

# **A STUDY ON BANK ASSURANCE**

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**Bachelor in Commerce (BANKING & INSURANCE)**

**Under the Faculty of Commerce**

**By**

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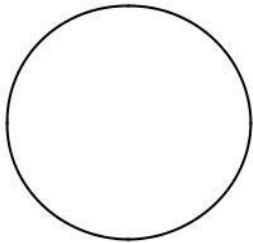


## Certificate

This is to certify that Mr/Ms Mayank Govindjiwala has worked and duly completed his Project Work for the degree of Bachelor in Commerce (Banking & Insurance) under the Faculty of Commerce and his/her project is entitled, "A STUDY ON BANK ASSURANCE" under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and facts reported by his personal findings and investigations.



**Mr. Nirav Goda**

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## Declaration by Learner

I the undersigned Ms/Mr Mayank Govindjiwala hereby, declare that the work embodied in this project work titled “ A STUDY ON BANK ASSURANCE” forms my own contribution to the research work carried out under the guidance of Mr. NIRAV GODA, result of my own research work and has not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

**Mayank Govindjiwala**

Name and Signature of the learner

Certified by

**Mr. Nirav Goda**

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## INDEX

Chapter No.	Title of the Chapter	Page No.
1	INTRODUCTION	7-12
1.1	BIRTH OF BANK ASSURANCE	13-15
1.2	WAYS FOR ENTERING IN BANK ASSURANCE	16-19
1.3	UTILITIES OF BANK ASSURANCE	19-23
1.4	REGULATION FOR BANK ASSURANCE IN INDIA	24-26
1.5	DISTRIBUTION CHANNEL	27-29
1.6	NEED FOR THE STUDY	30
1.7	SCOPE OF THE STUDY	31
1.8	OBJECTIVES OF THE STUDY	31
1.6	STATE BANK OF INDIA LIFE INSURANCE	32-34
1.7	SUCCESS OF BANK ASSURANCE	35
1.8	FACTORS CRITICAL TO THE SUCCESS OF BANK ASSURANCE	36
1.9	MEASURES TO IMPROVE BANK ASSURANCE IN INDIA	37
2	RESEARCH METHODOLOGY	38
2.1	DATA COLLECTION METHOD	39-40
3	REVIEW OF LITERATURE	41-48
4	DATA ANALYSIS	49-62
5	CONCLUSION	63-64
5.1	BIBLIOGRAPHY	65
5.2	ANNEXURE	66-67
5.3	APPENDIX	68-70

## **EXECUTIVE SUMMARY**

The banking and insurance industry have changed rapidly in the changing economic environment throughout the world. Together Banking and Insurance Industry contributes about seven percent GDP of our economy. The increased pace of market competition due to liberalization and privatization forced life insurers to be competitive by cutting cost and serving in a better way to the customers. In view to reach huge untapped market, the concept of Bancassurance was introduced by the IRDA. Banc assurance is a new and an emerging model of channel of distribution adopted by almost all the life insurance players to increase the market share and insurance penetration. The present empirical based study was conducted with an objective to understand the role of banc assurance in Indian Life Insurance Industry and to measure customer awareness, satisfaction and perception towards buying life insurance products from banks.



## **CHAPTER 1: INTRODUCTION:**

Banking has become a part and parcel of our day-to-day life. Today, banks offer an easy access to a common man. They carry out variety of functions apart from their main functions of accepting deposits and lending. Banking is a service industry. Banks provide financial services to the people, business and industries. Merchant banking, money transfer, credit cards, ATM's are some of the important financial services provided by the modern banks.

Indian banking system, over the years has gone through various phases after establishment of RBI in 1935 according to RBI Act, 1934, during British rule, function as Central Bank of the country. Earlier Central Bank's functions were being looked after by the Imperial Bank of India

The development of Banking is evolutionary in nature. There is no single answer to the question of what is Banking. Because a bank performs a multitude of functions and services which cannot be comprehended into a single definition. For a common man, a bank is a storehouse of money, for a businessman it is an institution of finance and for a worker it may be a depository for his saving.

It may be explained in brief as "Banking is what a bank does". But it is not clear enough to understand the subject in full The Oxford dictionary defines a bank as "an establishment for the custody of money which it pays out on a customer's order", But this definition is also not enough because it considers the deposit lending and repayment functions only. The meaning of a bank can be understood only by its functions just as a tree is known by its fruits, As any other subjects, it has its own origin, growth and development.

### **EVOLUTION:**

It is interesting to trace the origin of the word Bank in the modern sense to the German word "Bank" which means, heap or mound or joint stock fund. From this, the Italian word "Banco" meaning heap of money was coined.

Some people have the opinion that the words “bank” is derived from the French words, “bancus” or “banque” which means a “bench”. Initially the bankers, the Jews Lombardy, transacted their business on benches in the market place and bench resembled the banking counter.

## **DEVELOPMENT OF BANKING IN INDIA:**

Banking in India is indeed as old as Himalayas, but the banking functions became an effective force only after the first decades of 20 century. To understand of the history of modern banking in India. One has to refer to the English “Agency Houses” established by the East India Company, These Agency Houses, were basically trading firms and carrying on banking business as part of their main business. Because of this dual functions and lack of their own capital they failed and vanished from the scene during the third decade of 18<sup>th</sup> century.

## **MEANING AND DEFINITION OF BANKS:**

A bank is an institution which deals in money and credit. Thus, bank is an intermediary which handles other people’s money both for their advantage and to its own profit. But banks are not merely a trader in money but also an important manufacturer of money. In other words, a bank is a factory of credit.

According to 5(b) defines banking as “accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawals by cheque, draft and order or otherwise”. Section 5 (1) defines banking company as “Any company which transacts the business of banking in India”.

The Oxford Dictionary defines a bank as “an establishment for the custody of money, which it pays out on a customer’s order”

Section 5© of Banking Regulation Act,1949 has been defined banking as, “One which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, draft order or otherwise”.

**Dealing in money** – The banks accept deposit from the public and advance them as loans to the needy people. The deposits may be of different type -current, fixed and savings accounts The deposits are accepted on various terms and conditions.

**Withdrawals Deposits:-** The deposits (other than fixed deposits) made by the public can be withdrawals by cheques, draft or otherwise i.e. the bank issue and pays cheques. The deposits are usually withdrawal on demand.

**Dealing with credit:-**The banks are the institutions that can create credit i.e. creation of additional money for lending. Thus, creation of credit is the unique feature of Banking.

**Commercial in Nature:** Since all the banking functions are carried on with the aim making profit, it is regarded as a commercial institution

**Nature of an agent:** Besides the basic functions of accepting deposits and lending money as loans, banks possess the character of an agent because of its various agency services.

## **MAIN FUNCTIONS OF BANKS:**

The following are the main functions of banks.

**Accepting Deposits:** Tapping the savings of the public by means of deposits in one of the major functions of a bank. When a bank accepts deposits, it is said to borrow money, as a borrower, the bank has to safeguard its position. Therefore, before opening an account a bank has to observe certain general precautions. Every deposit is the property of the bank. The bank is responsible for the safety of the deposit. A bank may its discretion in allowing or not allowing a person to deposit and it cannot be questioned.

**Lending Money:** Banking is essentially a business dealing with money. A bank has to invest funds in different was to earn income. The bulk of income is derived from lending funds, Banks provide loans advances to traders, industrialists against the currity of some assets, They also advance loans to the people on personal security, In both the cases the banks run the risk of default in repayment. Therefore, the banks have to follow a sound lending policy, Banks in India have responsibility of fulfilling social obligations. Therefore, in order to protect their own interest as well as national interest the following principles should be followed by the banks.

## **ASSURANCES**

**Introduction:** Risk is there at every walk of life; risk also endangers life itself. In the same way all financial deals, as well as possession of money property goods etc. are fraught with the element of risk. For an example, money may be stolen, or goods robbed or destroyed or an employee may misappropriate. A man may be killed in an accident or may die of a fatal disease. The loss arising out of these risks may be quite substantial and in extreme cases, it may be so heavy that business be crippled. The businessman and the owners of the property discovered that if they got together and contributed a relatively small amount to a common pool, the total amount so contributed would be sufficient to compensate any of them for the loss arising due to such causes.

All risks do not actually occur at all times and hence it is impossible to calculate probable chances of any particular risk materializing. It is quite true that all the people do not face risks at the same time, thus, the transfer of risk to another i.e. the insurer is in fact a pooling of risks. If Assurance did not exist, each individual would have to bear the losses on his own. Assurance in effect means that each one in the pool undertakes to bear a portion of the loss. Such an agreement has proved to be advantageous to everyone as it is uncertain as to who suffers the loss.

Assurance is a financial service for collecting the savings of the public and providing them with risk coverage. The main function of Assurance is to provide protection against the possible chances of generating loss. It eliminates worries and miseries of losses by destruction of property and death. It also provides capital to the society as the funds accumulated are invested in productive heads.

## **PRINCIPLES OF ASSURANCE:**

**Principles of Utmost Good Faith:**-One of the basic & primary principles of Assurance is utmost good faith. It states that Assurance contract must be made in absolute good faith on the part of both the parties. The insured must give to the insurer complete, true & correct information about the subject matter of the Assurance.

Material fact should not be hidden on any ground. This principle is applicable to all types of assurance contracts. Assurance is for protection & not for profit & hence correct information must be given to the Assurance company.

**Principle of Insurable Interest:-** This principle suggests that the insured must have insurable interest in the object of insurable. A person said to have such interest when the physical existence of the object of Assurance gives him some gain but which he is likely to lose by its non-existence.

In other words, the insured must suffer some kind of financial loss by the damage to the subject matter of Assurance. Ownership is the most important test of Assurance interest. Every individual has insurable in his own life. Assurance contracts without insurable interest are void, Insurable interest is not a sentimental concept but a pecuniary interest

**Principle of Indemnity:** This is one important principle of Assurance, this principle suggests that Assurance contract is a contract for affording protection and not for profit making. The purpose of Assurance is to secure compensation in care of loss or damage Indemnity means security against loss, the compensation will be paid in proportion to the loss actually occurred. This amount of compensation in the Assurance contract is limited to the amount assured or the actual loss whichever is less. The compensation will not be more or less than the actual loss.

