 400 respondents from the cities of Ludhiana, Amritsar, Chandigarh and Patiala (100 from each city and covering both life and non-life insurance). The analysis is based chiefly on the responses received from them. Statistical tools like average, T-test, chi-square test and ANOVA have been used to statistically analyse the data. Tukey’s test of significance has been used to make comparison among the chosen cities so that the difference can be highlighted.

7.1 Major Findings of the Study

7.1.1 Bancassurance Route to Growth in Life Insurance Sector

The life insurance segment has seen a substantial growth in the last seven years. All the companies in the life insurance segment have witnessed a significant growth in the total premium generation. SBI Life has recorded the highest significant growth rate of 48.44 percent followed by AVIVA Life (23.16%) and ICICI Prudential (21.24 %) whereas LIC – the oldest market player has recorded a growth rate of 13.55 percent only. All the companies have earned their highest revenues from renewal premium followed by the sale of single premium policies – thereby implying that customers who join the company once continue with it in the long run.

In terms of the number of individual life insurance policies sold, only LIC has registered a significant growth (94.42%) in business while for SBI the growth rate has been insignificant at 18.70 percent. ICICI Prudential and AVIVA Life have recorded a
negative growth for the no. of individual life insurance policies sold. Among the channel intermediaries, brokers have grown significantly for SBI Life and ICICI Prudential while other channels have not seen a significant growth in business for any of the selected companies. However, the banks have seen a good growth in business as their business has grown at the rate of 12.48 percent in the case of LIC, 11.61 percent for SBI life, 71.68 percent incase of ICICI Prudential and 15.58 percent for AVIVA India. Although the growth rates are not much rewarding, but for all the private players, the banks have contributed a good share of the total individual policies sold as on an average 32.83 percent of the policies of SBI Life, 8.18 percent for ICICI Prudential and 11.73 percent of the total individual policies of AVIVA Life were sold through the banking channel while for LIC only 1.20 percent of the policies were sold through the banks. So, banks as insurance intermediaries have started making their mark for all the life insurance companies. Similarly, in terms of premium generation from the individual life insurance policies the growth rates for the bancassurance medium has been satisfying as their revenues have increased at 88.35 percent for ICICI Prudential, 53.39 percent for SBI life, 24.73 percent for LIC of India and 16.90 percent for AVIVA India. This growth rate in business highlights the growing interest of the consumers in purchasing insurance through the bancassurance mode. Also, the banks have contributed an average of 40.18 percent of the revenues for SBI Life; 22.82 percent of the business of ICICI Prudential; 15.99 percent of the premium of AVIVA Life and only 1.70 percent of the individual premiums for LIC - thereby signifying that the direct joint venture model as in the case of SBI Life and ICICI Prudential is better than the referral or agency model used by LIC and AVIVA Life.

For the group life insurance schemes also, the banks as channel intermediaries have started making their mark. There has been growth in group life insurance business generated through banks as the no. of policies sold increased at the rate of 53.41 percent for AVIVA India, 2.81 percent for LIC and 2.11 percent for SBI Life. ICICI Prudential has not benefitted from its banking tie – ups to generate insurance business. Similarly, the group insurance premium generated through banks has increased at the rate of 51.05 percent for AVIVA India, 39.53 percent for LIC of India and 35.48 percent for SBI Life. However, if we compare the average proportionate contribution of the different intermediaries in the group insurance segment, it is concluded that banks are secondary to the direct business channel primarily because of the direct contact that they can
establish with the corporate houses and the benefits they are able to offer as compared to their other counterparts. Hence, banks will have to work more effectively to come up strongly in the group life insurance segment.

7.1.2 Bank Intrusion into Non-Life Insurance Sales

In the non-life insurance segment, the total business generation has grown manifold over the years. The total number of insurance policies sold under the various heads i.e. fire, accident, marine, theft, healthcare etc. have grown at a rate of 33.18 percent for ICICI Lombard; 26.08 percent for Bajaj Allianz, 12.75 percent for Oriental insurance and 10.62 percent for New India Assurance thereby signifying that the growth rate is higher in the private sector than in the public sector companies.

Comparing the growth amongst the different channel intermediaries, it is found that brokers (82.29%) followed by the direct business channel (57.18%) have recorded a significant growth in case of ICICI Lombard while for Oriental Insurance, the referrals have recorded a growth rate of 461.98 percent followed by the individual agents (39.38%) during the period under review while all other channels have registered a negative growth rate. Banks as channel intermediaries have given business growth of 190.84 percent in the case of Bajaj Allianz, 11.19 percent in the case of oriental insurance whereas ICICI Lombard has started using the banking arm as late as the year 2010-11 for its group life insurance schemes.

