CHAPTER - 2

REVIEW OF LITERATURE

This chapter seeks to review the existing available literature on the effectiveness of bancassurance as an insurance selling intermediary and the customer perception regarding it. Since bancassurance is a relatively new concept in India, very few studies were available on the effectiveness of bancassurance and also the customer perception of bancassurance as an insurance intermediary. The financial implication of the alliance between the banks and insurance companies has been excluded from preview and only the impact on policy mobilisation and reach and density of the business generated has been studied along with evaluating the customer response.

Insurance Marketing, in many respects, is fundamentally “Knowledge Marketing”. Sales increase as (1) the seller knows more about the buyer – his attitudes, his goals and problems, and (2) the buyer knows more about the seller and his product – why it is needed, and what solutions it offers the buyer for his problems (Bickelhaupt, 1967).

The insurance market is characterised by price disparity, low selling costs, low administrative costs, high quality staff and use of computers etc. In the light of given circumstances, a flexible approach to insurance marketing is recognised as essential. It is suggested that distribution channels should be selected depending upon the characteristics of the market served, the product line offered and the total resources available to management (Bickley, 1967).

The distribution channels are an important element for the success of the life insurance business and have a long term impact on the profitability (Aggarwal and Upadhyay, 2009). Mehr (1969) studied that insurance was being distributed through the primary agencies, ancillary agencies, facilitating agencies and direct trade channels. These channels varied in their length and width and the most efficient channel is one which gives lower costs to the insured; greater profits to the insurer and more effective coverage to the markets (Mehr, 1969).

The distribution of insurance products and services was the sole monopoly of the agents for years. The opening up of the insurance sector in the year 2000 has brought in
competition and challenges for the new entrants; along with the vast business opportunity of an untapped market. To tap this potential, private insurers are concentrating on product innovation, managing investments, customer service and multi-channel distribution and marketing of insurance products (Jampala, 2005). This brought in many new channels like corporate agents, brokers, direct business, bancassurance, internet etc. – each with a mixed bag of opportunities and limitations (Jampala, 2005 and Singhvi and Bhatt, 2008).

The choice of these alternate channels is dependent on a multiplicity of factors like consumers’ requirements, business interest of the insurer, strengths of the channel, the legal and regulatory requirements etc. The factors that determine the choice of the distribution channels of an Insurance company are: (1) where are the customers (2) what is the target customer profile (3) which product can be sold through the distribution channel (4) which channel provides best buying experience and value to target customer segment and (5) What is the operational cost involved in each type of channel? (Earnst and Young, 2010). Along with, the other factors to be considered before the distribution strategy is finalised; include (1) existing organisation’s vision/mission and effectiveness of execution, (2) corporate core competency analysis, (3) range of products and services and effectiveness in distributing each major category and (4) implications of current distribution costs, competitiveness and new product design (Chari, 2005). Further, the rising costs of many types of insurance coverage and greater price-consciousness by the consumers have forced the insurers to experiment with less costly distribution methods (Bickelhaupt, 1967).

On the other hand, for the consumer; the choice of the insurance distribution channel is driven by the relative attractiveness of the intermediary’s particular advantage on the parameter of advising i.e. giving suggestions for matching customer preference with existing standard products; vs. customizing i.e. tailoring products to meet customer needs (Bloos and Schellenberger, ). Further, while comparing whether independent agents provide better services to their consumers than sole representatives of direct writers, it has been concluded that it is not necessary that independent agents will always provide better services to their clients (Etgar, 1976).

In considering these alternate channels; bancassurance comes up as the most feasible option because of the vast coverage, existing infrastructure base and rapport with the customers. (Raja Rao, 2004). In the global context too it has been witnessed that for
an insurance industry seeking new channels of distribution, integration with banks comes up as a feasible option because of vast bank branches, enlarged customer base, defensive positioning and size etc. (Mayne and Taylor, 2002).