**Principle of Subrogation:** This principle is an extension and a corollary of the principle of indemnity. It is applicable to all the contracts of indemnity, it is applicable to all rights and remedies which the assured would have enjoyed regarding the said loss. When the compensation is paid for the total loss, all the rights of the insured in respect of the subject matter of Assurance are transferred to the insurer, The assured will not realize more than the actual loss suffered

**Principle of Contribution:** There is no restriction as to the number of times the property can be insured. But on the occurrence of the loss can be realized from one insurer or all the insurers together, this principle is, however, not applicable to life Assurance contract

**Principle of Mitigation Loss :**According to this principle every insured should all the necessary steps to minimize the loss, E.g. if a trader takes out a marine policy for the goods being shipped from goa to Mumbai and if the storm takes place due to which there takes might be risk of ship sinking. According to this principle, the ship can be saved by throwing away some of the goods in order to reduce the weight on the ship

**Principle of Causa Proxima:** The principle of causa proxima means that when a loss has been caused by the series of causes, the proximate or the nearest cause should be taken into consideration to determine the liability of the insurer. The principle states that to ascertain whether the insurer is liable for the loss or not the proximate and not the remote cause must be looked into. For example, a cargo ship got a hole, due to negligence of the master and as a result sea water entered and cargo was damaged.

### **ESSENTIAL OF CONTRACT OF ASSURANCE:**

- There must be an agreement between two parties who are competent to enter into a contract.
- The agreement must be in writing and the parties must give free consent to terms and conditions
- The event must be subject to risk or otherwise it will amount to betting
- The event must also involve some element of uncertainty either as regards in time or with respect to its occurrence,
- The risk should not to very small
- The cost of Assurance should not be prohibitive. Low cost can be achieved if the number

## **BANCASSURANCE**

### **MEANING: -**

Bank Assurance, le banc + assurance, refers to banks selling the Assurance products

Official definition of Bank Assurance According to IRDA Bank assurance' refers to banks acting as corporate agents for insurers to distribute Assurance product. Assurance Products include Life or Non-Life products

Bank Assurance in India is defined as those banks which are dealing in Assurance products of both life and non-life type in any forms

The term "bank assurance was coined in the 1980's in France, Bank Assurance is defined as the distribution of Assurance products through banks. In addition to the branches of banks, this medium of distribution also includes new distribution systems. Such as electric banking operation, ATM's etc. Although the term Bank Assurance may also be used for distribution of banking products through Assurance companies, this is sometimes termed assure banking in some countries Bank Assurance has been most successful in Europe, mainly due to the regulatory and tax environment

In France alone, banks conduct more than 60% of the Assurance business. In the rest of Europe, business through Bank Assurance amounts to 45% of the total Assurance business while, in the US where Bank Assurance began only a decade back, it amounts 5% of the total Assurance transactions,

Both insurers as well as bankers view the cross selling relationship involved in Bank Assurance as part of a long term Accordingly, they are adapting themselves organizationally. So, as achieve the long term Bank Assurance goals in the best possible manner. In some countries, banks have either acquired or set up their own Assurance product manufacturing capacity. In some cases, Assurance companies have acquired smaller banks

Bank assurance in its simplest form is the distribution of Assurance products through a banks distribution channels. It is the provision of Assurance and services through a common distribution channel or through a common base

Banks with their geographical spreading penetration in terms of customer reach of all segments, have emerged as viable sources for the distribution of Assurance products, It takes various forms in various countries depending upon the demography and economic and legislative climate of that country. This concept gained importance in the growing global Assurance industry and its search for new channels of distribution



### **BIRTH OF BANK ASSURANCE IN INDIA:**

As regarding the present size of the Assurance market in India, it is stated that India accounts not even one per cent of the global Assurance market. However, studies have pointed out that India's Assurance market is expected to grow rapidly in the next 10 years. Assurance industry in India for fairly a longer period relied heavily on traditional agency (individual agents) distribution network. Therefore, the zeal for discovering new channels of distribution and the aggressive marketing strategies were totally absent and to an extent it was not felt necessary

As the assurance sector is poised for a rapid growth, in terms of business as well as number of new entrant tough competition has become inevitable. Consequently, addition of new and number of distribution channels would become necessary

### **Origin:**

The banks taking over Assurance is particularly well documented with reference to the experience in Europe Across Europe in countries like Spain and UK banks started the process of selling life Assurance decades ago and customers found the concept appealing for various reasons Germany took the lead and it was called ALLFINANZ The system of Bank Assurance was well received in

Europe. France taking the lead, followed by Germany UK Spain rate. In USA the practice was late to start (in 90s). It is also developing in Canada, Mexico, and Australia In India the concept of Bank Assurance is very new. With the liberalization and deregulation of the Assurance industry, Bank Assurance evolved in India around 2002

### **Definition:**

Bank Assurance in its simplest form is the distribution of Assurance products through the banks distribution channels. In concrete terms, Bank Assurance which is known as All finance constitutes a package of financial services that can fulfil both banking and Assurance needs at the same time. The motives behind Bank Assurance also vary for banks it is the means of product diversification and source of additional fee income while Assurance companies see it, as a tool for increasing their market penetration and premium turnover. The customer sees Bank Assurance as a bonanza in terms of reduced price, high quality product and delivery at the doorsteps.

According to IRDA, 'bancassurance' refers to banks acting as corporate agents for insurers to distribute insurance products." Literature on bancassurance does not differentiate if the bancassurance refers to selling of life insurance products or non-life insurance products. Accordingly, 'bancassurance is defined to mean banks dealing in insurance products of both life and non-life type in any forms. But in this research the focus is entirely concentrated towards life insurance. It is also important to clarify that the term bancassurance does not just refer specifically to distribution alone. Other features, such as legal, fiscal, cultural and/or behavioural aspects also form an integral part of the concept of bancassurance (SCOR 2003).

### **Objectives:**

Banking and Assurance have more commonality in the basic nature of their business Banking and Assurance rely on pulling on resources to protect financial security (Banking) or to protect against adverse events (Assurance), Banking and Assurance are often complimentary, as it the case of mortgages that require both finance and property Assurance

### **WAYS FOR BANKS TO ENTER INTO BANCASSURANCE:**

The main reasons why banks have decided to enter the insurance industry area are the following:

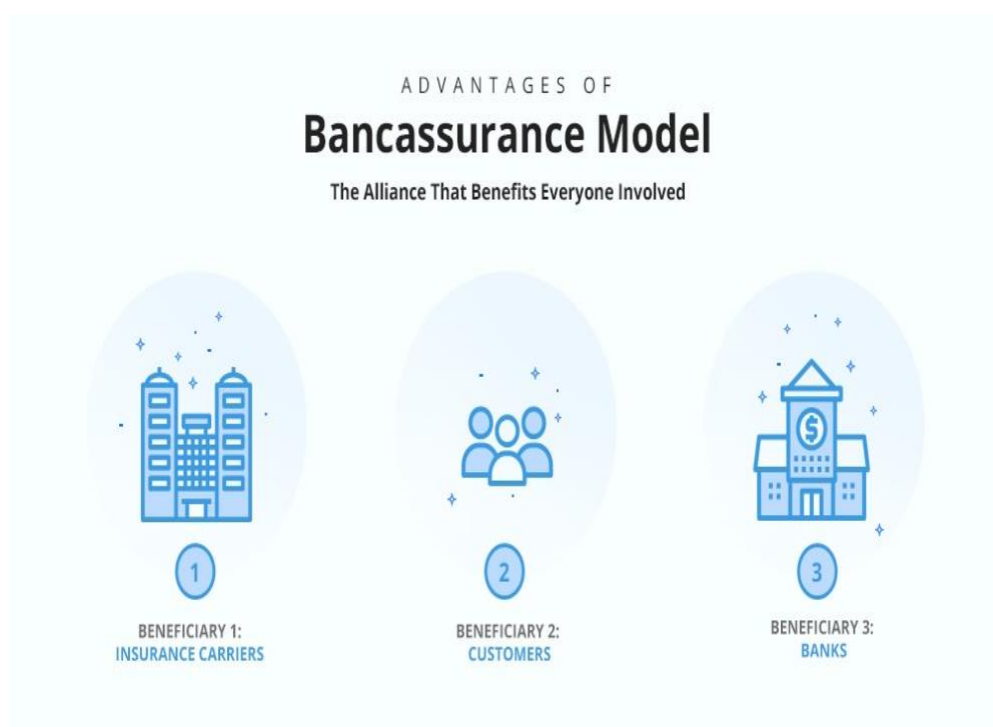
- Intense competition between banks, against a background of shrinking interest margins, has led to an increase in the administrative and marketing costs and limited the profit

margins of the traditional banking products. New products could substantially enhance the profitability and increase productivity.

- Financial benefits to a bank performance can flow in a number of ways, as briefly outlined below: Increased income generated, in the form of commissions and/or profits from the business (depending upon the relationship)
- Reduction of the effect of the bank fixed costs, as they are now also spread over the life insurance relationship.
- Opportunity to increase the productivity of staff, as they now have the chance to offer a wider range of services to clients
- Customer preferences regarding investments are changing. For medium-term and long-term investments there is a trend away from deposits and toward insurance products and mutual funds where the return is usually higher than the return on traditional deposit accounts. This shift in investment preferences has led to a reduction in the share of personal savings held as deposits, traditionally the core element of profitability for a bank which manages clients' money. Banks have sought to offset some of the losses by entering life insurance business. Life insurance is also frequently supported by favourable tax treatment to encourage private provision for protection or retirement planning. This preferential treatment makes insurance products more attractive to customers and banks see an opportunity for profitable sales of such products.
- Analysis of available information on the customer financial and social situation can be of great help in discovering customer needs and promoting or manufacturing new products or services. Banks believe that the quality of their client information gives them an advantage in distributing products profitably, compared with other distributors (e.g. insurance companies).
- The realization that joint bank and insurance products can be better for the customer as they provide more complete solutions than traditional standalone banking or insurance products.
- Banks are experiencing the increased mobility of their customers, who to a great extent tend to have accounts with more than one bank. Therefore there is a strong need for customer loyalty to an organization to be enhanced.

- Client relationship management has become a key strategy. To build and maintain client relationships, banks and insurers are forming partnerships to provide their clients with a wide range of bank and insurance products from one source.
- It is believed that as the number of products that a customer purchases from an organization increases the chance of losing that specific customer to a competitor decreases.