A comparison of the channel intermediaries reveals that in the general insurance segment, the direct business generators and the corporate agents have contributed the maximum number of policies to the companies’ kitty whereas banks have a meagre contribution of zero for ICICI Lombard, 3.55 percent for oriental insurance and 11.29 percent for Bajaj Allianz, thereby signifying that banks as insurance distribution channel are gaining ground but are weak channel as compared to the other intermediaries in the case of general insurance.

Similarly, in terms of premium generation for the general insurance companies, the premium collection has grown significantly at the rates of 16.19 percent and 14.84 percent for ICICI Lombard and Bajaj Allianz respectively whereas for oriental insurance the business growth has been 193.92 percent but insignificant while New India Assurance has seen a decline in business. The direct business collectors of ICICI
Lombard and Bajaj Allianz have contributed significantly to the business growth of these companies as the business collected by them have increased at the rates of 38.15 percent and 16.16 percent respectively.

Among the intermediaries, the highest average proportionate premium has been collected through the direct business channel which has an average of 36.88 percent for ICICI Lombard, 39.42 percent for Bajaj Allianz, and 24.82 percent for New India Assurance. Banks as intermediaries have contributed just 1.05 percent of the average business of Oriental insurance, 8.16 percent of the business for Bajaj Allianz;

Thus in the general insurance segment, the direct agents and the corporate agents are stronger and more effective intermediaries than banks. But seeing the whooping growth rate that banks have registered, it can be concluded that incase the general insurance companies nurture this channel and the insurance regulations come up supportively, banks can go a long way in helping them increase their penetration and reach.

7.1.3 Customer Perception of Bancassurance

As far as the consumer is concerned, the individual agents followed by the banks are the preferred mediums for buying life and non-life insurance both; primarily because of the long association and direct informal approach of the agents. Of the total respondent’s, 74 percent and 46 percent of the respondent’s in case of life insurance have shown their preference for individual agents and banks respectively; while in the non-life insurance segment, agents are preferred by 65 percent of the respondents while 39.5 percent have preferred banks as their insurance intermediary. Difference in cities is significant regarding duration of dealing with the agents and banks. The duration of dealings was longer in Ludhiana for the agents while for the banks, it was longer in both Ludhiana and Chandigarh.

No significant difference has been observed among the different cities for factors like convenience (f = 1.37), trust (f = 2.09); economical intermediary (f = 1.73); higher returns (f = 1.85); relationship with the intermediary (f = 0.79); services offered (f = 0.81) in choosing a particular insurance intermediary. The banks are a highly preferred intermediary in Ludhiana, Chandigarh and Patiala while the respondents of Amritsar have a higher ranking for the individual agents. The difference in ratings for
banks was highly significant in the Chandigarh respondents as compared to the other cities.

The customers are generally aware of bancassurance and the bank officials with which the different insurance companies have tied up are the major source of providing knowledge about bancassurance to the customers. But the pattern of purchasing insurance policy through the banks is significantly different in the different chosen cities. The factors of lesser knowledge about banks selling insurance, perception that two bosses cannot serve, increased documentary formalities and future difficulties in claim settlement inhibit the customer in purchasing the insurance policies through the banks and there is significant difference in the chosen cities on these aspects.

The banks sell insurance policies – both in the life and non-life insurance segment either as a special privilege offer alongwith a banking product or the insurance policy is tied to a banking product. Forcing upon the insurance policy on the customers is the least common method adopted by the banks to sell insurance policies. Wherever tied, the insurance policy was attached to housing loan (16.50%), personal loan (15.5%) and to vehicle loan (14.25%) only.

There was no significant difference in the level of importance of different factors affecting buying decision through the banking channel; among the respondents of the selected cities. The primary factors that affected their decision making were returns on investment, cost effectiveness and commitment. Also there is no significant difference in the level of satisfaction among the respondents for the parameters of policy details, premium amount, insurance benefits, staff behaviour, overhead costs and timely intimation by the bank. But significant differences appear for the parameters of complaint attending, attitude of the staff, loan facility, and recontinuation of the lapsed policy and updated policy details.

The intention for buying insurance policies through the banks in future is higher among the respondents of Amritsar and Patiala as compared to that of Ludhiana and Chandigarh and the reasons for this are- trust in the bank, ease in making subsidiary premium payments, the services offered by the banks and the rapport building with the banks that helps ease out many other things. However, significant differences among the respondents are observed for the factors of special benefits that banks give for
purchasing insurance policy and the feeling that the customers are tired from their agents- their age old service provider.

