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# Digital Bancassurance Business Models

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## Abstract

Bancassurance was introduced as an additional channel for distributing insurance products through existing branch networks of banks. The idea was to ensure additional revenue generation for banks without the need to infuse capital in an era when margins were under pressure and credit off take was subdued. Insurance firms thus had the opportunity to increase the market penetration. However, digital interventions in banking system and the onset of bancassurance were almost concomitant. This presented a unique challenge. In the quest for achieving self sufficiency in digital banking, banks slowly started losing face to face connect with customers. This resulted in a slump in the growth of bancassurance. This paper has traced the benefits of bancassurance for banks as well as insurance firms as well as the challenges faced by bancassurance as a distribution channel. Additionally, targeting millennial customers to buy insurance products is essential for growing bancassurance though this strategy is beset with its own challenges like intrusion into customers' private information. The behavioral characteristics of millennials need to be clearly understood while targeting them as prospective customers of insurance products. Insurance policies protect against future risk – the occurrence of which may be uncertain. The nature of insurance selling is markedly different from the selling of other bank products. These differences need to be understood to make bancassurance more effective. Bancassurance must be part of a bank's core financial plan for its customers. The paper concludes by emphasizing the need for a customer-centric approach and identifying the strategies needed for giving a fillip to the bancassurance business model through innovations and strengthening of the digital infrastructure architecture. The recommendation is that rather than solely relying only on digital, bancassurance will benefit from the seamless integration of various channels (digital and physical) to reach out to customers.

**Keywords:** Bancassurance, Digital, Millennials, Regulatory Framework, Social Media

## 1. Introduction

Economic growth of a nation needs a strong and vibrant financial sector. The financial landscape in India has undergone sea-change after reforms proposed by Narasimham committee. The Indian insurance sector has also witnessed major reforms in the last two decades.

A Swiss Re report claims that India is now ranked $10^{th}$ among 88 countries in life insurance business while in case of non-life business, India's rank is $15^{th}$. As on March 2019, Indian insurance industry has 70 players – 24 life, 27 non-life and 7 stand alone health insurers and 12 reinsurers.

Currently the insurance penetration in India is 3.7% of GDP against the world average of 6.31%. India has a middle class population of roughly 270 million. Yet considering India's population, the penetration of insurance is abysmally low. Bancassurance presents an opportunity for insurers to market and sell insurance products through a bank's distribution channels.

Bancassurance is a part of diversification efforts of banks to earn additional revenues and achieve scale. Banks can use their existing customer base to sell insurance. Banks use their distribution channels (retail networks) to sell insurance (Knight, 2005). Banks have found an opportunity to sell insurance while offering home loans and vehicle loans. Bancassurance can lead to a competitive edge in the selling of insurance products.

Bancassurance represents convergence of banking and insurance. Insurance companies pay commission to banks so that banks can sell their insurance products. The Insurance Act allows only those companies registered under the Companies Act to sell policies as corporate agents.

Banks are able to enrich the customers' portfolio based on the data that they possess. They can offer a gamut of insurance products that meet the needs of customers. Bancassurance is the provision of insurance and banking products or services from the same sources or to the same customer base. It is the process of using a bank's customer relationship to sell life and non-life insurance covers (Gonulal, *et al*., 2012).

The distribution channels for bancassurance are:

1. Agents
2. Bank Employees
3. Special Advisers
4. Corporate Brokerage Firms
5. e-brokerage
6. Direct response
7. Internet

The integrative/generalist distribution model is one where insurance products are distributed through existing bank channels. The process is managed by banks with insurers acting only as a product/service provider. Example – telemarketing, direct mail. In the specialist model, the insurance product is distributed through employees or representatives of the insurance company. Bankers enable identification of prospects who are then contacted by insurance professionals. This model lengthens the process of sale.

In bancassurance, the banks use their brand name, branch network and clients database to support the selling process. The insurers have to ensure that the right products are distributed to the clients. The terms and conditions of the insurance contract must be clarified to the customers. Insurers must develop their service capability so that customers get a reasonably good service after they purchase the insurance.

Insurance penetration is measured as % of insurance premium to GDP. Insurance density is calculated as the ratio of premium to population (per capita premium) (Table 1).

Looking at the Table 1 it is evident that there is immense scope to grow insurance business in India and tap the market that still remains under-penetrated.

**Table 1.** Insurance penetration and density in India (2001-2018)

| Year | Insurance penetration in India | Insurance density in India (USD) |
|---|---|---|
| 2001 | 2.71% | 11.5 |
| 2009 | 5.2% | 54.3 |
| 2010 | 5.1% | 64.4 |
| 2015 | 3.44% | 55 |
| 2016 | 3.49% | 60 |
| 2017 | 3.69% | 73 |
| 2018 | 3.7% | 74 |

Source: https://www.researchgate.net/figure/nsurance-Penetration-And-Density-InIndia_tbl8_272494752

As a distribution channel, bancassurance presents tremendous scope to improve the penetration. The success of bancassurance greatly relies on investment in IT infrastructure, professional backroom support, marketing and sales support.

In this paper, an attempt has been made to trace the evolution of bancassurance along with the challenges faced by banks and insurance organizations. The paper highlights the effectiveness of various digital methods to attract millennial customers to insurance schemes. Recommendations have been made to improve the business footprint of bancassurance.

## 2. Global Bancassurance Market Drivers

Aging population across the globe has a greater need for health and life insurance and retirement product plans. The demographic shift has had a positive impact on bancassurance industry.