## **BANK ASSURANCE MODELS:**



## **Structural Classification:**

**Referral Model:** Banks intending not to take risk could adopt referral model' wherein they merely part with their client data base for business lead for commission The actual transaction with the prospective client in referral model is done by the staff of the Assurance company either at the premise of the bank or elsewhere. Referral model is nothing hut a simple arrangement, wherein the bank, while controlling access to the clients' data base, parts with only the business leads to the agents' sales staff Assurance company for a referral fee or commission for every business lead

that was passed on. In fact, a number of banks in India have already resorted to this strategy to begin with. This model would be suitable for almost all types of banks including the RRBS cooperative banks and even cooperative societies both in rural and urban. There is greater scope in the medium term for this model. For, banks to begin with resorts to this model and then move on to the other models

**Corporate Agency;** The other form of non-risk participatory distribution channel is that of corporate agency wherein the bank staff is trained to appraise and sell the products to the customers. Here the bank as an institution acts as corporate agent for the Assurance products for a fee commission. This new to be more viable and appropriate for most of the mid-sized banks in India as also the rate of commission would be relatively higher than the referral arrangement. This 144 RESERVE BANK OF INDIA OCCASIONAL PAPERS however, is prone to reputational risk of the marketing bank

There are also practical difficulties in the form of professional knowledge about the Assurance products. Besides, resistance from staff to handle totally new service/product could not be ruled out This could, however, be overcome by intensive training to chosen staff packaged with proper incentives in the banks coupled with selling of simple Assurance products in the initial stage. This model is best suited for majority of banks including some major urban cooperative banks because neither there is sharing of risk nor does it require huge investment in the form of infrastructure and yet could be a good source of income

Bajaj Allianz stated to have established a growth of 325 per cent during April September 2004, mainly due to Bank Assurance strategy and around 40% of its new premiums business (Economic Times October 8, 2004). Interestingly, even in a developed country like US, banks stated to have preferred to focus on the distribution channel akin to corporate agency rather than underwriting business. Several major US banks including Wells Fargo, Wachovia and BB &T built a large distribution network by acquiring Assurance brokerage business This model of Bank Assurance worked well in the US, because consumers generally prefer to purchase policies through broker banks that offer a wide range of products from competing insurers (Sigma, 2006).

**Assurance as Fully Integrated Financial Service Joint ventures:** Apart from the above two, the fully integrated financial service involves much more comprehensive and intricate relationship between insurer and bank, where the bank functions as fully universal in its operation and selling of Assurance products is just one more function within. Where banks will have a counter within sell/market the Assurance products as an internal part of its rest of the activities. This includes banks having a wholly owned Assurance subsidiary

With or without foreign participation. In Indian case, ICICI bank and HDFC banks in private sector and State Bank of India in the public sector, have already taken a lead in resorting to this type of Bank Assurance model and have acquired sizeable share in the Assurance market, also made a big stride within a short span of time

### **PRODUCT-BASED CLASSIFICATION:**

**Stand-alone Assurance Products:** In this case Bank Assurance involves marketing of the Assurance products through either referral arrangement or corporate agency without mixing the Assurance products with any of the banks' own products/services Assurance is sold as one more item in the menu of products offered to the bank's customer, however, the products of banks and assurance will have their respective hands too, e.g., Karur Vysya Bank Ltd selling of life Assurance products of Birla Sun Assurance or no-life Assurance products of Bajaj Allianz General Assurance company,

**Blend of Assurance with Bank Products:** With the financial integration both within the country and globally. Assurance is increasingly being viewed not just as a stand-alone product but as an important item on a menu of financial products that helps consumers to blend and create a portfolio of financial assets, manage their financial risks and plan for their financial security and well-being (Olson 2004). This strategy aims at blending of Assurance products as a value addition while promoting its own products. Thus, banks could sell the Assurance products without any additional efforts. In most times, giving Assurance cover at a nominal premium fee or sometimes without explicit premium does act as an added attraction to sell bank's own products, e.g. credit card, housing loans education loans, etc. Many banks in India, in recent years, has been aggressively marketing credit and debit card business, whereas the cardholders get the Assurance cover for a nominal fee or (implicitly included in the annual fee) free from explicit charges premium Similarly the home loans / vehicle loans, etc. have also been packaged with the Assurance cover as an additional incentive.

**Banks Referrals:** There also another method called Bank Referral. Here the banks do not issue the policies, they only give the database to the Assurance companies. The companies issue the policies and pay the commission to them. That is called referral basis. In this method also there is a win-win situation everywhere as the banks get commission, the Assurance companies get databases of the customers and the customers get the benefits.

As already discussed, warm leads can provide a strong competitive advantage for a Bank Assurance operation. An efficient system for managing referrals of warm leads is therefore vital. This section describes a process for managing referrals.

## **UTILITIES OF BANK ASSURANCE**

### **FOR BANKS**

As a source of fee income: Banks traditional sources of fee income have been the fixed charges levied on loans and advances, credit cards, merchant fee on point of sale transactions for debit and credit cards, letter of credits and other operations. This kind of revenue stream has been more or less steady over a period of time and growth has been fairly predictable. However, shrinking interest rate, growing competition and increased horizontal mobility of customers have forced bankers to look elsewhere to compensate for the declining profit margins and Bank Assurance has come in handy for them. Fee income from the distribution Assurance products has opened new horizons for the banks and they seem to love it.

From the banks' point of view, opportunities and possibilities to earn fee income via Bank Assurance route are endless. Atypical commercial bank has the potential of maximizing fee income from Bank Assurance up to 50% of their total fee income from all sources combined. Fee Income from Bank Assurance also reduces the overall customer acquisition cost from the bank's point of view. At the end of the day, it is easy money for the banks as there are no risks and only gains

## ADVANTAGES OF Bancassurance Model

The Alliance That Benefits Everyone Involved



1

BENEFICIARY 1:  
CUSTOMERS



2

BENEFICIARY 2:  
BANKS



3

BENEFICIARY 3:  
INSURANCE CARRIERS

**Product diversification:** In terms of products, there are endless opportunities for the banks. Simple term life Assurance, endowment policies, annuities, education plans, depositors' Assurance and credit shield are the policies conventionally sold through the Bank Assurance channels. Medical Assurance, car Assurance, home and contents Assurance and travel Assurance are also the products which are being distributed by the banks. However, quite a lot of innovations has taken place in the Assurance market recently to provide more and more Bank Assurance-centric products to satisfy the increasing appetite of the banks for such products. Insurers who are generally accused of being inflexible in the pricing and structuring of the products have been responding too well to the challenges (say opportunities) thrown open by the spread of Bank Assurance. They are ready to innovate and experiment and have setup specialized Bank Assurance units within their fold. Examples of some new and innovative Bank Assurance products are income builder plan, critical illness cover, return of premium and Takaful products which are doing well in the market.

**Building close relations with the customers:** Increased competition also makes it difficult for banks to retain their customers. Bank assurance comes as a help in this direction also, providing multiple services at one place to the customers means enhanced customer satisfaction. For example, through Bank Assurance a customer gets home loans along with Assurance at one single place as a combined product. Another important advantage that Bank Assurance brings about in banks is development of sales culture in their employees. Also, banking in India is mainly done in the brick and mortar model, which means that most of the customers still walk into the bank branches. This enables the bank staff to have a personal contact with their customers. In the typical bancassurance model, the consumer will have wider product mix - a rather comprehensive financial services package encompassing banking and Assurance products.

#### **FOR ASSURANCE COMPANIES:**

**Stiff Competition:** At present there are 15 life Assurance companies and 14 general Assurance companies in India. Because of the Liberalization of the economy it became easy for the private Assurance companies to enter into the battle field which resulted in an urgent need to outwit one another. Even the oldest public Assurance companies started facing the tough competition. Hence in order to compete with each other and to stay step ahead was a need for a new strategy in the form of Bank Assurance. It would also benefit their customers in terms of wide product diversification

**High cost of agents:** Insurers have been tuning into different modes of distribution because of the high cost of the agencies services provided by the Assurance companies. These costs became too much of a burden for many insurers compared to the returns they generate from the business. Hence there was a need felt for a Cost-Effective Distribution channel. This gave rise to Bank Assurance as a channel for distribution of the Assurance products.

**Rural Penetration:** Assurance industry has not been much successful in rural penetration of Assurance so far. People there are still unaware about the Assurance as a tool to insure their life. However, this gap can be bridged with the help of Bank Assurance. The branch network of banks can help make the rural people aware about Assurance and there is also a wide scope of business for the insurers. In order to fulfil all the needs Bank Assurance is needed.

**Multi-channel Distribution:** Now a days the Assurance companies are trying to exploit each and every way to sell the Assurance products. For this they are using various distribution channels.

The Assurance is sold through agents, brokers through subsidiaries etc. In order to make the most out of India's large population base and reach out to a worthwhile number of customers there was a need for Batik Assurance as a distribution model.

**Targeting Middle Income Customers:** In previous there was lack of awareness about Assurance. The agents sold Assurance policies to a more upscale client base. The middle income group people got very less attention from the agents. So through the venture with banks, the Assurance companies can recapture much of the underserved market. So in order to utilize the database of the bank's middle income customers, there was a need felt for Bank Assurance

### **ADVANTAGES OF BANCASSURANCE**

Everybody is a winner in bancassurance. For banks it mainly acts as a means of product diversification and additional fee income; for insurance company it acts as a tool for increasing their market penetration and premium turnover and for customer it acts as a bonanza in terms of reduced price, high quality products and delivery to doorsteps. Hence it is a win-win solution for everyone who involved.

#### **To the bankers:**

- In a situation of constant asset base the bank can increase Return on Assets (ROA) by increasing their income, by selling insurance products through their own channel. It can cover operating expenses and make operating expenses profitable by leveraging their distribution and processing capabilities
- Can leverage on face-to-face contacts and awareness about the financial conditions of customers to sell insurance products.
- By acting as a one stop shop for all financial services, they can improve overall customer satisfaction resulting in higher customer retention levels
- Banks enjoy significant brand awareness within their geographical region providing for a lower per lead cost when advertising through print, radio and television. The advantage of a bank over traditional distributors is the lower cost per sales lead made possible by their sizeable loyal customer base.
- Can establish sales oriented culture among the employees

#### **To the customers:**

- Comprehensive financial advisory services under one roof. i.e., insurance services along with other financial services such as banking, mutual funds, personal loans etc.
- Enhanced convenience on the part of the insured
- Easy access for claims, as banks is a regular go.
- Innovative and better product ranges

**To the insurers:**

\* Insurers can exploit the banks' wide network of branches for distribution of products. The penetration of banks' branches into the rural areas can be utilized to sell products in those areas.

Customer database like customers' financial standing, spending habits, investment and purchase capability can be used to customize products and sell accordingly.