In India, the advent of bancassurance was necessitated by the poor penetration ratio of the insurance companies and the declining income of the banks (Karunagaran, 2006). The persistent endeavour in scouting for new technology, new products / services / new avenues, has become necessary for the growth as well as sustainability of the banking system in India. In this context, bancassurance is an appropriate choice for banks to increase their stable source of income with relatively less investment in the form of new infrastructure (Mishra, 2012).

Also, the large reach and customer base of banks in both urban and rural areas in India, the persistency rate in Bancassurance due to the continuous contact with the client is better than in other channels. The ease of payment of premium and the facility of maturity/claim payments through the bank account make it a customer friendly channel (Goverdhan, 2008). Also, the fact that Banking operations in India are still branch oriented and manually operated is all the more conducive for flourishing of bancassurance (Gupta et al, 2012).

But, Sethi (2003) is of the opinion that it is not only the requirement of the insurance companies to align with banks to sell their products and increase premium generation, it is a requirement with banks too as it provides a means of product diversification and is a source of additional fee income. Augmenting of revenues seems to be a major attraction for banks to sell insurance products in view of the sharp decline in margins in their core lending business (Morris, 2002).

Apart from having the advantage of reaching out to the potential customers at the remotest of places, it offers a complete basket of financial advice to the customers under one roof (Gupta, 2006). In addition to providing a comprehensive financial service under one roof, bancassurance benefits customers with better service quality, advice on financial planning, credibility, transparency in dealings, ease of renewals, electronic banking and the like (Kumaraswamy, 2012). The customers are also in favour of such one stop solutions for their needs. With increasing options of products and services, as well as easier access to information, the customers look for stores or companies where
their various needs can be fulfilled. Hence, banks combine their core products with insurance as well as other travel and leisure related products; which allows them to increase their profits by providing cost benefits and ease to consumers (Alinvi and Babri, 2007).

The cost disadvantage of the agency channel is also one of the major reasons for the spawning development and sale of products through the bancassurance channel (Sharma and Saxena, 2004).

The merger and integration of organizations produces a synergistic impact on the aligning organizations i.e. the rewards accruing for the integration are higher than for the individual organizations taken independently. But this is yet to be reported in the case of bancassurance. Various studies the world over have found that no significant increase in revenues can be seen for banks – whether big or small (Berger, Humphrey and Pulley, 1996). The gains that emerge are principally driven by increase in the operating cash flows rather than from risk reduction or increased incomes. (Fields, Frazer and Kolari, 2007). In the Indian context, the growth rate in income from bancassurance for public and private sector banks indicates that the private sector banks have performed better than the public sector banks. It is because of differences in cross-selling practices followed by both the sectors. These differences emerged mainly because of their different philosophy, background and distinct target customer segments (Grover, 2010).

For Bancassurance to be successful, the drivers of success include, supportive regulatory environment, positive fiscal treatment of long-term savings, additional revenues generated for banks and simple and standardised products (Teunissen, 2008); demography, consumer awareness and education; and economic factors prevailing in the country (Shah and Salim, 2011).

The regulatory framework is an on-going process which is hooked to the emergence and growth of a sector (Dye, 2001). In India too, the regulatory framework that emerged – i.e. dual control of RBI and IRDA; with the introduction of bancassurance as an intermediary of insurance selling have also played an important role by bringing in the necessary regulations in that respect from time to time (Sinha, 2001). The IRDA regulations demand insurance companies to reach down to the grass root level (i.e. rural areas) to provide the insurance benefit. The insurance companies
could not do so with their existing infrastructural support and hence banks came up as an easy solution to meet up the IRDA regulations (Sethi, 2003).

The insurance companies follow different types of business models in aligning with banks to reach down to the customers (Legrand, 2004). Three partnership models are suggested, which are based on the nature and extent of association between the partners. The matrix developed is based on the role assumed by the two partners - that of a leader and arms’ length service provider. Where both the partners play the role of leaders, the model is a joint venture; bank as leader and insurer as arms’ length product provider will result in a leveraged bank distribution model and when the roles are reversed the third model of leveraged life distributor will be the resultant (Flur, Huston and Lowie, 1997). Depending upon the degree of integration between banks and insurance companies, the bancassurance organisation structures’ that emerge can also be categorised as distribution agreements, Strategic alliance, Joint venture and financial service group. There is no single model that fits all. The optimal results come from choosing the right bancassurance model, taking into consideration the specific conditions of the market (Swiss Re, 2002).