Increasing economic growth in developing economies, rising internet penetration, increase in middle class population, technological advances impacting marketing of financial services, consolidation in sector – all these are driving the growth of bancassurance.

In India, bancassurance business models are shaped by the need for financial inclusion, FDI in insurance sector and changing regulatory norms. Regional factors like financial deregulation, tax benefits, growth of banking, social security expenditures and other state interventions are also driving the need for bancassurance channels for distributing insurance. Banks see this as an opportunity to leverage their existing customer base to enhance product portfolios. Banks' interest margins were shrinking – this was the motivation for banks to pursue bancassurance. Bancassurance is a combination of direct selling and agency model.

## 3. History of Bancassurance

Bancassurance business model originated in France and in continental Europe. Endowment insurance policies are popular in France. This was in response to changes like direct access to corporate funding market and deregulation of credit market in 1986. Some banks integrated insurance sales into their processes while other banks focused on limited number of insurance products to sell them as a value added product.

France, Belgium and Netherlands have well-entrenched bancassurance schemes because customers in these nations visit banks frequently. In those nations, where securities markets dominate over the banking system, the growth of bancassurance has rather been subdued. A restrictive regulatory regime across the globe has also led to tardy growth of bancassurance. Spain and Italy are those nations where banking has attempted to fill the gap to increase penetration of insurance mainly due to the presence of an extensive branching network. Germany and Japan have a system where separate roles are assigned to bank branches and agency networks to sell insurance.

European countries dominate the $1.2 billion global bancassurance market. Favorable regulatory and tax environment has contributed to this development. Bancassurance was introduced in India post 2000 as an additional channel to increase the penetration of insurance in the country.

The Maybank in Malaysia established its dedicated insurance arm in 1992. The bank's brand name and branch network were leveraged to break the monopoly in the life insurance market. Later on, Mayban General Insurance was established later in partnership with Fortis to distribute non-life insurance products.

April 2001 saw the deregulation of bancassurance in Japan. Banks were allowed to sell credit life insurance. Later on, banks were permitted to sell personal accident insurance, individual life annuity, pension schemes. In most countries, though bancassurance has been introduced, it has only remained an alternate distribution channel.

In 2001, the share of China, Indonesia and the Philippines in bancassurance was relatively small while that in Hong Kong, Thailand, Singapore and Malaysia was higher.

Thus, if we look at how bancassurance has evolved as a distribution model over time, the motivations are clear – how can banks earn more revenue without additional investment of capital and how they can sustain their business in an era where interest rates are declining and margins are under pressure. The answer is – bancassurance is one of the ways to sustain the business.

In US, the Glass Steagall act of 1933 had created a firewall between banking and insurance sectors. Later on, bancassurance was introduced in US in 1999. The brand equity of banks, training and empowerment of bank employees, a wider branch network the complementary nature of banking and insurance products, adopting an approach to offer "solutions to customers" – all these factors contributed to the growth of bancassurance in US.

In India, bancassurance was able to increase the ticket size per customer; this is what gave bancassurance an edge over the traditional agency model. Banks found bancassurance as a means of deploying excess staff rendered redundant after the massive invasion of technology in banking systems and the introduction of core banking solutions. Further, the cost of distributing insurance policies through banks was far lower than that in the agency model.

## 4. Bancassurance Today

A favorable tax regime in Europe has resulted in Europe leading the bancassurance market across the globe. Luxembourg, Russia and Slovenia serve as potential markets for bancassurance in Europe.

France, Germany, UK, Spain and Italy are leading bancassurance markets across the globe. In Portugal, 85% of insurance premiums are received through the bancassurance channel. In Romania, it is 30%. Between 2011-2017 Latin America witnessed a 12% growth in sales while Asia Pacific witnessed a growth of 9.2%.

Earlier, bancassurance was dominated by life insurance and long-term savings products. In recent years, there has been a shift towards the distribution of non-life insurance products through banks.

Banks in Asia Pacific and Latin America have been using bancassurance channel to sell life insurance products. Life insurance products gave higher profits than non-life products. In case of non-life, the performance of banks has been sub optimal. One area where non-life insurance policies were successfully sold by banks was insurance along with home loan – when a customer availed a home loan from a bank, there was a condition that the customer had to buy home insurance cover.

India has embraced financial liberalization following the guidelines of the Narasimham Committee. Banks' activities were diversified to include merchant banking, lease and term finance, activities pertaining to equity market, hire purchase, working capital credit, book

**Table 2.** RBI regulations for bancassurance (then and now)

| RBI Regulations for bancassurance in 2005 | RBI Regulations now |
|---|---|
| Net worth of bank – at least Rs 500 crores | Net worth of bank – at least Rs 1000 crores |
| Capital adequacy ratio minimum 10% | Capital adequacy ratio minimum 10% |
| Bank should have made a net profit for the last three continuous years | Bank should have made a net profit for the last three continuous years |
| The level of net non-performing assets should not be more than 1%. | The level of net non-performing assets should not be more than 3%. |
| The bank should have demonstrated a successful track record with regard to its performance. | The bank should have demonstrated a successful track record with regard to its performance. |

building (as part of merchant banking) and indulging in real estate finance. Following the recommendations of Malhotra Committee, the insurance sector was opened up for foreign participation.

Presently, Indian banks are allowed to function as a corporate agent with one life, one non-life and one standalone health insurer. IRDA has proposed an open architecture policy wherein an insurer can have tie-ups with up to three insurers.