Since banks have already established relationship with customers, conversion ratio of leads to sales is likely to be high. Further service aspect can also be tackled easily.

**Bancassurance training for bank employees:**

The bank employees will need to be trained in the following aspects of the insurance business:

- Features of the insurance products sold
- How to identify and approach a potential customer
- Basic insurance needs
- Handling basic objections
- Other distribution channels and products
- Expected roles
- Procedures
- Remuneration and incentive schemes
- Cultures
- Customer service

**Continuous training and supervision:**

Apart from initial training, there should be further training to support the development of the agent or employee. Some ways in which this can be done are:

- Agency meetings

- Bank branch meetings
- Area banking meetings
- In-house magazine
- Training circulars
- Area sales seminars
- Company library
- Video tapes
- Certified courses
- Lectures
- Training material booklets

## **REGULATION FOR BANK ASSURANCE IN INDIA:**

### **RBI Guidelines for the banks to enter into Assurance Business**

Following the issuance of Government of India Notification dated August 3, 2000, specifying

Assurance as a permissible form of business that could be undertaken by banks under Section (1)(o) of the Banking Regulation Act, 1949, RBI issued the guidelines on Assurance business for banks.

scheduled commercial bank would be permitted to undertake Assurance business as agent of Assurance companies on fee basis, without any risk participation. The subsidiaries of banks will also be allowed to undertake distribution of Assurance product on agency basis

Banks which satisfy the eligibility criteria given below will be permitted to set up a joint venture company for undertaking Assurance business with risk participation, subject to safeguards. The maximum equity contribution such a bank can hold in the joint venture company will normally be 50 per cent of the paid up capital of the Assurance company. On a selective basis the Reserve Bank of India may permit a higher equity contribution by a promoter bank initially, pending divestment of equity within the prescribed period (see Note 1 below).

The eligibility criteria for joint venture participant are as under:

- The net worth of the bank should not be less than Rs.500 crores
- The CRAR of the bank should not be less than 10 per cent
- The level of non-performing assets should be reasonable
- The bank should have net profit for the last three consecutive years,
- The track record of the performance of the subsidiaries, if any, of the concerned bank should be satisfactory

In cases where a foreign partner contributes 26 per cent of the equity with the approval of Assurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one public sector bank or private sector bank may be allowed to participate in the equity of the Assurance joint venture. As such participants will also assume Assurance risk, only those banks which satisfy the criteria given in paragraph 2 above, would be eligible.

A subsidiary of a bank or of another bank will not normally be allowed to join the Assurance company on risk participation basis. Subsidiaries would include bank subsidiaries undertaking merchant banking, securities, mutual fund, leasing finance, housing finance business, etc.

Banks which are not eligible for joint venture participant as above, can make investments up to 10% of the net worth of the bank or Rs.50 crore, whichever is lower, in the Assurance company for providing infrastructure and services support. Such participation shall be treated as an investment and should be without any contingent liability for the bank.

The eligibility criteria for these banks will be as under

- The CRAR of the bank should not be less than 10%,
- The level of NPAs should be reasonable
- The bank should have net profit for the last three consecutive years.

All banks entering into Assurance business will be required to obtain prior approval of the Reserve Bank, The Reserve Bank will give permission to banks on case la case basis keeping in view all relevant factors including the position in regard to the level of non-performing assets of the applicant bank so as to ensure that non-performing assets do not pose any future threat to the bank in its present or the proposed line of activity, viz., Assurance business. It should be ensured that risks involved in Assurance business do not get transferred to the harik and that the banking business does not get contaminated by any risks which may arise from Assurance business. relationship between the bank and the Assurance outfit.

## **DISTRIBUTION CHANNELS:**

Traditionally, Assurance products were promoted and sold principally through agency systems only. The reliance of Assurance industry was totally on the agents. Moreover with the monopoly of public sector Assurance companies there was very slow growth in the Assurance sector because of lack of competition. The need for innovative distribution channels was not felt because all the companies relied only upon the agents and aggressive marketing of the products was also not done. But with new developments in consumers behaviours, evolution of technology and deregulation,

new distribution channels have been developed successfully and rapidly in recent years. Recently Bank assurers have been making use of various distribution channels, they are:

For many years, much of insurance industry has depended on a large force of highly specialized agents dedicated to selling insurance. This strong interdependence between companies and agents continues today. Nevertheless, pressure the marketplace are bringing changes to these relationships.

Agents are seeking additional products and services to compete in the world of diversified financial services. If they are to be competitive with other financial services providers, insurance companies must both strengthen the traditional agency distribution, system with new product lines, and through new technology, reduce costs associated with the agency system. In general, insurance companies are considered to be able to sell their products in two major ways, either through insurance agents / insurance companies or through insurance intermediaries. The distribution channel is one of the main elements of the marketing mix and is very important for the positioning of products / services on the market. Therefore, the established distribution channels of insurance are considered to be represented by their own employees, insurance agents and sub-insurance insurance brokers and subordinated insurance agents (banc assurance operators)

Insurance agents may be natural or legal persons empowered, on the basis of the authorization of an insurer, to conclude contracts on behalf of the insurer with third parties by proposing their products to potential insured customers. Insurance agents cannot offer competing products to many insurers, forbidden to promote products in the same class on behalf of several insurers. Insurance agents are subject to authorization by the insurer and the latter is responsible for the activity of the insurance agents.

Insurance subagents are employees of insurance agents constituted as legal persons, who may act on behalf of such insurance agents. There is no legal link between insurers and subagents,

Insurance brokers are legal entities that negotiate for their clients, natural or legal persons, insured or potential insured persons, conclude insurance contracts and provide them with assistance before and during the performance of the contracts, or in relation to the management of claims, as the case may be. Insurance brokers act on behalf of policyholders and can therefore work with more active insurers on the market and offer their clients a range of competing products. Insurance brokers are subject to ASF approval and regulatory provisions prevent insurers from participating in their share capital

Subordinated insurance agents or Bank Assurance operators are banking institutions or non-banking financial institutions that can only distribute insurance products that are complementary to their financial products. Subordinate insurance agents act based on agency contracts and can do this with different insurers for the same classes of insurance.

Insurance companies can also use other ways to reach out to their final customers, for example through telesales who work in their own or specialized call centres or through the web interfaces available on insurance companies' websites. Even if telemarketing or online sales can be circumscribed to established distribution channels, these sales are sometimes viewed separately, especially because of the novelty feature that characterizes them. Bank Assurance-insurance distribution represents a future solution and will continue to develop on the Romanian market as well. Bank Assurance is the main channel of distribution in many countries, accounting for more than 50% of life insurance products (eg France, Italy, Spain, Austria) and in Portugal even more than 80%

### **CAREER AGENTS:**

Career Agents are full-time commissioned sales personnel holding an agency contract. They are generally considered to be independent contractors. Consequently, an Assurance company can exercise control only over the activities of the agent which are specified in the contract. Many bank assurers, however avoid this channel, believing that agents might oversell out of their interest in quantity and not quality. Such problems with career agents usually arise, not due to the nature of this channel, but rather due to the use of improperly designed remuneration and incentive packages.

### **SPECIAL ADVISERS**

Special Advisers are highly trained employees usually belonging to the Assurance partner, who distribute Assurance products to the bank's corporate clients. The Clients mostly include affluent population who require personalised and high quality service. Usually Special advisers are paid on a salary basis and they receive incentive compensation based on their sales.

### **SALARIED AGENTS**

Salaried Agents are an advantage for the banc assurers because they are under the control and supervision of banc assurers. These agents share mission and objectives of the banc assurers. These are similar to career agents, the only difference is in terms of their remuneration is that they are paid on a salary basis and career agents receive incentive compensation based on their sales.

### **BANK EMPLOYEES / PLATFORM BANKING:**

Platform Bankers are bank employees who spot the leads in the banks and gently suggest the customer to walk over and speak with appropriate representative within the bank. The platform banker may be a teller or a personal loan assistant. A restriction on the effectiveness of bank employees in generating Assurance business is that they have a limited target market, i.e. those customers who actually visit the branch during the opening hours,

### **CORPORATE AGENCIES AND BROKERAGE:**

There are a number of banks who cooperate with independent agencies or brokerage firms while some other banks have found corporate agencies. The advantage of such arrangements is the availability of specialists needed for complex Assurance maliers and through these arrangements the customers get good quality of services.

### **DIRECT RESPONSE:**

In this channel no salesperson visits the customer to induce a sale and no face-to-face contact between consumer and seller occurs. The consumer purchases products directly from the bank assurer by responding to the company's advertisement, mailing or telephone offers. This channel can be used for simple packaged products which can be easily understood by the consumer without explanation.

### **INTERNET:**

Internet banking is already securely established as an effective and profitable basis for conducting banking operations. Bank assurers can feel confident that Internet banking will also prove an efficient vehicle for cross selling of Assurance savings and protection products, Functions requiring user input (check ordering, what-if calculations, credit and account applications) should be immediately added with links to the insurer. Such an arrangement can also provide a vehicle for Assurance sales, service and leads.

### **E-Brokerage:**

Banks can open or acquire an e-Brokerage arm and sell Assurance products from multiple insurers. The changed legislative climate across the world should help migration of bank assurance in this direction. The advantage of this medium is scale of operation strong brands, easy distribution and excellent synergy with the internet capabilities

### **Outside Lead Generating Techniques:**

One last method for developing bank assurance eyes involves "outside" lead generating techniques, such as seminars, direct mail and statement insert. Great opportunity awaits bank assurance partners today and in most cases success or failure depends upon precisely how the process is developed and managed inside each financial institution.

### **NEED FOR THE STUDY**

Today's banking business is not the one we have seen in the past. It has become much more diversified. With the shift in the customer preferences from deposits to investments, intense competition etc., the banks saw their profit margin declining. Thus it has become imperative for the banks to retain the customer by providing more value added services under one roof as well as to find alternative ways to generate more income. As bancassurance provides the best possible solution to all these, most of the banks nowadays have started selling insurance products to its customers. SBI bank is also having a tie up with its subsidiary company SBI Standard Life Insurance for selling Life insurance products to its retail customers. Hence there is a need for the study to know whether SBI bank has been benefited out of bancassurance by way of financial analysis and to suggest the areas where they can make use of and converge the attention of the bank if any, is required.