In India the concept of bancassurance is gaining ground quite rapidly both through commission based arrangements and joint ventures between banks and insurance companies (Barua, 2004).

Among these various channels, studies in Taiwan reveal that customers prefer the financial holding company because of convenience, customer benefit, risk control and stability of financial institution (Wu, Lin et al, 2008) while the executives of banks and insurance companies also prefer the financial holding company structure because of its advantage of operating synergy, risk diversification and tax savings (Wu, Lin et al, 2010).

The products sold through bancassurance can be categorized as independent insurance products and tied insurance products i.e. sale of insurance is tied to a banking product or service. The nature and type of these products is dependent on the tie-up agreement between the bank and insurer. Banks are selling personal accident and baggage insurance directly to their credit card members as a value addition for their products. They also participate in the distribution of mortgage linked insurance products like fire, motor or cattle insurance to their customers (Kumaraswamy, 2012). SBI Life has been extensively using the SBI group as a platform for cross-selling insurance products along with numerous banking product packages such as housing loans, personal loans, and
credit cards (Sarvanakumar et al, 2012). In a survey it was found that in case of SBI, insurance is tied to housing loans provided to the consumers while in case of ICICI, the customer is free to insure his house and his life (Bilamge, 2011).

Krishnamurthy (2003) found that bank management and staff tend to favour insurance products that complement the bank’s own product range so that insurance selling gives a boost to the banking services and enables the bank to meet the competition in the banking products. Hence, mortgage –linked home loan insurance product is increasingly becoming popular because banks think that creditor life insurance that is attached to home loans gives them a competitive edge, and an ideal product for distribution through bank branches (Krishnamurthy, 2003).

The advent of bancassurance as an insurance intermediary has started showing its impact on the Indian insurance scene in the last few years. Combining the competitive edge of the insurance companies’ in product development with the banks edge in distribution of services, the insurance penetration in India has increased from 1.9 percent in 2000 to 4.8 percent in March 2006(Karunagaran, 2006). The new business premium generation has seen a growth of 36 percent for the year 2004-2005 (Gupta, 2006). The Watson Wyatt Survey 2008 brings out that the bank distribution of insurance products accounts for about 25 percent of the total new business for private insurers and the figures are expected to rise to 40 percent by the year 2013.

Sales through bancassurance channel is growing at a slow pace for LIC but by leaps and bounds for private players while brokers and referrals enjoy a meagre share in both the public and private sector ( Aggarwal and Upadhyay, 2009). Also, for the year 2005-2006, 16.87 percent of the new life insurance business came through the bancassurance channel with companies like ICICI Prudential, SBI Life, AVIVA, Birla Sun Life etc., taking the lead in this sector (Karunagaran, 2006).

Study and comparison of bancassurance as an insurance intermediary for private and public sector life and non-life insurance companies have shown interesting results over a period of time. Life insurance companies like AVIVA and SBI Life have 70 percent and 53 percent of their business coming from the bancassurance channel respectively, while ICICI Prudential gets 30 percent of its business through the bancassurance mode and the age old player LIC gets only 0.49 percent of its business
through this channel (Sharma and Saxena, 2004). Similarly, a study conducted in 2007 finds that for SBI 67 percent, for AVIVA Life Insurance 65 percent, 40 percent for Birla Sunlife, 19 percent for ICICI Prudential and only 1 percent of the new premium generation for these companies comes from the bancassurance channel (Parimalarani, 2007). Another aspect that is seen here is that bank owned insurers like HDFC Standard Life, SBI and ICICI are getting large share of their business through bancassurance while Aviva, Bharti Axa etc are getting their business more through referral arrangements. On the other hand, LIC has been slowly using these alternate channels (Aggarwal, 2012).