Banks have to follow the regulations of RBI as well as IRDA for conducting bancassurance business. Banks can only sell insurance products of one company. RBI expects an arm's length relation between the bank and insurance company. The non-performing assets of the applicant bank are scrutinized prior to giving it approval to enter bancassurance channel. Each of the regulators (RBI and IRDA) has given out comprehensive regulations for the bank's involvement in the insurance sector.

Some countries feel that bancassurance gives banks disproportionate hold over the financial industry (Table 2).

As per RBI rules, banks can undertake insurance business by setting up a subsidiary/joint venture as well as taking up insurance broking. The RBI is clear that banking business must not get contaminated with risks that may arise from insurance business. RBI approval is not needed if banks wish to act as corporate agents on fee basis without risk participation. As per the terms of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations 2010, no bank is presently eligible to conduct insurance referral business.

As per a Swiss Re report in 2019, in India, the real premium growth rate is 7.7% (life) and 14% (non-life). During the year 2018-19, banks contributed to 19.03% of the total group new business premium of private insurers (as against 12.57% in the previous year). Banks contributed 53.8% of individual new business performance (in terms of premium income) of private life insurers while in case of LIC, this was only 2.49%.

In 2018-19, 254 banks were acting as corporate agents for insurance while 352 NBFCs (non-banking finance corporations) were involved in selling insurance. The share of banks in total new business has gone up from 25.19% in 2017-18 to 27.03% in 2018-19.

Since 2015-16, District Co-operative banks, regional rural banks and scheduled commercial banks have been appointed as micro insurance agents to ensure better penetration (Table 3).

## 5. Bancassurance Models

The different types of models are:

1. Pure distributor (most popular model) – The bank sells the products of an individual insurer exclusively. The products are sold on a stand-alone basis or sold along with bank's products. This referral model involves banks providing insurance companies access to their customer database for business lead; banks get income from insurance firms. Insurance organization is responsible for transactions with customers. This arrangement is less risky and suitable for all types of banks including regional rural banks and co-operative banks.

**Table 3.** Sales by bancassurance channel

| **Bancassurance** | **Number of policies issued** | **Gross Premium** |
|---|---|---|
| Group business excluding Government business | 38% | 10% |
| Individual business | 5% | 3% |

Source: IRDA Annual Report 2018-19

2. Strategic alliance – The bank has a greater involvement in product development, service terms and conditions. The bank staffs is trained and up-skilled to sell insurance products to clients. Bank acts as a corporate agent for insurance company in return for a fee/commission. In India, mid-sized banks as well as urban co-operative banks practice this model. The rate of commission is higher than the referral model. These banks have a large staff and a large client base.

3. Joint venture – The bank and the insurance company form a new corporation in which they both hold shares. The shareholding may or may not be equal. This is a complex model. Selling insurance is only one aspect. Banks can have an insurance subsidiary with or without foreign participation and in the process these banks can have a sizeable share of insurance market. Banks benefit from economies of scope due to their infrastructure and sound financials.

4. Financial service group – An insurance company may acquire a bank or a bank may purchase an insurance company. A larger conglomerate may create multiple financial services companies and may utilize the synergies associated with operating such multiple businesses.

In India, the first three models are in vogue.

## 6. Benefits of Bancassurance

Banks have access to mounds of data (demographic, financial details of clients, complete portfolio, customer preferences and credit repayment history) on their customers and this data can be used to predict customer needs and deliver customized products.

Bancassurance encourages customers of banks to purchase insurance policies and cements their relation with the bank. Banks have access to wide distribution networks and their marketing channels can help increase awareness about insurance Sinha (2005). With increase in number of distribution channels for insurance, competition will intensify leading to better premium rates for customers. A strategic collaboration between Met Life Insurance Company with Punjab National Bank led to the former gaining access to over 78 million bank customers in India.

The channel has better capabilities to comply with stricter regulations around consumer protection. As a low cost distribution model, bancassurance gives structural advantage to a bank. Bancassurance helps a bank to diversify its revenues bringing greater volume and profit for both banks and insurance companies.

The huge reach of banks, their branch network and access to a huge customer base are benefits of bancassurance. The trust that customers have with their banks can be leveraged to sell insurance. Insurers can use bancassurance to achieve market penetration and premium turnover Ninova (2018).

Through bancassurance, insurers can reduce their reliance on traditional distribution channels and attempt to increase market penetration. They can also increase access to new markets and develop bespoke products that meet specific needs of clients.

Banks can have access to fee based income by selling insurance and leverage their existing customer base. Customers can enjoy the benefit of having access to all financial services under one roof.

Customer data – their existing investments, preferences and other demographic information can make segmentation easy for banks. This can make the selling and marketing of insurance products a personalized affair. Insurers can design the right insurance products for the customers. They can train bank employees in selling insurance and also devise an incentive structure.

Bancassurance is actually a win-win situation for banks, insurers and the customer. Banks and insurance organizations can synergize their efforts (Bhushan & Murtaza, 2014).

## 7. Limitations and Challenges of Bancassurance

Banks have struggled to gain a competitive foot holding in insurance due to their inability to create solid sales networks. In their advisory roles, banks suffered from limited product expertise leading to leakages in positioning the right insurance products for customers.

Compliance obligations have lengthened the sales cycle for insurance products with excess of paperwork to acquire the customer's consent. Fear of regulatory penalties makes employees extra cautious.