### **SCOPE OF THE STUDY**

- The study focuses on the financial performance of SBI bank in bancassurance and its contribution to the overall progress of the bank with respect to life insurance alone.
- The study analyses the awareness of the customer and the viewpoints of the customer about insurance as well as bancassurance.
- The study also measures the initiatives taken by SBI bank in endorsing SBI Standard Life insurance products.
- The study also throws light on the relationship building by SBI bank with its customers, as it is the deciding factor for considering the bank as a one stop shop for all their financial solutions.

- It also indicates the persons who are willing to take life insurance policy in the immediate future and the reasons for taking the same
- It also pinpoints the willingness of the customer in accepting SBI Bank, as their distribution channel, in case of their choice is SBI standard Life Insurance for obtaining a policy

## **OBJECTIVES OF THE STUDY**

### **Primary objective:**

- It is to make an analysis on the financial performance of HDFC bank in bancassurance with specific reference to life insurance and to suggest the ways and means to improve the existing performance by way of collecting responses from the customers.

### **Secondary Objectives:**

- To analyse the financial performance of HDFC bank in bancassurance and its contribution to the overall progress of the bank using ratio analysis.
- To analyse the initiatives taken by the HDFC bank in endorsing the HDFC Standard Life Insurance products. > To assess the relationship building factors of HDFC bank, which is significant for bancassurance
- To know the customer preferences in selecting HDFC bank as a distribution channel in case of their willingness to obtain HDFC Standard Life Insurance policy in future.

## STATE BANK OF INDIA LIFE ASSURANCE



SBI Life Assurance is a joint venture between the State Bank of India and Cardiff SA of France. SBI Life Assurance is registered with an authorized capital of Rs 1000 crore and a paid up capital of Rs 500 crores, SBI owns 74% of the total capital and Cardiff the remaining 26%

State Bank of India enjoys the largest banking franchise in India. Along with its 7 Associate Banks, SBI Group has the unrivalled strength of over 14,500 branches across the country, arguably the largest in the world. Cardiff is a wholly owned subsidiary of BNP Paribas, which is the Euro Zone's leading Bank. BNP Paribas is one of the oldest foreign banks with a presence in India dating back to 1860, Cardiff is ranked 2nd worldwide in creditor's Assurance offering protection to over 35 million policyholders and net income in excess of Euro 1 billion. Cardiff has also been a pioneer in the art of selling Assurance products through commercial banks in France and in 35 more countries.

SBI Life Assurance's mission is to emerge as the leading company offering a comprehensive range of Life Assurance and pension products at competitive prices, ensuring high standards of customer service and world class operating efficiency. SBI Life has a unique multi distribution model encompassing Bank assurance Agency and Group Corporate.

SBI Life extensively leverages the SBI Group as a platform for cross-selling Assurance products along with its numerous banking product packages such as housing loans and personal loans. SBI's

access to over 100 million accounts across the country provides a vibrant base for Assurance penetration across every region and economic strata in the country ensuring true financial inclusion Agency Channel, comprising of the most productive force of more than 25,000 Assurance Advisors, offers door to door Assurance solutions to customers.

SBI Life-Horizon II is a unique, non-participating Unit Linked Insurance Plan in Indian Insurance Industry, where you need to be a financial market expert. This plan offers the flexibility of Unit Linked Plan along with Automatic Asset Allocation which provides relatively higher returns on your money where as increasing death benefits provide higher security to your family

This is a non-participating individual unit linked product. It provides unmatched flexibility to match the changing requirements. It provides choice of 5 investments funds in a single policy

SBI LIFE understand you better and hence have developed SBI Life - Unit Plus Child Plan to suit you and your needs best. This Plan is meant for parents in the age group of 18-57 having a child between the age group of 0-15 years.

A unique Unit Linked Pension Plan that will enable the customers to build a kitty good enough to enable them to spend a peaceful and financially sound, retired life.

SBI Life - Horizon II Pension is a safe and hassle free way to get high returns, It comes with the unique feature of Automatic Asset Allocation by means of which you truly, don't need to be an expert to grow your money.

SBI Life understands the basic needs for pension plan and give the customers financial strength to maintain the life style even after the retirement.

This is a unit linked pension plan wherein the policyholder chooses an investment period from 5 to 52 years for averting age between 50 to 70 years. They can choose to pay either single premium or pay regular premium for the entire policy term. Their contributions are invested into 4 fund options as per their choice.

It is a pension plan wherein the policyholder gets the flexibility to meet the post retirement financial needs. It also provides tax benefits. The policyholder also has the option of withdrawing a lump sum amount up to particular limit.

SBL Life - Immediate Annuity Plan is introduced for Pension Policyholders. This product provides annuity payment immediately from payment of purchase price. It has been specially designed to cater to the annuity needs of existing policyholders (SBI Life - Lifelong Pensions, SBI Life - Horizon Pension, SBI Life -Unit Plus II Pension at the vesting age.

### **SBI LIFE INSURANCE COMPANY (PERSPECTIVE):**

SBI Life insurance, a joint venture between State Bank of India, the largest bank in the country and banc assurance major Cardiff of France. SBI's stake in the venture is 74% whereas Cardiff has 26% share. They have launched many products so far incorporating certain features that are introduced for the first time in the country. SBI -Life is banking on the banc assurance model on the strength of the SBI Groups 10000 plus bank branches and its vast customer base. In addition, it is also tapping other banks corporate agents and the traditional agency route to penetrate the insurance market SBI Life is planning to introduce more novel and user friendly products to cater to the requirements of the consumers in different segments.

SBI has the largest banking network in the county. The bank is looking for business from every customer segment of the bank rural and urban segments, upper, middle and lower come segments groups and corporate segment. Besides their own channels they are planning to distribute products through other interested banking channels also. It is expected that 2/3 rd. of the premium income in expected to come by way of banc assurance and the rest from the traditional agency channel as well as ties up with corporate agents (Sundaram Finance). SBI has also introduced group insurance to some well managed corporate staffs.

Technology is an integral part of this operation Cardiff provided the technology required. The project was initiated in April 2004, and the initial roll-out was completed by August 2004. SBI Life has implemented an Internet-centric IT system with browser-based front-office and back-office systems, channel management, policy product details, online premium calculator and facility for group insurance customers to view their individual saving status on the Web. The organization has the facility to pay premiums through credit cards, Net banking, standing instructions, etc. This is fully integrated with the core systems through industry standards such as XML, EDI, etc. Even as it plans to scale up operations shortly, SBI Life Insurance Company Lid is looking at tripling its gross premium income in the new financial year. In 2007-08. SBI Life earned a total premium income of Rs 5,622 crore, of which income from new policy sales was Rs 4,800 crores. For the

current financial year, their target is to achieve a total premium income of Rs 8,500 crore and a first year premium Income of Rs 8,500 crore". The SBI Life ranks second in terms of market share among private life insurers in the country,

SBI Life Insurance Company is the first among the 14 life insurance companies in the private sector to post a net profit in 2005-06. There are life insurance players much more aggressive than SBI and they have still not been able to break the record of SBL Their success is largely on the channel strategy and product strategy, the another aspect is the superior investment performance. They have consistently, over the last two years, generated 11-12 per cent earnings from the investments. SBI Life Insurance is uniquely placed as a pioneer to usher banc assurance into India. The company hopes to extensively utilize the SBI Group as a platform for cross-selling insurance products along with its numerous banking product packages such as housing loans, personal loans and credit cards. SBI's access to over 100 million accounts provides vibrant base to build insurance selling across every region and economic strata in the country.

### **SUCCESS OF BANK ASSURANCE:**

Banking and insurance have strong similarities that might have contributed to their rapprochement, LIC and other insurance companies have developed a range of products, that have direct conflict with traditional bank offering or products:

New companies in Life Insurance sector would be looking for cost effective channels for distribution which provide long reach. Because of the existing extensive obviously emerged as the preferred low cost distribution channel. This would also give the hold to, insurance companies in the rural areas, thus providing an opportunity to tab the virgin market.

Banks have large client base and cross selling surely provides with an opportunity for optimum utilization of their existing customer relationship thus effectively creating a win situation company and the operational difficulties at ground level have to be managed and one of the suggested ways is to re-structure the bank compensation structure on the lines of insurance companies.

Last not the least, the issue of consumer protection will have to be suitably addressed by Regulators and consumers themselves, Consumers though have consumer Protection Act to inhibit banks and insurance companies to show monopolistic properties or use them as an arm twisting techniques. Though all said and done, Regulators both IRDA and RBI should jointly formulate a policy and process not to avoid the conflict of interest

## **MEASURES TO IMPROVE BANK ASSURANCE IN INDIA:**

Factors that are critical for success include strategies consistent with Banks vision, knowledge of target customer's defined sales process for introducing insurance services, simplest yet complete product offerings, strong service delivery mechanism, quality administration, synchronized planning, all business lines and subsidiaries, complete integration of insurance with other business products and services, expensive and high quality training of sales personnel

Another critical point to be tackled is customer service(CRM). Bank should implement Customer Relationship Management(CRM) strategies to handle the customers tactfully

Bank should act as financial adviser to the customers in the portfolio decisions and also assist them in early claim settlement.

Bank and insurance company should work jointly towards a model global retail financial institution offering a wide array of products which leads to creation of one-stop shop for mortgages, pensions, and insurance products.

## **FACTORS CRITICAL TO THE SUCCESS OF BANK ASSURANCE:**

Factors that appear to be critical for the success of Bank Assurance are:

- Commitment of senior management: Senior management of the bank must be committed to Bank Assurance as a core strategy that should be integrated with other core strategies.
- Importance: Bank Assurance should not be merely viewed as an add-on product but as an important aspect of the business
- Change in culture: Bank's culture must be transformed to sell insurance and it must be ensured that "shelf space" is adequately provided in the bank's retail delivery system
- Handling of customers: With customer awareness levels increasing, they are demanding greater convenience in financial services.
- Emergence of remote distribution channels: The emergence of remote distribution channels, such as PC-banking and Internet-banking, would hamper the distribution of insurance products through banks.
- Emergence of newer distribution channels: The emergence of newer distribution channels seeking a market share in the network.
- Others: Strategies consistent with the bank's vision, knowledge of target customers needs, defined sales process for introducing insurance services, simple yet complete product offerings, strong service delivery mechanism, quality administration, synchronized planning across all business lines and subsidiaries, complete integration of insurance with other bank products and services, extensive and high-quality training, sales management

tracking system for reporting on agents' time and results of bank referrals and relevant and flexible database systems

The Indian insurance industry is growing fast. Banks and insurance companies see Bank Assurance as the answer to the Indian retail financial industry's future income. Non-life products have featured less prominently in such channel as compared to life products. The banks in India have a client base of close to 100 million and therefore are an ideal case for carrying Bank Assurance forward. A unique aspect is the predominance of rural bank branches in sales processes and the closeness of the bank staff with customers in general of rural pockets.