The IRDA Annual reports of 2010-2011 highlight that among the various channels, the share of the banks in new business generation has increased from 10.60 percent on 2009-2010 to 13.30 percent in 2010-2011 in the individual life insurance segment. In the group life insurance segment, the total group business of the private insurers has increased from 8.67 percent in 2009-2010 to 11.51 percent in the year 2010-2011 while for LIC of India only 0.88 percent of the group insurance business has come through this route (Pani and Swain, 2013).

Thus, bancassurance as an alternate distribution channel has contributed to the growth of insurance business the world over by leveraging the benefits to customers, bankers and insurance. In the Indian context too, the business has started showing growth and penetration results but the future depends on how well the banks and insurance companies are able to overcome the operational challenges that are being constantly thrown at them. (Tripathi, 2007).

In this entire framework that has become functional, it is the customer who is going to be benefitted or who is going to be at the receiving end. He makes a judicious choice based on the factors in his surroundings and his personal requirements.

On the part of the customer, there are various factors that play an important role in making the choice of an insurance product or company. The product factor, the promotional effort by the company, the consumer expectations, the service quality of the provider and the risk-return factor of the product influence the consumer’s preference while purchasing an insurance policy (Chakraborty, 2006). A consumer also prefers a company which gives more returns, charges lesser premiums, creates awareness about the products and associated benefits and offers a variety of insurance policies to choose from.
(Devasenathipathi et al 2007). The factors of brand image, returns from the policy, relationship with the selling intermediary, benefits from the product – tax saving, high growth, meeting future exigencies etc. are the other deciding factors influencing their purchase – whether from a private seller or the LIC (Raju, 2009). A study relating to customer preference for financial services across US, Germany and Russia concluded that customers rated their preference for the factors in the order of speed of claims payment, stability, trust, financial conditions, ease of submitting claims, competence, name recognition, size, personal relationship and look up facility in selecting an insurance company of their choice (Schmidt et al).

However, in case of cross-buying decisions, “image of the company” is the most important factor followed by convenience, interpersonal relationships, trust, payment equity, experience, pricing and product variety (Fan, Lee et al, 2011).

The well-known adage of “Customer is the king” applies to the insurance segment too and hence all efforts of banks and insurance companies in case of bancassurance are directed towards ensuring satisfaction of their ultimate service recipient. Customer satisfaction in insurance means the use of a policy product purchased for a cost, to the ultimate satisfaction of the buyer, when a claim is paid. The satisfaction is not fully achieved only when a product so purchased gives its full use, but it also stipulates that the product bought by the buyer will give him the expected fruit (Singh and Batra, 2011).

Parasuraman et al (1985) has listed the determinants of service quality as reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles, which exist in all services (Parasuraman et al, 1985). Customers in developing economies consider the technological factors such as core services and systematization as a yard-stick for judging the performance of services (Chandra et al., 2003) while values and image have been found to be significant dimensions in determining service quality in conventional banks (Jabnoun and Khalifa, 2005). Krishnan et al (1999) have studied the drivers of customer satisfaction for financial services. They have provided a framework approach for translating the customer feedback into managerial actions for improving overall customer satisfaction with financial services.
For life insurance companies, consumer satisfaction is a function of safety, trust, product selection and appropriate handling of paperwork by the insurer (Kuhlemeyer and Allen 1999). While for banks, general satisfaction, trust, reliability and professionalism are the parameters of measuring customer satisfaction (Dash and Mahapatra, 2010).

In a study conducted on private sector banks in Greece, it was found that customers were more satisfied with access and personnel with an average of 90.1 percent as compared to 65-70 percent for others i.e. products, service etc. (Mihelis et al, 2001).

In a study conducted by Meera and Eswari in 2011 in Coimbatore; to study the factors influencing customer satisfaction towards cross-selling of insurance products by banks, it was found that from the demographic variables, age does not affect the cross-buying behaviour while for factors like income, education and occupation; the customer satisfaction differs significantly over various groups (Meera and Eswari, 2011).