With customers shifting to digital channels and banks reducing their networks to control costs, the earlier advantage of in-branch selling of insurance has practically ceased to exist. Often bank employees lack the basic etiquette to approach a customer to solicit them for insurance covers.

Stringent rules and regulations along with reputational risks of banks (when customers are upset about a poor service or become victims of misselling) are other limiting factors. Banks run the risk of facing the wrath of their customers for poor follow-up services like claims administration and settlement. Siloed operations of banks and insurance companies further complicate the cumbersome sales and compliance processes in insurance.

After a dizzying growth in the initial years, the bancassurance channel that was intended to give quality advice to customers slowly started falling prey to misselling. Customers were sold policies that they did not understand or want. Banks are also concerned about the conflict of interest between bank products and insurance products and fear the risk of cannibalization.

Banks started offering lockers against purchase of insurance policy and life insurance policies were marketed as fixed deposits. Home loans were approved with a condition to buy compulsory insurance cover. Thus, devious ways were being deployed by some banks to meet bancassurance targets.

Customers are expecting a bancassurance experience that only digital products can provide. Generally, banking transactions are slow. Insurance products involve sale processes that are complex. Selling insurance competes with priorities of other banking products.

Selling insurance is a tough job that requires an aggressive push. This was the reason insurance companies heavily relied on the agency model in the past. Banks have, in the past, mainly focused on improving their transactional efficiency. Insurers failed to derive value from their bancassurance agreements. Banks are infamous for their shoddy customer service; insurance selling is a different ball game as compared to selling a bank's products like loans, fixed deposits, and recurring deposits. Insurance sale is a matter of solicitation and aggressive tactics will turn out to be counterproductive – rather persuasive tactics are needed to engage the bank's customers Pani & Swain (2013). Banks have struggled with change management issues with respect to influencing the behavior of their employees to sell insurance.

The digital offerings of insurers lag behind those of banks due to challenges with legacy systems. Growth of digital wallets, net banking and online payments resulted in fewer customer footfalls in banks. Closure of bank branches due to the digitalization efforts and branch consolidation attempts by banks are other factors that are reducing the opportunities for bancassurance to grow in the traditional mode. Digital interventions in banking have resulted in banks losing their personal touch with customers due to absence of face to face contact. Now, customers are bypassing the bancassurance channel to purchase insurance online. Banks treat bancassurance products in a tactical fashion by inserting the products into other offerings instead of offering insurance as a discrete part of their digital channel strategy. Banks often do not consider insurance as core part of their digital offering. Banks seem oblivious to the fact that an exaggerated focus on digital can lead to compromise in data security and also engender an intrusion into customer's privacy.

Banks have faced challenges in terms of dealing with cultural conflicts associated with selling insurance through banking channels. Insurance selling needs a slightly aggressive approach (needs based selling) than a laid back approach – this can make bank employees slightly uncomfortable. Banks have to ensure that insurance selling doesn't end up cannibalizing bank deposits.

Bankers are also often ignorant about insurance products and without sufficient knowledge about the product or its features they end up forcing policies on customers simply on the basis of their existing relationship with the customers. This kind of mis-selling can jeopardize a bank's trust and relationship with customers. The other challenge is that assets are not adequately covered leading to a serious underwriting risk which creates problems for all the stakeholders during the claims administration stage.

## 8. Digital Bancassurance Business Strategies

In a McKinsey survey of 118 banks around the world, it was discovered that digital bancassurance channels accounted for 19% non life sales and 2% of life sales.

Digitization will lead to saving of 15-20% in life insurance. It can lead to greater convenience, better speed and safety while delivering services. Customized insurance packages are now available for e-commerce firms to cover risks like data theft, online frauds and hacking of websites.

Aggregation and segmentation of customer information is essential. A single customer view to give a comprehensive picture of customer information (financial needs of customers) is needed to customize the offers. Banks can track customer demographics and analysis of transactions in detail. Insurers can collect data on mortality and morbidity, weather and natural disasters like earthquakes, tsunami and floods to facilitate better claim management.

Banks can aid greater technical sophistication and can deploy digital customer engagement strategies to sell insurance. Cross-selling, upselling and direct marketing are techniques to increase growth of bancassurance sales. A simplified underwriting process acts as an enabler. Digitization and growth of bancassurance are closely related. Use of data for arriving at analytics solutions is essential so that customers can be given timely offers. Continuous feedback from functions like analytics, campaign design and management should be used to prioritize and adjust initiatives.

Automated underwriting and sales, targeted customer messaging, digital marketing strategies and improved customer experiences will decrease barriers to sales in digital channels and improve customer experience and conversion along the sales funnel. This will augment the effectiveness of bancassurance channel. Advanced data storage, visualization and analytical tools, data generated by bank's back end engine and bundling of wealth management options with insurance will generate greater customer value.

1. Bancassurance digital strategies leading to following outcomes
2. Product designs that are targeted at specific customer segments,
3. Regulatory compliances are integrated into a multi-channel process of customer delivery,
4. Generation of a customer data-set that can be used to draw useful insights,
5. Development of an open standards platform that has applications that can be accessed by both banks and insurers, and
6. Proactive engagement with customers through physical and digital channels.

Data availability on a bank's front end system can simplify processes. Banks and insurers should connect the data. Quotation, saving and retrieval are essential for cross-channel interaction so that data need not be entered repetitively.

Banks can harness contextual information and offer relevant insurance products to customers. Personalization can lead to differentiated pricing due to accurate assessment of risks.