Bank Assurance in India is a very new concept, but is fast gaining ground. In India, the banking and insurance sectors are regulated by two different entities (banking by RBI and insurance by IRDA) and Bank Assurance being 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 activity

As per the recommendations of the Malhotra Committee on Reforms in the Insurance Sector, the Parliament passed the Insurance Regulatory & Development Authority (IRDA) Act 1999. IRDA is constituted to regulate, promote and ensure growth of insurance and reinsurance business. According to IRDA, a private sector participant has to fulfil the following criteria for entry into insurance sector:

India is 23rd largest insurance market in the world but it compares poorly with other countries in respect of insurance penetration and density. During 2001-02, the total life insurance premium collection in India rose to about Rs.50,000 crores. If the industry is to grow at a rate of 20% per annum against LIC's growth of 39% during 2001-02, the life insurance market in India will be around Rs.1,71,500 crores in ten years' time. Even if banks can manage to get 25% of the market, they will account for sales worth Rs.43,000 crores in premium. This is only a conservative figure as most of the private insurance companies Bank Assurance business is contributing in the range of 25 to up to (70 in case of Aviva). If the average commission is 10% of the total premium, banks can earn about Rs.4300 crores per year. Similarly, they can earn another Rs.10 crores as commission from non-life business. The annually renewable non-life market is above Rs.10,000 crores in premium per year)

This magnitude of potential fee based income by banks in India from Bank Assurance business is the attraction for banks to be preferred vendors of insurance products, in spite of possible challenges relating to choice of insurance business (life or non-life or both), cultural issues, compensation structure and capacity building.

## **CHAPTER 2: RESEARCH METHODOLOGY**



### **INTRODUCTION:**

Research is an academic activity and as such the term should be used in technical sense. According to Clifford Woody research comprises defining and redefining problems, formulating hypothesis or suggested solutions, collecting, organizing and evaluating data: making deduction and reaching conclusion; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

The main aim of the research is to find out the truth which is hidden and which has not been discovered as yet.

### **OBJECTIVES OF RESEARCH:**

- To gain familiarity with a phenomenon or to achieve new insights into it.
- To portray accurately the characteristics of a particular individual, situation or group

- To determine the frequency with which something occurs or with which it is associated with something else
- To test a hypothesis of a casual relationship between variables

### **RESEARCH DESIGN:**

Research design is the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the research purpose with economy in procedure of data. It is a blue print specifying every stage of action in the course of research.

The research design adopted in this study for secondary data, is exploratory and analytical in nature. Exploratory research aims to gain familiarity and new insights into any phenomenon while analytical research aims at analysing the current scenario and thereby using that to project the future performance. This research aims at studying the historical performance of the company in bancassurance and it also evaluates the future prospects of the company

Descriptive research design is used for collecting primary data. It is concerned with the research studies with a focus on the portrayal of the characteristics of a group or individual or a situation. The main objective of such studies is to acquire knowledge. The major purpose of Descriptive research is description of the state of affairs, as it exists at present.

### **SAMPLE DESIGN & SAMPLE METHOD:**

- Sampling method refers to the rules and procedures by which some elements of the population are included in the sample.
- In this Sample method quota sampling convenience sampling was used because the sample population is vast.
- Sample Size: 100 consumers from selected which is classified as Males and females areas of Mumbai

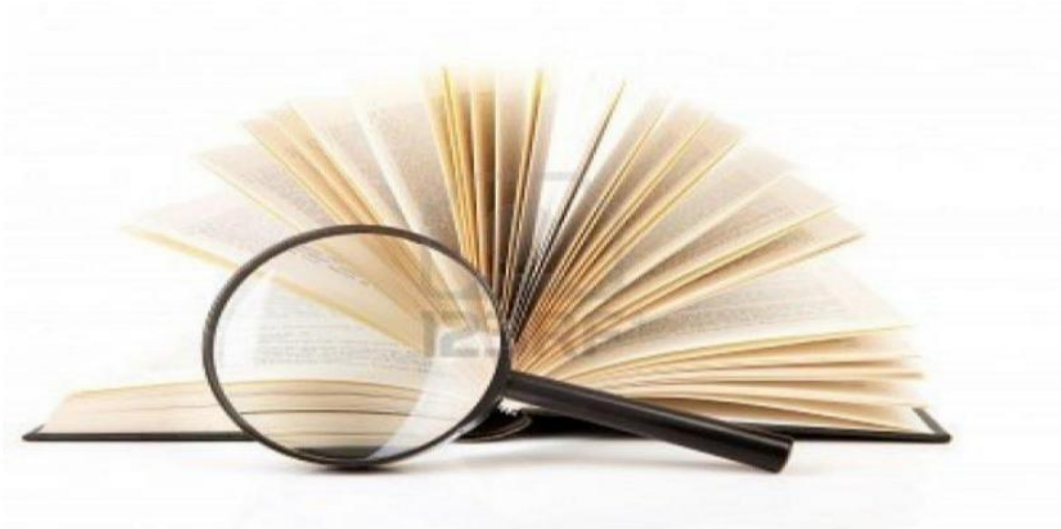
**Primary Objective:**

It is to make an analysis on the financial performance of bank in bank assurance with specific reference to life insurance and to suggest the ways and means to approve the existing performance by way of collecting responses from the customers.

**Secondary Objective:**

- To analysis the financial performance of banks in bank assurance and it contribution to the overall all progress of banks using ration analysis.
- To analysis the initiatives taken by the banks in endorsing the standard life insurance product.
- To access the relationship building factor of hanks which is significant for bank assurance
- To know the customer's preferences in selecting the banks as a distribution channel in Case of their willingness to obtain standard policy in future

## **CHAPTER 3: LITERATURE REVIEW**



# **Literature Review**

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. On the other hand, 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.

According to Rayala et al (2004), the success of Bank assurance depends on how the social and cultural needs of the target population are understood.

Brahman R. (2004) et al in their article "Bank assurance in India- Issues and Challenges" opined Bank assurance as an established and growing channel for insurance distribution though its penetration varies across different markets. The study found that social and cultural factors together with regulatory considerations and product complexity determine the success of Bank assurance in a particular market.

Study and comparison of Bank assurance 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% and 53% of their business coming from the Bank assurance channel respectively, while ICICI Prudential gets 30% of its business through the Bank assurance mode and the age old player LIC gets only 0.49% of its business through this channel (Prasad and Saxena, 2004),

Sanjay Gupta (2004) found that bank burden will come closer to zero level in all bank groups due to growth in fee income by sale of insurance products to customers. Thus growth in fee income will be exponential in times to come,

Rachana Parihar (2004) argued that there is a huge pool of skilled professionals whether it is a bank or insurance company, who may be easily relocated for any Bank assurance venture. By leveraging their strengths and finding ways to overcome their weakness, banks could change the face of insurance distribution

Krishnamurthy, SV Mony, Nani Jhaveri, Sandeep Bakhshi, Ramesh Bhat and MR Dixit (2005), in the paper titled, "Insurance Industry in India: Structure, Performance and Future Challenges". clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance. Insurance is the backbone of country's risk management system and influence growth of an economy in several ways. Penetration of Insurance largely depends on availability of Insurance products, insurance awareness and quality of services. The future growth of this sector will depend on how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks. The paper has also drawn attention on emerging structure, role of banc assurance, agents and customer services in the success of life insurance business.

Rama Devi (2006) found that factors critical to the success of bancassurance include senior management commitment to Bank assurance as a core strategy, a well-trained generalist sales force tightly integrated with the branches; simplified products which appeals to customers and proper incentive structure for both branch managers and sales people,

In India, the advent of Bank assurance was necessitated by the poor penetration ratio of the insurance companies and the declining income of the banks (Karunagaran, 2006). Also, the large reach and customer base of banks in both urban and rural areas in India, the persistency rate in Bank assurance due to the continuous contact with the client is better than in other channels.

Meena Sharma (2007) opined that the untapped potential in the insurance sector has certain applications for the banking industry. The overlaps between banking and insurance businesses imply that on one hand, the two can be competitors and hence, substitutes for each other and on the other hand, they can also complement each other. On account of their geographical reach and access to customers, banks could be used as channels for distributing insurance products.

M. Rajkumari (2007) in the paper titled "A Study on Customers' Preference towards Insurance Services and Bank assurance examined the awareness, satisfaction and preferences of customers towards various Insurance services and Bank assurance. The study has been undertaken by the researcher in order to identify the customer's attitude towards purchase of insurance products and also their knowledge on the bank assurance formats available through banks. He also gave suggestions to improve customer awareness on bank assurance and performance of banks in selling insurance policies.

Similarly, a study conducted in 2007 finds that for SBL 67%, for AVIVA Life insurance 65%. 40% for Birla Sun life, 19% for ICICI Prudential and only 1% of the new premium generation for these companies comes from the Bank assurance channel (Parimalarani, 2007).

Vissapragada Srinivas (2009) is of the opinion that one of the important reasons for considering Bank assurance by banks is the increased return on assets. Banks with insurance fee income can cover more operating expenses.

Sales through Bank assurance channel is growing at a slow pace for LIC but by leaps and bounds for private players while brokers and referrals enjoy a meager % in both the public and private sector (Aggarwal and Upadhyay 2009).

Anshuja Tiwari and Babitha Yadav (2012) in their study Customer survey & perception towards Bank assurance with reference to Life Insurance Industry found that agents (4%) and banks (32%) are the two widely used distribution channels by life Insurance companies. Many customers are not familiar with the types of policies sold by the banks. A large no. of respondents (63%) is not aware of the concept of Bank assurance, hence there is a need to spread awareness about Bank assurance among the general public. Trust & safety is the main reason for which most of the respondents (41%) are having life policy through banks. People have more faith on bank in comparison to other modes of distribution channels.

Hymavathi Kumari. T (2012) in her study Customer attitude towards Bank assurance - An Indian perspective observed that More than 80 percent of the customers have trust in their banks. This is a good indication for the future of the Bank assurance business in India Customers have more trust on bankers than insurance agents. There are a lot of opportunities available in the Indian market to the banks to cross sell insurance products, Identification of target customer market increases the banks performance to cross-sell the insurance products through their branch network, by designing a clear and effective marketing strategy aimed at Increasing awareness and customer's willingness to choose banks insurance providers.