Another study conducted to study the factors indicating customer satisfaction regarding bancassurance channel w.r.t public and private bancassurance customers, concluded that “word of mouth publicity”; “cost to quality worthiness”; and “post purchase action” are the important satisfying factors. Improvements in service quality by understanding the customer requirements and expectations, further enhancing consumers purchase intentions and retaining their loyalties have become vital for financial institutions (Bishnoi and Dhillon, 2010).

In another study conducted on 200 respondents of Jabalpur district, to know the level of customer awareness, satisfaction and perception towards buying life insurance products from bancassurance, it was found that 41 percent of the respondents buy from banks because of trust; 24 percent buy because of convenience; while 19 percent buy it for the reason of easy accessibility whereas only 16 percent of the respondents looked for expert advice from the bank staff in purchasing an insurance policy from the Bank (Tiwari and Yadav, 2012).

A similar study conducted by Kumari T.H., in Vishakhapatnam concluded that 89 percent of the respondents’ purchased insurance from banks instead of insurance agents because of trust; 78 percent each because of service quality and personal relationship; 72 percent because of convenience; 70 percent because of expertise while only 57 percent of
the respondents buy from banks because of difference in communication from banks and insurance agents (Kumari, 2012)

While dealing with the insurance companies, the customers come across a number of problems – right from the stage of issuance of the policy to the last stage of getting claim. In the Indian context, there is a marked difference between the fact as to how the insurers get in touch with their probable clients and try to maintain a rapport with them in the long run.

In a study conducted in Ernakulum district, it was found that there was significant difference in policy holders’ awareness across public and private sectors. Although private sector companies provide regular communication but the grievance redressal mechanism of public sector is more powerful. However, lack of timely communication, lack of cooperation, ineffective grievance redressal mechanism, lack of technical knowledge are the common problems experienced by the customers irrespective of the sectors and to ensure smooth sailing, the customer needs to be awakened towards his rights (Gireesh, 2008).

Similarly highlighting the issues and problems faced by customers in buying insurance from banks, a study in Kolkata revealed that 92 percent of the respondents felt that the bank staff was least interested in promoting bancassurance products; 90 percent of the bank staff did not have adequate knowledge and training about the insurance products; in 85 percent of the cases there was no mention about bancassurance at customer contact points in banks , 60 percent customers felt that there was problem because there was no incentive to bankers for selling insurance while 35 percent of the respondents felt that the problem was because corporate clients were more inclined towards international insurance companies(Mishra, 2012).

Reddy (2005) in his article studied the customer perception towards life insurance companies policies. His objective of the study was to know customer opinion on whether insurance policies of private companies are better alternatives to public company’s insurance policies or not. According to the study, majority of the respondents feel that insurance policies offered by private companies are upto their expectations but when compared with the public companies’ policies, very few are better alternatives.
In a similar comparative study carried out on the performance and customer satisfaction between insurance companies in the public and private sector, he found that 13 percent of the respondents did not know the details of the policy purchased. They just relied on what the insurance agent or bank executive told them at the time of purchase. 96 percent of the respondents rated LIC as the best financially stable insurance company. In terms of claim settlement, 17 percent of the respondents found that private companies settle claims better whereas 83 percent still find it comfortable with the public sector (Mishra, 2004)

As globalisation and the information technology revolution have made the insurance sector highly knowledge intensive, customer expectations and perceptions have also grown exponentially. Studying the influence of 5 critical factors on service quality in the insurance sector, it was concluded that the parameters of past experience, personal needs, external communication, word of mouth publicity and active clients have significant influence on service quality of the insurance sector (Barkur, 2007).

Commenting on customer satisfaction in General Insurance sector, Johri (2009) has reminded the public sector general insurance companies that if they want to keep their stake and not let the private players take the lead, the only shortcut for them is quality service. According to him, an insurance company’s corporate culture should be based on 6 c’s – communication, cooperation, cheerfulness, credibility, challenge and continuity. In the survey conducted on over 2000 respondents – both customers and employees, he found that perception gaps existed in the areas of (1) visual appeal of document and office (2) responsiveness and dependability (3) product knowledge and adherence to promises (4) reliability and assurance.