Web/mobile messages after customer card transactions and money transfers can be used to sensitize customer to purchase travel insurance. Event triggers (change of address, birth of child) and interaction data (information browsed or sought from a call center) can be gainfully utilized.

Call centers must engage affluent customers who expect personal human interactions. The offerings must be seamlessly translatable across channels – example initiating a quote online and finishing it at the branch.

Single point of access to all client policies for service support must be possible through integrated app for submitting and tracking claims. Employees of bank and insurance companies should work as a team and promote greater transparency.

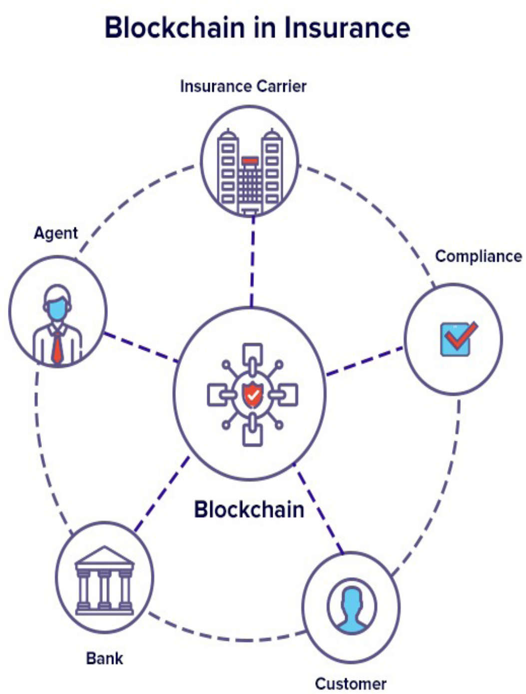
## 9. Use of Block Chain

Block chain can be used for speedy and secure authentication, underwriting and claims processing. Block chain enabled bancassurance platforms allow easier sharing of policy data and digital documents in real time. The customer onboarding process is more streamlined with commissions paid out through smart contracts (Figure 1).

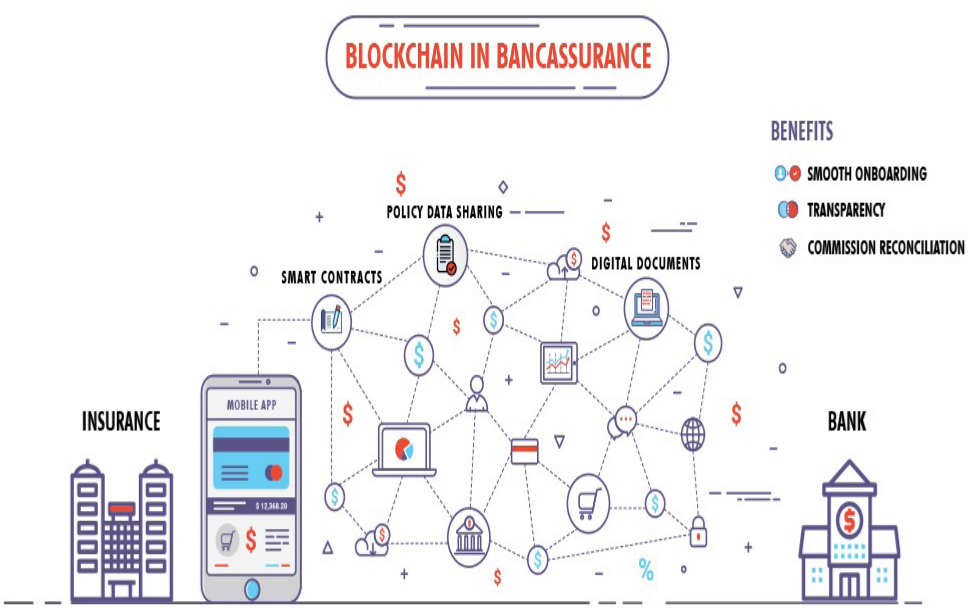
Internet of things can be used for underwriting and claims settlement using real time data. Wearables for health insurance, telematics for car insurance, smoke alarms and other fire detection systems for property insurance are a few examples (Figure 2).

Once the bank determines the offer it would invite customers who meet the insurability profile to purchase insurance via a simple 2-step process. Predictive analysis by the bank's back end engine can lead to a risk score for each customer. The customer's banking transaction profile will be used as input data. Biometric finger print identification or a photo might be used to verify the validity of customers who fit the insurability profile.

Bank's database would pull out basic information about customer like name, age and gender. Then the

