

## **Bancassurance in India: A study**

**Rohit Kumar Sahoo,**

Asst. Professor, Dept. of Management, College of Engineering, Bhubaneswar

[sahoo.rohit1@gmail.com](mailto:sahoo.rohit1@gmail.com)

### **Abstract**

Banc-assurance has grown at different places and taken steps and forms in different countries depending upon demography economic and legislative prescription in that country. It is most successful in Europe, especially in France from where it started. The concept of Banc-assurance is relatively new in this Indian sub-continent. In India the process began in the year 2000. IRDA came up with regulation on registration of Insurance companies. The Insurance companies are bound by the rule and regulation of IRDA. Govt. of India also issued a notification specifying 'Insurance' as a permissible form of business that could be undertaken by banks under section 6(I) of the Banking regulation Act 1949. Life insurance companies require good distribution strength and tremendous manpower to reach out such a huge customer bank. Banc-assurance would mostly depend on how well insurers and bankers understand the changing needs. This paper studies the emerging landscape.

**Keywords:** Bank-Assurance. Banking regulations, Insurance sector, IRDA

### **INTRODUCTION:**

Banc assurance refers to the selling of insurance policies through banks. Banks earn revenue by selling insurance products. In India the process began in the year 2000. IRDA came up with regulation

on registration of Insurance companies. The Insurance companies are bound by the rule and regulation of IRDA. Govt. of India also issued a notification specifying 'Insurance' as a permissible form of business that could be undertaken by banks

under section 6(I) of the Banking regulation Act 1949.

### **Definition**

Banc-assurance means selling insurance products through banks. Banks and Insurance company come up in a partnership where in the bank sells the tied insurance products to its clients. Bank-assurance is the distribution of insurance products through the bank distribution channels.

It is a phenomenon where insurance products are offered through the distribution channel of the banking services along with a complete range of banking and investment product and services.

### **Banc-assurance:**

In our country banking and insurance sectors are regulated by two different entities:

They are: Banking is fully governed by RBI & Insurance sector is governed by IRDA;

And, bank-assurance begins the combination of two sectors comes under the purview of both the regulators. Each of the regulators has given out detailed guidelines for banks getting into insurance sector.

### **GUIDELINES GIVEN BY RBI**

1. Any Commercial bank will be allowed to undertake insurance business as the agent of insurance companies and this will be on fee basis with no risk participation.

2. The joint venture will be allowed for financial service banks wishing to undertake insurance business with risk participation.

### **IRDA GUIDELINES**

1. Each bank that sells insurance must have a chief Insurance Officer to handle all the insurance matters and activities.
2. All the people involved in selling the insurance products must have mandatory training at an institute authorised by IRDA & pass the exam conducted by the authority.
3. Commercial banks including co-operative banks & RRB, may become corporate agents for insurance company.

### **BANC-ASSURANCE TIE UP IN INDIA**

LIC: The LIC have tie up with the following bank for banc-assurance. They are follows:-

1. Corporation Bank
2. Uco Bank
3. Vijaya Bank
4. Allahabad Bank
5. Oriental Bank of Commerce
6. United Bank of India
7. Bank of India
8. Indian Overseas Bank
9. Bharatiya Mahila Bank

10. Syndicate Bank
11. SBI Live Insurance Co. Ltd is starting and running its Insurance business with the help of SBI.
12. Bajaj Allianz-Standard chartered bank
13. AXIS- Max life
14. HDFC Life-HDFC Bank
15. Bilrala Sunlife-Bank of Rajastan  
DCB & Catholic Syrian Bank

### **BANC-ASSURANCE ACROSS THE GLOBE**

Banc-assurance has grown at different places and taken steps and forms in different countries depending upon demography economic and legislative prescription in that country. It is most successful in Europe, especially in France from where it started. Italy, Belgium and

Luxembourg. The concept of Banc-assurance is relatively new in USA.

The Glass-Steagall Act of 1933 prevented the banks of the USA from entering into alliance with different financial services providers there by putting a barrier on banc-assurance. As a result of this life insurance was primarily sold through individual agents, who focused on wealthier individuals leading to a majority of the American middle class households seeing under insured with the US Govt. repealing the act in 1999, the concept of banc-assurance started gaining and rounds in USA also.

In 2000 itself in France banc-assurance accounted for 35% life insurance premiums 60% of saving premium, 7 % property Insurance & 69% of new premium income in individual savings.