In order to enhance customer satisfaction, insurance companies must look into all the factors relating to services and frequently intimating the policy holders about the current status of the policies, launch of new policies through mobile alerts, e-mails or directly through the phone. This will have a direct impact on customer satisfaction (Keerthi and Vijayalakshmi, 2009).

Eskelden and Kristensen (2008) have analysed the relationship between customer satisfaction and customer loyalty and the future business potential of existing customers. A total of approximately 2000 private customers evaluated their preferred property
insurance provider. Based on theoretical considerations, six assumptions were drawn and listed and the results showed that satisfaction is a better predictor for future business potential than loyalty; image and expectations are the main drivers for full service status.

Thus, there are numerous studies to evaluate customer satisfaction in banks and insurance companies as individual organizations, but after the advent of bancassurance, there have been very few studies to evaluate the performance of selling insurance through banks or to study the response of customers’ purchasing insurance through this route.

Aggarwal and Hajela (2011), in a study conducted on 100 respondents in Delhi and NCR to find awareness for bancassurance and their behaviour in purchasing through bancassurance, concluded using One-way ANOVA that only 62 percent of the respondents are aware of bancassurance. Also, the expectations of the customers are not met on all the parameters by the banks that provide bancassurance services. Most of the customers were not satisfied with the factors of convenience, trustworthiness, and access and product knowledge. However, 75 percent of the respondents still preferred to buy through banks provided the above factors are taken care of.

Tiwari and Yadav (2012) in a study conducted in Madhya Pradesh concluded that 34 percent of the respondents were moderately satisfied in purchasing insurance policies from the banks. The banks need to improve quality of its services to get more customers and high satisfaction levels.

Different countries all over the world have adopted bancassurance after seeing its enormous success in Europe. But the results have not been the same, the world over. Comparing the bancassurance developments the world over, it was concluded that social and cultural factors together with regulatory considerations and product complexity determine the success of bancassurance in a particular market (Brahman et al., 2004). There are differences in bancassurance developments across the countries because of the differences in legislative and regulatory standards; difference in role of banks in the financial system and the segregations between the multiple distribution channels that exist in many countries (Benoist, 2002).

Bancassurance, which has gained momentum in the last few years on the Indian scene, has a bag full of opportunities and challenges in the times to come (Parihar). Some authors predict that it will flourish and come out as a strong channel of insurance selling
while others are of the opinion that the times ahead will be turbulent and hence, banks and insurance companies need to redesign their products and strategies while selling insurance through this route.

Bancassurance, in India will see only a limited success in the Indian sub-continent as the banks may not be able to translate this into a business opportunity because of strong conflict of interest with the core banking business (Singh and Hajeebhoy, 2006). The apprehension about the possibility of substitution effect between its own products and insurance products especially when most of the insurance products in India come with an added attraction of tax incentive may hamper the growth of bancassurance (Sarvanakumar et al, 2012).

Although banks offer a very lucrative option for the insurance companies to integrate but still the issue is faced with a multiplicity of challenges in the form of creating a legal environment, resolving conflict between bank and insurer, establishing credible service level agreements between the bank and insurer etc. (Krishnamurthy, 2001) The most common challenges to success are poor manpower management, lack of a sales culture within the bank, no involvement by the branch manager, insufficient product promotions, failure to integrate marketing plans; marginal database expertise; poor sales channel linkages; inadequate incentives and unwieldy marketing strategy (Sarvanakumar et al, 2012).

The principal reasons for low utilisation of potential of bancassurance are – monopolistic relations, low level of training, lack of operational coordination, unequal relationship, short duration of tie-ups, lack of specially designed products, non-utilisation of technological platform and poor servicing standards prevailing in the bancassurance channel (Mishra, 2012).

The dual control of RBI and IRDA in the case of bancassurance is another matter which brings doubts over its future success. The RBI would be dislodged from its supervisory and regulatory control over the banks (Venkitaramanan, 2001).