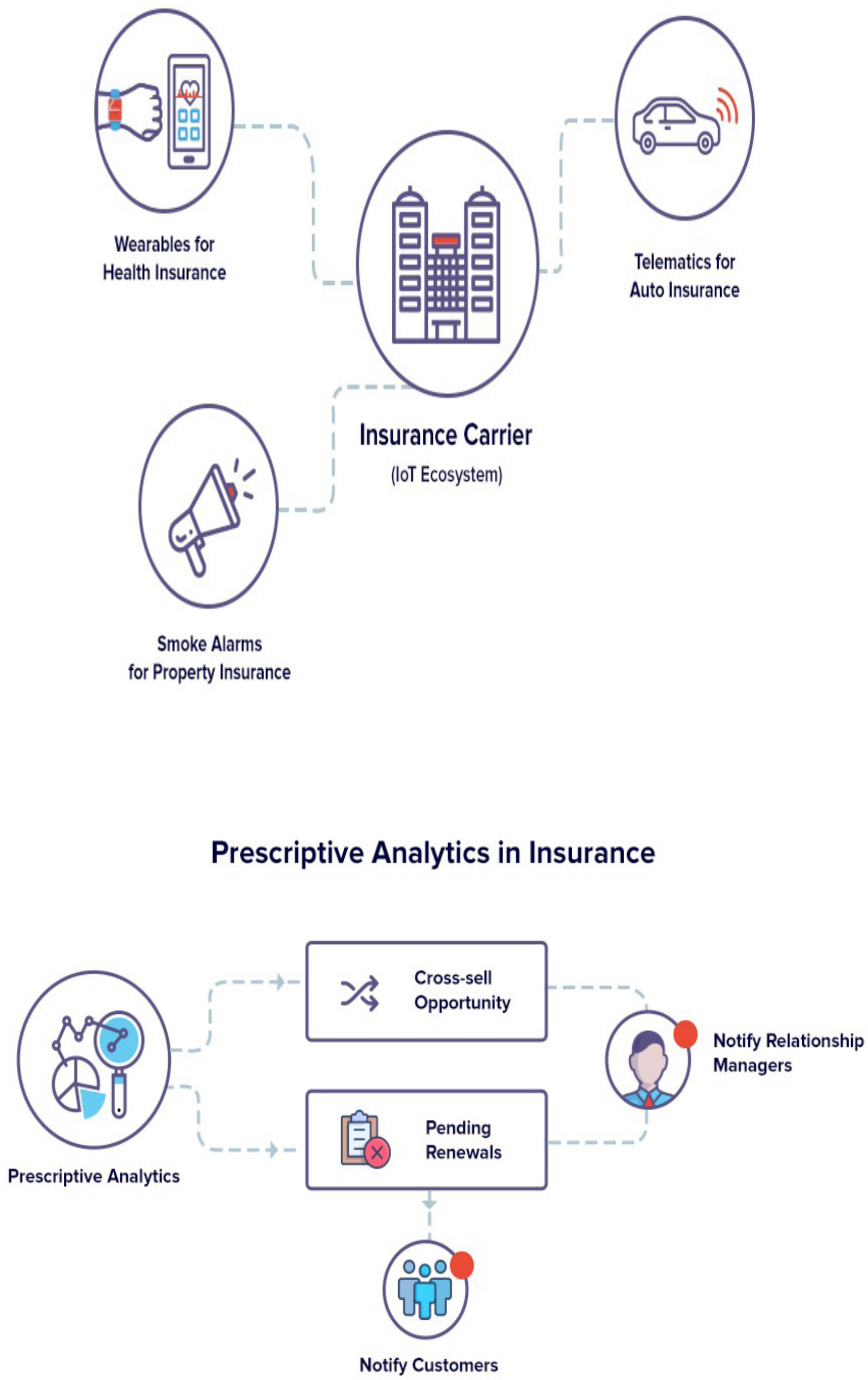



Source: https://www.leadsquared.com/bancassurance-model/




Source: https://www.leadsquared.com/bancassurance-model/

**Figure 1.** Use of Block Chain.




Source: https://www.itij.com/latest/long-read/digitisation-bancassurance

**Figure 2.** Internet use for Insurance.

customer would be given options to select his preference. Recommended insurance cover along with premiums will be mapped to earlier customer transactions.

Displaying the range of premiums for similar products available in the market for the chosen cover will assure the customer that he is paying a fair price for the cover. Once the information is confirmed by customer, he can pay the premium via a gamut of payment options like transfer from savings account, credit card, debit card or digital wallets. Future payments of premium can be automated along with appropriate notifications.

When a customer purchases the insurance cover, the customer can log into the e-banking app to find the details of insurance cover. The policy contract is seamlessly stored within the insurance section of the customer dashboard. Links are available for making changes in nominations or to submit a claim. Additionally, the customer has the liberty to terminate the insurance cover without incurring any additional cost.

Thus, customers have easy access to comprehensive, real-time and consistent online and offline engagement.

## 10. Millennials

Millennials are individuals born between the years 1981-1996 accounting for 31% of the global population. China, US, Germany and Japan have largest populations of millennials though India is also not lagging behind. Research highlights the fact that millennials are delaying life events like marriage, buying a property etc. Their expectations from financial products are completely different from the generation before. They are not only more demanding but they also want an experience that is digitally tuned. These consumers are digitally savvy, socially conscious, and fiercely independent and are influenced by peers.

Millennials prefer the mobile channel. So, if all the five stages of insurance selling (Pre-purchase, purchase, pro-purchase, claims and feedback) can be successfully taken through digital means, then it is possible to exert a positive influence on the buying behavior of millennials. Insurers need to earn the trust of millennials. For example, purchasing usage base insurance may be preferred by them rather than purchasing car insurance. Millennials are fast and agile; hence it is essential for banks and insurers to expedite the providing of solutions.

Selling an insurance product is a tough job and selling it to millennials can be tougher. A creative approach is needed to sell insurance to millennials as they believe in sharing than owning. This means that they have fewer assets and lesser need for insurance.

Millennial customers need relevant and meaningful insurance products that are customized based on their specific banking activity. A customer who avails a home loan from a bank has to purchase home insurance cover with the benefit and term automatically matching with the loan's monthly repayment and duration. Customers who are frequent travelers to foreign nations (which can be understood from the credit card transactions in foreign currency) might receive an offer of overseas accidental and hospital cover.