All said and done – the main fact remains that bancassurance has taken wings and is all set to roar high provided the banks and insurance companies are able to create synergies and enjoy the benefits in the longer run by innovating their products, emphasising on infrastructure development and reorienting their work cultures. The latest IRDA guidelines easing out bancassurance norms for the banks; making it mandatory for the banks to document their earnings through the sale of insurance policies and specifying rules for the banking tie-ups for the insurance providers; is an icing on the cake and will make bancassurance a stronger and more effective channel for the growth of insurance in India alongwith fulfilling the primary objectives of penetration and reach as laid down in the IRDA Act, 2000.

7.2 Recommendations of the Study

There are some interesting revelations from the study which can be of interest to the banks, insurance companies, customers, researchers and the like. These recommendations have been enlisted as under:

❖ Insurance companies should rely more on the joint-venture model rather than just the referral model inorder to have effective bancassurance tie-ups.

❖ Banks are already experts at dealing with the requirements of the corporates. Hence, they should use this confidence and trust even to sell them group insurance policies and infact insurance companies should join hands with them rather than having their own direct agents approaching the various companies and other institutions providing group insurance schemes to their employees.

❖ Since the entire premises of the success of this model is dependent on the strength of the banking partner with which the insurance company has tied, a strategic choice needs to be made covering factors like no. of branches, the nature of clientele to which the bank caters, the constitution of the staff workforce, use of latest technology etc.

❖ Also, the earlier left out areas especially the remote areas should be taken as the new market to enhance reach and penetration. This will lead to quick business
growth alongwith increasing penetration ratio. Hence, there should be more tie-ups with regional rural banks, local credit societies etc.

- In order to bring a larger population base under the life insurance cover, insurance companies should develop a flexi mode of payment premium so that the people in the lower middle income group and the poorer strata can avail the insurance benefit. It can be tied with the recurring deposit scheme of the banks and a minimal amount of weekly or monthly premium can be deducted from the recurring deposit account.

- The Banks and insurance companies should jointly make efforts to increase the awareness level about bancassurance as still almost 15% of the population is not aware about it. They should improve their information hand-outs by making them available in local language, put in efforts for advertising by placing banners, hoardings etc. or stalls at exhibitions.

- The banks should assign a designated employee for selling insurance and need to train these bank employees about selling the insurance products and the details of the various insurance schemes that the bank is selling. Also, these employees need to be well informed about the insurance company whose products they are selling.

- There should be clarity on operational activities like- who will do the branding, how will the product be sold and who will pay remuneration to the salesman at the bank counter.

- Rather than forcing upon the policy on the consumer, the banks sales force should try to understand the requirements of the consumers and offer him customised products to match his needs.

- There is image risk involved for the banks as non-performance and delay in settlement of claims etc. would result in bank losing out on its customers. Hence, banks should be effective in complaint handling and ensure speedy claim settlement also.

- Since consumers feel that buying through bancassurance would be a long and cumbersome process, efforts should be made to ensure prompt and efficient
delivery of policy documents, timely intimation about premium due, updating of payments, claim settlement etc.

❖ Insurance companies should take measures to continuously improve customer convenience. They can make operating hour’s long, resort to easy modes of payment and make claim settlement easier. They should make optimum use of the technology available with the banks by giving customer the facility to make premium payments online through debit and credit cards and receive their payment receipts. Also, auto debit facility can be provided to avoid premium delays.

❖ A mechanism needs to be established to make centralised database of insurance consumer available to both the insurance company and the dealing bank so that issues like Recontinuation of lapsed policy, updates on latest policy values, loan against an insurance policy etc. can be provided by the serving bank also. This will not only reduce the work of the insurance company but also infuse better dealing between the bank and its insurance customer.

7.3 Recommendations for Future Research

Although insurance agents have been operating on the Indian insurance scene for long, but the new breadth of marketing intermediaries have also started making their mark and are strongly competing amongst themselves to grab the market share and increase their customer base. The present work provides insight into the bancassurance status in the country in the last few years regarding the growth patterns, comparative performance with respect to the other intermediaries and the customer perception and satisfaction about bancassurance as a channel. Similarly, effectiveness of other channels like internet, corporate agents, direct agents, micro-insurance etc. can also be studies to provide insight to the insurance companies as to what distribution channels they can rely upon and they should lay emphasis on.

The study makes a comparison of only 4 life insurance companies and 4 non-life insurance companies’ sales figures. But as per the IRDA update there are at present 24 life insurance providers and 27 general insurance providers in the country. The study can be extended to these other companies also so that a broader impact of the new intermediaries in the post-liberalisation era can be studied. Also, future researchers can
take a larger area of preview of the area under their study and cover a larger section of the population.

Earlier the banks were not required to account for the detailed revenue generation through bancassurance in their balance sheets and hence the present study does not cover those aspects. Future research can be carried out to deal with the financial benefits driven by banks in aligning with insurance companies to sell insurance policies viz. a viz. their own banking products.