### **INTERNATIONAL COMPARISON OF LIFE INSURANCE DENSITY**

*Table 1: International Comparison of Life Insurance Density Countries*

<i>Countries</i>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<i>Developed Countries</i>										
US	1602.0	1662.6	1657.5	1692.5	1753.2	1789.5	1922.0	1900.6	1602.6	1498.3
UK	2567.9	2679.4	2617.1	3190.4	3287.1	5139.6	5730.5	5582.1	3527.6	3025.7
France	1268.2	1349.5	1767.9	2150.2	2474.6	2922.5	2728.3	2791.9	2979.8	3251.9
Germany	674.3	736.7	930.4	1021.3	1042.1	1136.1	1234.1	1346.5	1359.7	1390.5

South Korea	763.4	821.9	873.6	1006.8	1210.6	1480.0	1656.6	1347.7	1180.6	1080.7
Japan	2806.4	2783.9	3002.9	3044.0	2956.3	2829.3	2583.9	2869.5	3138.7	3865.8
<i>Developing Countries</i>										
Brazil	10.8	27.2	35.8	45.9	56.8	72.5	95.3	115.4	127.9	139.4
Russia	33.2	23.1	33.9	24.8	6.3	4.0	6.1	5.4	4.50	4.30
Malaysia	129.5	118.7	139.8	167.3	188.0	189.2	221.5	225.9	206.9	198.2
India	9.1	11.7	12.9	15.7	18.30	33.2	40.4	41.2	47.7	52.2
China	12.2	19.2	25.1	27.3	30.5	34.1	44.2	71.7	81.1	93.6
South Africa	377.2	360.5	476.5	545.5	558.3	695.6	719.0	707.0	574.2	498.2
Australia	1040.3	1010.4	1129.3	1285.1	1366.7	1389.0	1674.1	2038.0	1524.8	1328.6

*Insurance density is measured as ratio of premium (in US Dollar) to total population*

## SWOT ANALYSIS

1. Top professionals will have to be hired
2. We have to study the Indian Nature regarding insurance.
3. Study about lower middle. As upper class people that how much they are eager to adopt insurance.
4. Favourable & easy policies for the people.
5. Creation of research and development cell is very importance and adaptive task.
6. Information technology & tale communication is required

## ADVANTAGES OR BENEFITS

BANK:-

1. By selling insurance products through banks the banker can generate more revenue.
2. Banks have face to face contact with their customers, they can directly approach them for a policy.
3. They have a huge database where they will be search customers here and there.
4. They can easily attract customers, because customers have faith on that.

INSURER:-

1. The insurance company can increase their business through the

banks channel because the bank has to buy customers.

2. By cutting cost insurers can serve better to customers in term loan premium rate and better risk coverage through product differs faction

#### CUSTOMER:-

1. It encourages customers of banks to purchase insurance policies & further helps in building better relationship with the bank.
2. The people who are unaware can know better about the insurance policies through bank.

3. Product innovation a distribution activities are directed towards the satisfaction of needs of the customer.

#### DEMERITS OR DRAWBACK

1. The insurance company can utilize the database of the bank and market their new products to the customer.
2. There is a possibility of conflict between the customer and the bank where the customer has to invest in ULIP or traditional

### STATUS OF BANC-ASSURANCE IN INDIA

*Table 2: Channel wise Life Insurance business over the years Particulars*

Particulars	Remarks	Unit	2010-11	2011-12	2012-13	2013-14	2014-15
Channel Wise-New Business (Amount of Premium) - Individual plus Group							
Individual agents	FY	Crore	54611	67611	56884	68906	68094
Corporate agents-Banks	FY	Crore	3690	6822	7307	9288	12391
Corporate agents- Others	FY	Crore	1829	3503	3511	3912	3277
Brokers	FY	Crore	363	573	857	1476	3685
Direct Selling	FY	Crore	13847	15174	18340	28262	40886
Total	FY	Crore	75597	93683	86900	109845	126333
Referrals	FY	Crore	1258	2347	2731	2610	875
Channel Wise-New Business (No. of lives covered) - Individual plus Group							

Individual agents	FY	In Lac	423.29	499.89	462.66	540.33	450.17
Corporate agents- Banks	FY	In Lac	29.06	34.62	41.43	32.66	65.88
Corporate agents- Others	FY	In Lac	17.53	32.74	33.35	103.59	7.24
Brokers	FY	In Lac	7.51	9.48	9.50	53.66	51.69
Direct Selling	FY	In Lac	174.97	277.23	490.92	608.64	648.40
Total	FY	In Lac	660.15	853.96	1037.85	1338.88	1313.39
Referrals	FY	In Lac	7.79	13.52	19.57	12.86	8.68

Table 2 clearly shows the growing importance of Bancassurance as a channel for sale of life policies. It has been increasing steadily as indicated by total premium collected in the individual segment as well as the total number of lives covered.

## CONCLUSION

The life insurance company in India has been rapidly increasing since opening up of the sector. The size of a country, a diverse set of people consigned with problems of connectivity in rural areas, make insurance selling in India is a very difficult task. Life insurance companies require good distribution strength and tremendous manpower to reach out such a huge customer bank.

Banc-assurance would mostly depend on how well insurers and bankers

understanding is with each other and how they are capturing the opportunity and how better service they are providing to their customers.

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