The personalized offers can be accessed through an app during their next similar transaction. The personalized dashboard of bank staff would generate leads based on the customer's past banking transactions. It is essential to understand the customer needs well. The smart use of customer information to offer relevant products based on their profile will ensure success of this digital strategy.

Millennials are bothered about having access to the right information, right products and right channels at the right hours. Customer service has to be fast and accessible otherwise millennials will defect to other service providers and also tell their friends about it. Millennials value personalization. So, companies have to focus on specific product features that meet their needs and appeal to them.

Millennials like visuals and so videos can be used to create awareness. It is essential to have a better connect with millennials online. The interactions have to be short and relevant. Agents must be techno savvy and possess special skills. It is preferable to have agents in the similar age group. Different service channels like text message, voice, social media, mobile, email and online chat can be used.

Research in the field of behavioral finance has demonstrated that human beings are hardwired to prioritize a benefit they will enjoy in the near future to one in the distant future – this phenomenon is called as hyperbolic discounting.

Earlier, banks and insurers were making rampant use of interactive voice response systems but today people do not have patience. Even email campaigns can become unsuccessful if they are not targeted at the right person. Online chats are also becoming a preferred mode of communication. Here companies can talk to customers in real time via its website. Online chats are popular, easy to use and cost effective too.

Millennials also expressed lack of confidence about dealing with money and financial matters. This survey was conducted by Prudential between 20 & 21 June 2018 in which 1178 UK adults participated.

The millennial generation (1980-2000) has grown up in a connected world. They are social media savvy and techno dependent. They are exceptional in multi-tasking but are often considered as impatient, demanding and seeking instant gratification. Their behavior and other forms of social interaction are influenced by modern media and access to Internet 24×7.

Millennials are superb multitaskers who put a premium value on convenience and seek instant gratification based on online/smart phone experience. Speed and efficiency are important for millennial customers. As millennials need instant response, the service strategies of organisations have to be aligned with these needs. Millennials have great influence on their peers and believe in collaborative decision making. They have wider social networks than previous generations.

## 11. Suggestions and Recommendations

Bancassurance channel has to strive to support the holistic needs of customers considering their complex financial needs. Banks and insurers – jointly respond to consumer demands; must use their customer, product and technology expertise to serve customers better.

As a channel, bancassurance must spread the awareness about insurance to all its customers. Banks must work towards enhancing the customer experience by making all financial products available to customers at one stop. Employees must be well-trained so that policy servicing procedures are simplified and customers face fewer administrative and legal hassles.

In developed countries, insurance companies leverage the brand image of banks to increase the customer base. But in developing countries, banking infrastructure is leveraged by insurance companies to also reach out to the rural population.

Banks have strategic priorities to introduce new products to their portfolios according to customer's needs offering customers the benefit of flexibility and convenience. The success of bancassurance depends on the effective utilization of technology.

Digitally embedded bancassurance is the next possibility. But shrinking of the user interface to desktops, laptops and smart phones makes insurance selling a daunting proposition. Limited attention span of users calls for innovative means of pulling customers. It also raises questions on viability of bancassurance business model. The model has to be turned on its head with some innovative thinking and greater clarity of purpose. In the present form, it may not be sustainable for long.

Both banks and insurance companies need to have similar ambitions in digital transformations. Banks and insurance organisations must collaborate to offer insurance products through digital platforms involving seamless customer referrals, smooth data collection and analysis. Real time Artificial Intelligence (AI) enabled claim assessments will add greater value to customers.

Insurance has to be a part of broader offerings of the bank under wealth management. Banks have to provide modular, personalized offerings based on a deeper understanding of customer needs – a needs-based selling approach is required. The information asymmetry between banks and customers has to be reduced. Bank employees must communicate with customers in a trustworthy manner.

Leveraging all channels – making insurance available across channels – including mobile apps is essential. Insurance forms require lots of details – inability to complete the application on other devices can be a dampener. This needs to be borne in mind while integrating channels and platforms into customer journey. Proposals pre-populated with data can be made available to banks.

Using the omni-channel method of distributing insurance, banks have to integrate the offline and online customer experience, celebrate customer days, offer advisory services on wealth management and use a focused/targeted approach to sell insurance. A spray and pray mechanism of sending mass messages to all and sundry is simply not going to work and will only add to the mounting inefficiencies in the bancassurance channel. Targeting the right customer is a must. Banks must use personalization to create relevant and timely offers for customers.

Use of high value leads and use of big data analytics to conduct psychographic profiling of customers can facilitate the right level of consumer engagement. Data can be gainfully employed to have intelligent, tailored conversations with customers and tap new cross-selling opportunities.

Example – a client moving to a new home or welcoming a new child – apt time for exploring the opportunity. When there is huge credit card expenditure by a customer or a retired individual receiving a large sum of money as pension/retirement benefits, the right triggers will ensure right conversations. On the flip side this can lead to privacy issues with customers.

Bank processes have to be redesigned to create a digitally enabled customer experience through which the bank's product offerings are made available across channels. Fully automated, simple, end to end processes are needed to overcome barriers to sales through digital channels. Lowering of costs is possible due to shared marketing and administration, shared sales strategies, training, underwriting and information reporting and shared technology.

Bancassurance needs a lot of hands-on management – this is a challenge in digitization. Bancassurance can look at standalone digital platforms selling insurance online via apps and websites and learn how they are doing it.