Problems are also arising because banks and insurance companies are finding it difficult to leverage customer satisfaction because of certain problems with products, processes and people (Venugopal, 2010). Also, the bank officials do not have any relation
with the customer after the policy is issued. After the sale is over, it is the insurer who is responsible for all the claim settlement and enquiries (Rajkumari, 2007).

Banks need to think differently and analyse customers’ requirements and put a demand on the partner insurance companies to reciprocate by manufacturing products in tandem with the bank’s requirements (Shah and Salim, 2011). On the part of the insurers, they need to develop a distribution mix based on reach, customer servicing, trust and reliability, operational discipline etc. and should design and divide its products according to segments; in order to be successful in the long run. (Singhvi and Bhatt, 2008).

However, there are others who feel that there is a lot of rosy picture as to the benefits that the banks, insurance companies and the customers would be able to draw from the concept of bancassurance and its future in India as it has the potential to be an effective distribution channel in India, especially because of the extensive network of bank branches, built over the years – something that insurance companies would find nearly impossible to achieve on their own. (Rao, 2004).

There is no doubt that banks are set to become a significant distributor of insurance related products and services in the years to come as it offers the benefits of low marketing spends, readily available database of clients and high conversion ratio of prospects into sales (Barathi and Balaji, 2011). Banks in India have recognised the potential of bancassurance in India and similar to the trend in UK and other countries, they will take equity stakes in insurance companies in the long run. Going by this pace, bancassurance would turn out to be a norm rather than an exception in future in India (Mishra, 2012).

Analysing the critical success factors for the sale and distribution of bancassurance in South Africa, Hoosen found that factors like integrated organisation structure, ability to use the database of client information to distribute insurance products; simple products linked to bank transactions and effective use of retail chain help in making bancassurance a success (Hoosen, 2006).

The factors and principles why it is a success elsewhere exist in India too. The prospects of bancassurance in India are really bright because of increased purchasing power parity, expansion of middle income class Indians and the huge banking infrastructure across urban, semi – urban and rural India (Neelamegam and Veni, 2009).
Various authors, who believe that Bancassurance can come up as an effective intermediary of insurance distribution, have given their set of suggestions as to how it can be made successful in the long run.

In order to make bancassurance successful, there should be an umbrella organization for information sharing and coordination of supervision between banks and insurance companies (Venkitaramanan, 2001). And if separate regulatory bodies are going to continue to control, there should be better coordination, smooth flow of information and minimal government interference (Kesiraju, 2003). The regulatory body / bodies should suggest viable modes of integration and the insurance companies should identify and analyse the various parameters before entering the integrated venture (Krishnamurthy, 2001).

The impetus for the growth of bancassurance as an attractive channel for distribution of insurance products can be provided by banks and insurance companies by focusing on all aspects of service quality namely responsiveness, assurance, tangibility, empathy and reliability (Bishnoi and Dhillon, 2010). Also, the banks and insurance companies need to build strong customer relationships and manage the critical factors of – quality, innovative products and short term market for new products (Benoist, 2002).

Banks in India should try to exploit the exiting opportunity to cross-sell insurance products through their branch networks ,by designing a clear and effective marketing strategy aimed at increasing awareness and customers’ willingness to choose banks as insurance providers (Kumari, 2012).

The success of bancassurance also lies in integrating it within the bank’s structure so as to harness its full potential. Each division within the bank whether corporate or retail; has to accept bancassurance and should be willing to share the leads and customer relationship (Shah and Salim, 2011).

It also calls for a paradigm shift in the behaviour of public sector banks, which need to develop their marketing skills, to be sensitive to customer preferences if they want to reap the benefits of the opening market (Shetty, 2002).

To conclude, the insurers should lay emphasis on short-term product innovation, low administrative costs and low premium. While the bank, which gains on small subsidiary costs should indulge in sale promotion and ensure quality of services. Also,
the combined strategy of the bank and insurer consolidation should be directed towards internal development and creation of integrated groups (Fan and Cheng, 2011).

REFERENCES