Rachna Agrawal and Anubhuti hajela (2012) in their study Bank Assurance A Challenging Convergence in Indian Prospective observed that the expectations of the customers are not met on all the parameters by the banks that provide the Bank assurance services. Most of the customers are not satisfied with trustworthiness, convenience, product knowledge, attention by the bank employees and access Bank employees are usually over-burdened by their load itself and they are not much interested to participate in selling and promoting insurance products. The financial benefits do not come directly to the employees' pocket. Therefore, Interest is automatically lost. There is also lack of awareness which can be dealt with proper advertising

Similarly highlighting the issues and problems faced by customers in buying insurance from bank, a study in Kolkata revealed that 92 percent of the respondents felt that the bank staff Was least interested in promoting Bank Assurance 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 Bank Assurance 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).

Roddy (2005) in his article studied the customer perception towards life insurance companies' policies. His objective of the study was to know customer opinion 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 up to 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, 17percent of the

respondents found that private companies settle claims better whereas 83percent 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 over 2000 respondents - both customers and employees. he found that perception gaps the areas of (1) visual appeal of document and office (2) responsiveness and usability (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. Thus 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 banks and insurance companies as individual organizations, but after the advent of Bank Assurance, there have been very few studies 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 and awareness for Bank Assurance and their behaviour in purchasing through Bank Assurance, concluded using One-way ANOVA that only 62 percent of the respondents are of Bank Assurance. Also, the expectations of the customers are not met on all the characters by the banks that provide Bank Assurance 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. banks need to improve quality of its services to get more customers and high satisfaction levels.

Different countries all over the world have added Bank Assurance after seeing its enormous success in Europe. But the results have not been the same, the world over comparing the Bank Assurance developments the world over, it was concluded that social and cultural factors together with regulatory considerations and product complexity determine Bank Assurance in a particular market (Brahman et al. 2004), There are differences in Bank Assurance developments across the countries because of the defloration 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)

Bank Assurance, which his 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 seeing 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 solving Insurance through this route.

Bank Assurance, India will see copy 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 effects between its own product 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 Back Assurance (Sarvanakumar et al. 2012).

Although banks offer a very lucrative option for the insurance companies to integrate but still The issue in laced with a multiplicity of challenges the form of creating a legal environment, resolving conflict between bank and insurer, establishing credible service level agreement between the bank and insurer etc. (Krishnamurthy, 2005) 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 products promotions, failure to integrate marketing plans marginal database expertise: poor sales channel linkages; inadequate incentives and unwieldy marketing strategy (Sarvankumar et al. 2012).

The principal reasons for low utilisation potential of Bank Assurance are- monopolistic relations, low level of training, lack of operations 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 Bank Assurance channel (Mishra. 2012)

The dual control of RBI and IRDA in the case of Bank Assurance 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 process and people (Venugopal, 2010). Also, the bank officials do not have any relation with the customer after the policy 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 bank, insurance companies and the customers would be able to draw from the concept of Bank Assurance 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 Bank Assurance 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 why is pace, Bank Assurance would turn out to be a norm rather than the exception in India (Mishra 2013)

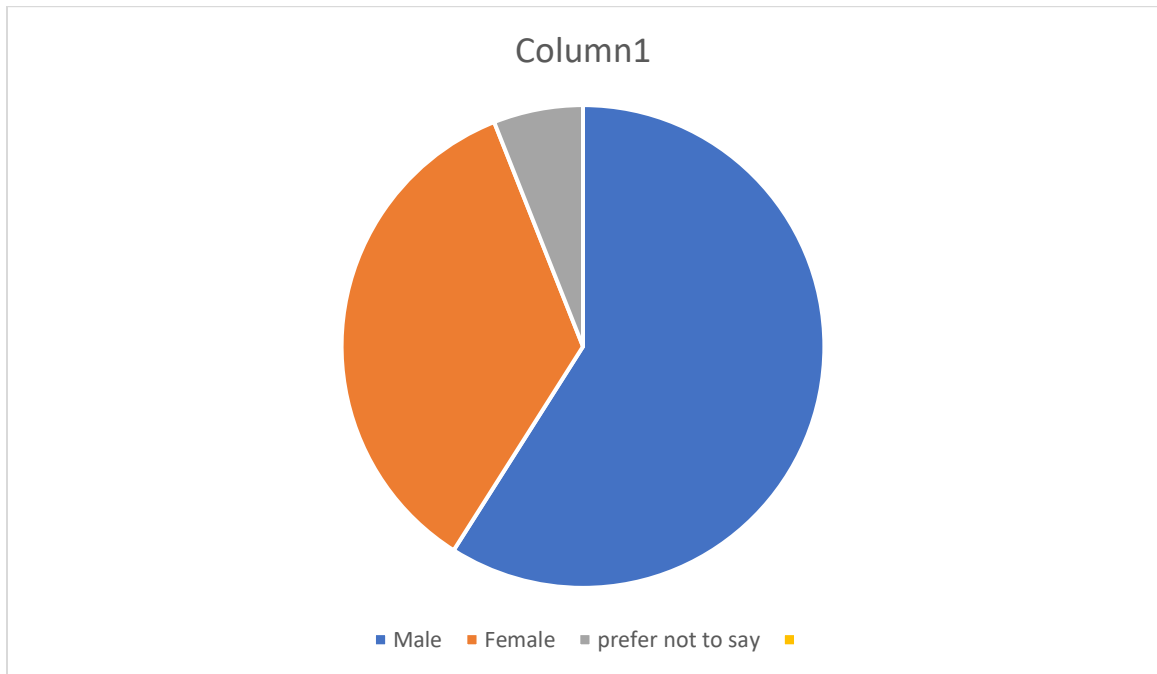
Various factors, who believe that Bank Assurance come up an effective intermediary of tax e distribution, have given their set of suggestions as to how it can be made cannula in the long run

In order to make Bank Assurance successful, there would be an umbrella organization for information sharing and coordination of supervision between hanks and insurance companies (Venkstaramaran, 2001). and if separate regulatory bodies are going to continue to control, there should be better coordination, smooth flow of information and minimal government interface (Kesriraju. 2003). The regulatory body bodies would suggest verbal modes of integration and the insurance companies could identify and analyse the various parameters before entering the integrated venture (Krishnamurthy. 2001).

## DATA ANALYSIS

### 1. GENDER

MALE	59
FEMALE	35
PREFER NOT TO SAY	6

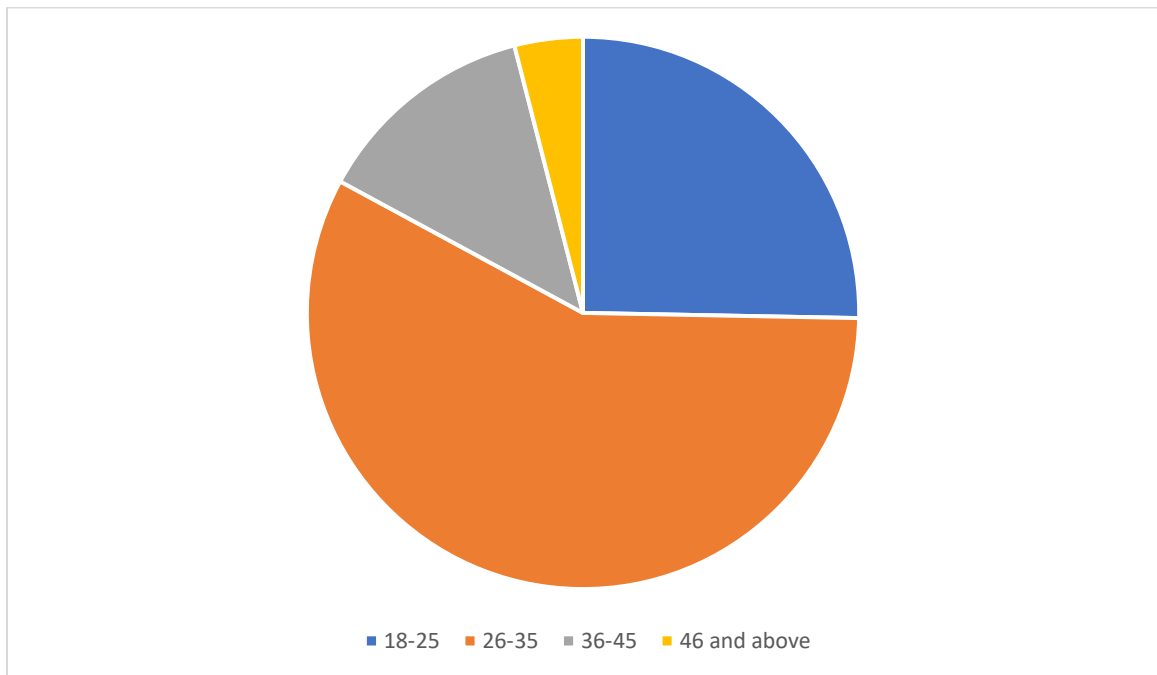


#### **Interpretation:**

Above chart shows, out of the total respondents 100,59% respondents are male and 35% respondents are female