Insurance is not a financial product that can be easily bought over the counter. Training bank employees is vital. The claim procedures have to be clarified. Due to the wide reach of banks, rural customer base can also be tapped to sell simple insurance products.

## 12. What can Banks and Insurers do now?

- Design or enhance the customer journey by focusing on the broader financial objectives of target customer segments, e.g. wealth management, retirement planning, family financial planning,
- Integrate regulatory requirements seamlessly into an omni-channel customer process to facilitate the advisory role of branch staff,
- Set up a holistic and broad based customer data set to allow deployment of analytics solutions, and
- Achieve a digital open standards platform with the bank and insurer applications that can be easily accessed by customers.

## 13. Conclusion

A well equipped financial structure is important for the economic growth of a nation. IRDA drafted guidelines for promoting open architecture in bancassurance. Banks can have multiple tie-ups with insurers. Every bank can choose multiple insurers within the zones. Bancassurance presents additional source of revenue for banks while for insurers it is a smart way to reach a new set of customers.

Global bancassurance market grew by almost 6% between 2011 and 2017. The market reached around US $ 1166 billion in 2018 (it was US $ 1103 billion in 2017). The growth in 2018 and 2019 has been slower. It is expected to reach US $ 1665 billion by 2024. It is expected that the bancassurance channel would witness a compounded annual growth rate of 6.1% during 2019-2024. Insurers can increase their market penetration by distributing their products through the huge branch network of banks.

The Asia-Pacific region will occupy more market share in the next few years, especially in China. The growth in Southeast Asia regions sounds promising too. Banks in Asia must embrace digitization as bancassurance in this region still accounts for a small share of a bank's total customer base. 900 million of the Indian population is expected to be in the age group of 15-60 years by 2025. Bancassurance can significantly gain from India's demographic dividend.

Consolidation in financial services has increased the significance of bancassurance deals. Banks can market the full range of insurance products in life and non life sectors and spread awareness of these products and services among their customers. Insurers have relied on the agency channel for far too long and there was a need to explore additional channels for distribution.

A bank's distribution strength is what sustains bancassurance. Costs are lowered because of shared marketing and administrations, shared sales strategies, training, underwriting and information reporting, and perhaps most importantly, shared technology.

Bancassurance has been about volume and not value. This situation has to change. Every insurance catastrophe is the result of over emphasis on market share. Insurance business needs to concentrate more on value than volume.

Banks always have the benefit of a large customer base that insurers can bank upon however the integration between banks and insurers must continue beyond the phase when a sales transaction is completed. The process for staking claims must be clarified to consumers and the claims administration process must be smooth as well.

New technological innovations coupled with challenges of digital era will exert pressure on bancassurance channel in the future. The future success of bancassurance relies on personal interaction with customers besides personalization of offers, superior customer experience and Omni-channel engagement. Digitally enabled application program interfaces can enable synergize the effects of FinTech and Insurtech making it easy to transfer data. A digital insurance folder can simplify the process of administration of insurance policies. An agent firm's bancassurance platform can be integrated with a bank's online offerings.

Web platforms to hold all insurance policies in one place will be another development. There are application program interfaces that can scan a customer's bank account and look for insurance contracts. Banks need to give license to scan the customer data. The flipside of this aspect is intrusion into customer's personal data that can lead to privacy violations.

Bancassurance will benefit from a needs-based selling approach or else tightening of regulatory norms will be needed to protect customers from misinformation and mis-selling. It is high time banks adopted a hybrid approach towards customer engagement.

Earlier awareness about insurance was through television, radio, print media and banner advertisements. Insurance agents were entrusted the responsibility of creating awareness about new insurance products and services. Today it is impossible to ignore the social media for marketing insurance products. Marketing of services has now become more about creating experiences that will delight the customer and breed customer loyalty. Insurance can now be purchased online. In the digital world, banking data has to merge with data that insurers have and the data that is available externally to ensure the success and sustainability of bancassurance channel.

Insurance organizations are appointing certified insurance facilitators for banks; special insurance counters are being set up at banks; bank employees are incentivized to offer insurance as part of wealth management options.

Today, customers expect consolidation and delivery of all financial services at single window in the form of a financial super market. Digital bancassurance revolution will deliver greater value to customers, banks and shareholders besides the insurance company. Consumers seek individualized insurance covers that are delivered in a seamless manner. Banks can increase sales volume and revenue while customers get a better experience and meaningful protection at fair prices.

To attract millennial customers, banks and insurance companies must use digital techniques to reach out to customers. Millennials expect quick results and greater value for money. Banks can ensure that millennial customers are served by millennial bank employees as this will lead to greater customer connect. However, bank employees must be well- trained in insurance. These employees must match the sales pitch with thorough knowledge about different insurance products. Customer queries must be resolved instantaneously. Customer journey must be mapped seamlessly across various digital channels.

Rather than solely focusing only on digital means, during every quarter banks can celebrate "Customer Day" in their premises inviting customers to share their views and opinions about the services. This can also be an excellent platform to market bancassurance products.

To make the bancassurance channel more effective, banks must avoid mis-selling at any cost and invest efforts and resources in training bank employees to sell relevant and personalized solutions to their clients to inspire their trust and confidence. They must work with insurance organization to promote better underwriting efficiency and clarify to customers about the intricacies involved in the claims administration process.

Winning the trust of customers has become absolutely essential today despite all the roadblocks associated with the same. In the long run, bancassurance will greatly benefit from a customer-first approach mindset and a strategic orientation.

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