Article from:

News Direct Newsletter

September 2002 – Issue No. 41

Bancassurance Session at March ICA Conference

by Nancy Behrens

In March 2002, I had the privilege of attending the International Congress of Actuaries for the first time. I had always assumed that the ICA was for actuaries who practiced internationally. Instead, I found topics of great interest even for those of us who are primarily practicing in the United States and Canada. The SOA sponsored sessions at the ICA, including the session summarized below regarding bancassurance. I was very proud of the SOA for committing the resources to do this, and especially thank Jim Toole for moderating this session.

This session is best summarized by the statement made by Jim Toole in his opening comments: "We are here to dispel the myth that success in one (bancassurance) market can be applied in a cookie-cutter approach to different areas of the world." With that prelude, the panelists proceeded to prove Jim's point.

In the French market, the first bancassurance business began in the 1970s, but did not become a substantial part of the life insurance industry until regulation changes in 1984. With the French market being the fifth largest life insurance market in the world, banks increased market share in life insurance from 39 percent in 1990 to 61 percent in 1997. While the penetration in other lines of business is much lower, health, auto, and household insurance are all being targeted by the banks. The approach being taking by the industry is to offer simple, standard products to customers, with low prices. The focus now is on new clients with middle or small estates. The trend in France now is toward financial conglomerates, all under the same set of regulations.

Kim Chung Chan reported on the Hong Kong market, saying that many insurance executives there believe that bancassurance is an unavoidable trend of the future, especially when using a broad definition to include mortgage insurance and direct marketing to credit card databases. Partnering with banks may be a way for insurance companies to realize their strategic objectives of building distribution, moving away from tied agencies and looking at new market segments while increasing the quality of the business. At the same time, such arrangements can suit the strategic objectives of the banks, by making more efficient use of their infrastructure, replacing loss of income due to the compressed margins in the banking industry, and providing the bank customers with one-stop shopping. Consumers are receptive to the face-to-face buying experience, and the dominant product is whole life.

In Chile, the benefits of bancassurance to banks, insurers and customers are driving the bancassurance trends. In this market, few annuities are sold, with the primary life products being term and simple universal life.

Maria Thomson discussed the situation in the United States, giving a number of statistics showing that life insurers have abandoned the middle market to focus on the affluent. Perhaps most notably, half of life insurance sales are now to people in the top 10 percent of income. Banks have seen the most significant inroads in the annuity market, with P&C also showing large increases. The slow, cumbersome underwriting process probably limits the rapidity of banks' expansion into life insurance. Thompson believes that new developments such as electronic applications and underwriting, as well as increased use of MIB, MVR and prescription drug databases, may be the answer. Someone will figure out how to market to the middle market, and she believes that the banks are best positioned to do so.

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