Bancassurance in asia

China Traditionally, the main distribution channel for insurance in China has been through agents. However, with the introduction of bancassurance this has changed. The bancassurance models followed in China are distribution and joint ventures. The effect of bancassurance in the first quarter of 2010, was an increase in total premium income to $26. 91 billion, up 44% compared with the same period of 2009, this represents 8% higher compared to the overall insurance industry growth within the same period. Cotham, 2010) The main contributing factors for this trend have been the rapid growth of the Chinese economy leading to higher per capital income and the multiple economic reforms leading foreign companies to enter the insurance industry. In addition, the regulations introduced in 2003 played a major factor for the bancassurance growth. These regulations permitted banks to have multiple insurers as suppliers (“ many-to-many” model).

For instance, some major banks worked with 30 different suppliers for life insurance, and as many as 10 for property and casualty insurance. (Paribas, 2012) Although this model created growth, recently it has contributed to the slow down in the bancassurance market. Through this model, numerous complex insurance products were created and offered to clients by bank staff with minimal insurance expertise. As a result, demand decreased due to the lack of consumer understanding of the product and lack of trust.

In addition, other major challenges in the bancassurance market are the financial market volatility (which makes insurance products less appealing compared to other wealth management products), intense competition and constant changes in regulations (particularly the introduction of CBRC 90 which prohibits insurance salesman from selling in banks). In turn, sales have declined. For instance, in 2011, sales through the bancassurance channel declined significantly and were blamed for an overall slowdown in premiums growth, from 29 percent to 11. KPMG, 2012) India Just as in China, insurance products in India have been sold traditionally through agents. In addition, the insurance industry was entirely monopolized by the public sector. However, since the opening to private companies in the early 2000’s bancassurance through the distribution model has gained market share. In fact, it now accounts for about 25 per cent of new business for private insurers, with trends indicating that the proportion could rise to 40 per cent by the year 2013 (Cotham, 2012).

In addition, India’s rapid economy has also played a major factor on bancassurance growth. However, just as China, India faces major challenges. The major challenges are poor manpower management, lack of a salesculturewithin the bank, no involvement by the branch manager, insufficient product promotions, failureto integrate marketing plans, marginal database expertise, poor sales channel linkages, inadequate incentives, resistance to change, negative attitudes toward insurance and unwieldy marketing strategy. (Sarvanakumar, 2012)