## 2.AGE GROUP

18-25	25.3
26-35	57.6
36-45	13.1
46 and above	4

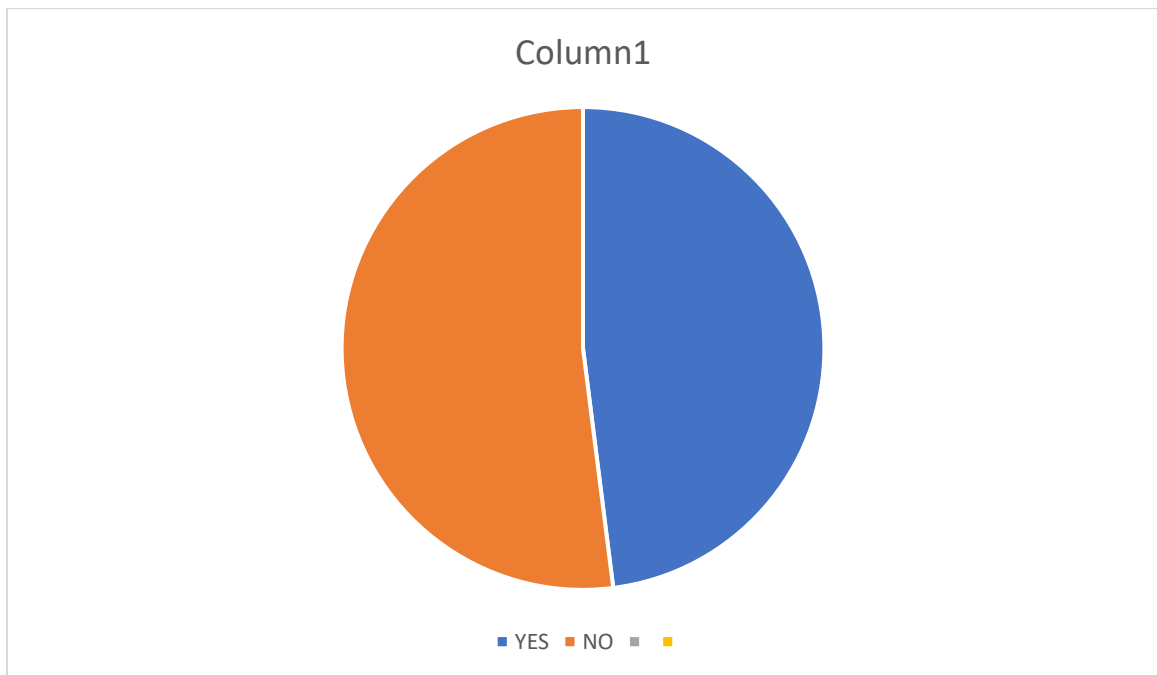


### Interpretation:

Above chart shows, out of the total respondents of 100, 25.3% respondents are of age 18-25 customers, 57.6% respondents are of age 26-35, 13.1% respondents are of age 36-45 and 4% are of age 46 and above.

### 3.Do you have Life Insurance?

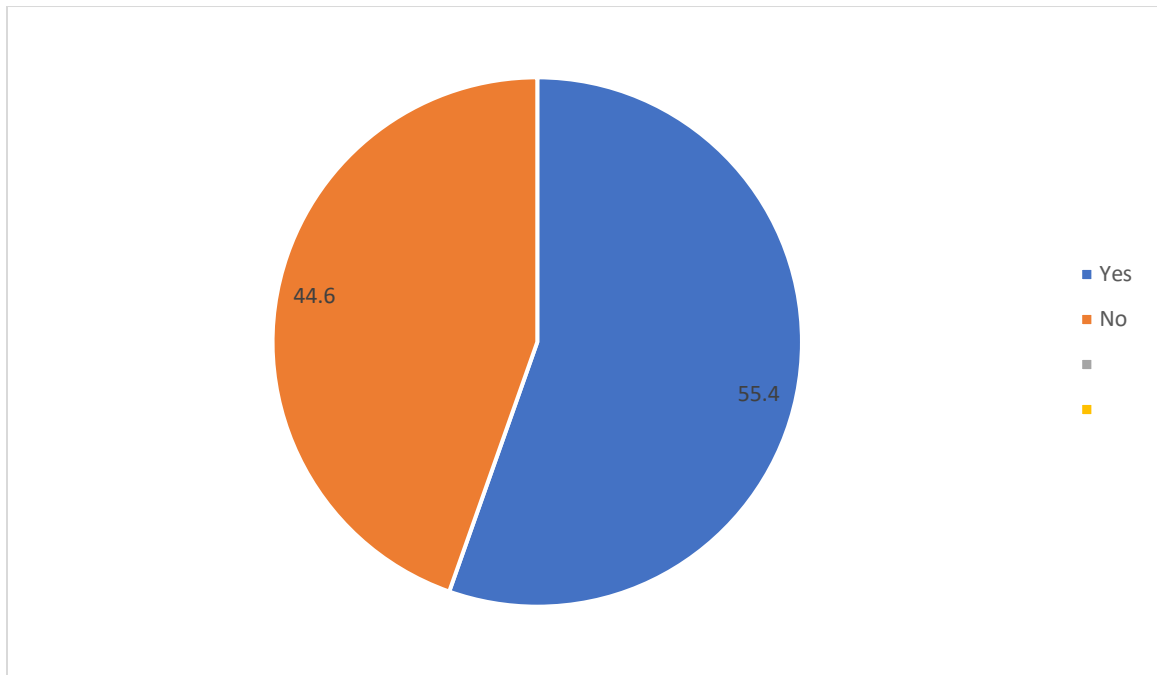
YES	48
NO	52



#### **Interpretation:**

Above chart shows, out of the total respondents 91, 48% respondents are Yes customers and 52% respondents are No.

#### 4. Have you heard about bank assurance?

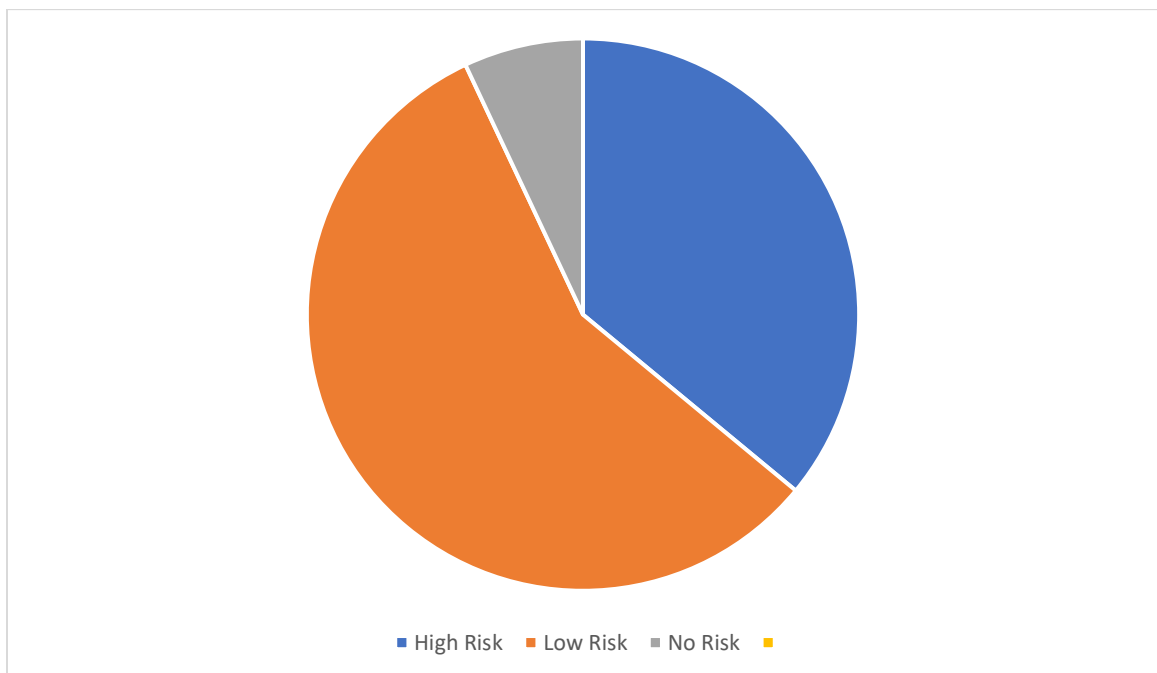


**Interpretation:**

Above chart shows that, out of the total respondents of 91, 55.4% respondents are Yes customers and 44.6% respondents are No customers.

### 5.How much risk does it involved in Bank Assurance?

High Risk	36
Low Risk	57
No Risk	7

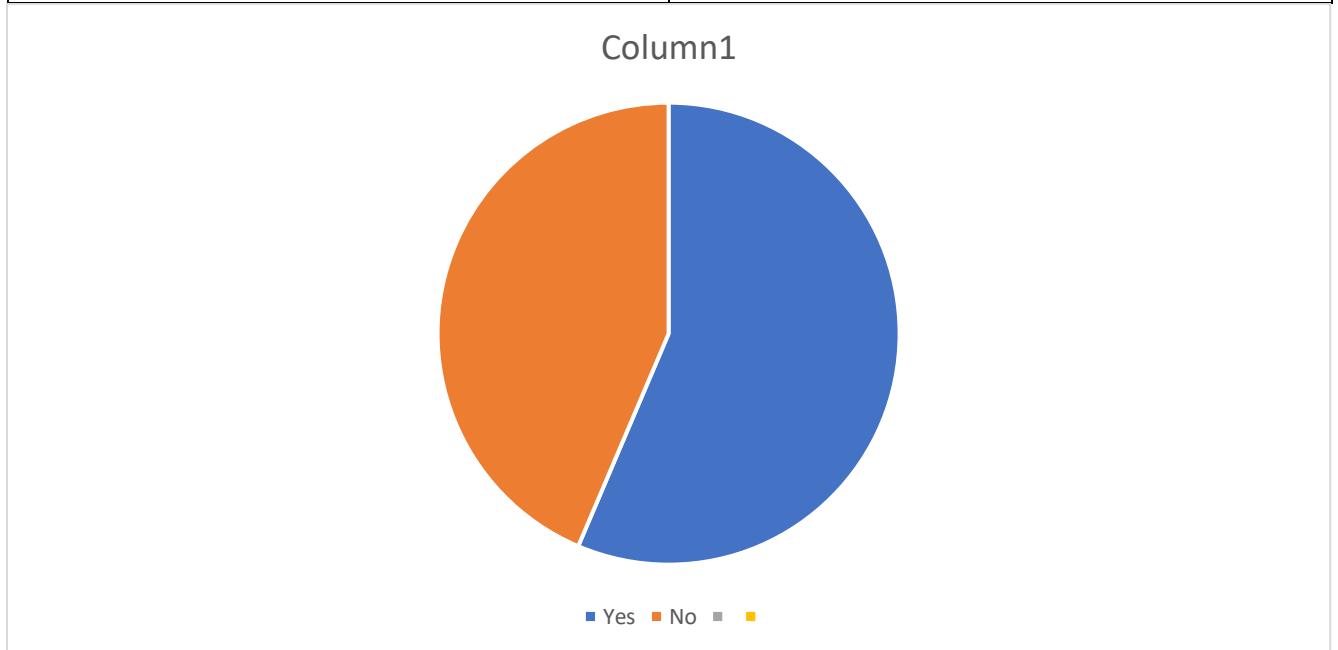


#### Interpretation:

Above chart shows, out of the total respondents of 91, 36% of respondents are High Risk customers ,57% respondents are Low Risk customer and 7% respondents are No Risk customer

**6.Do you think bank assurance is more beneficial as compared to LIC?**

YES	56.4
NO	43.6

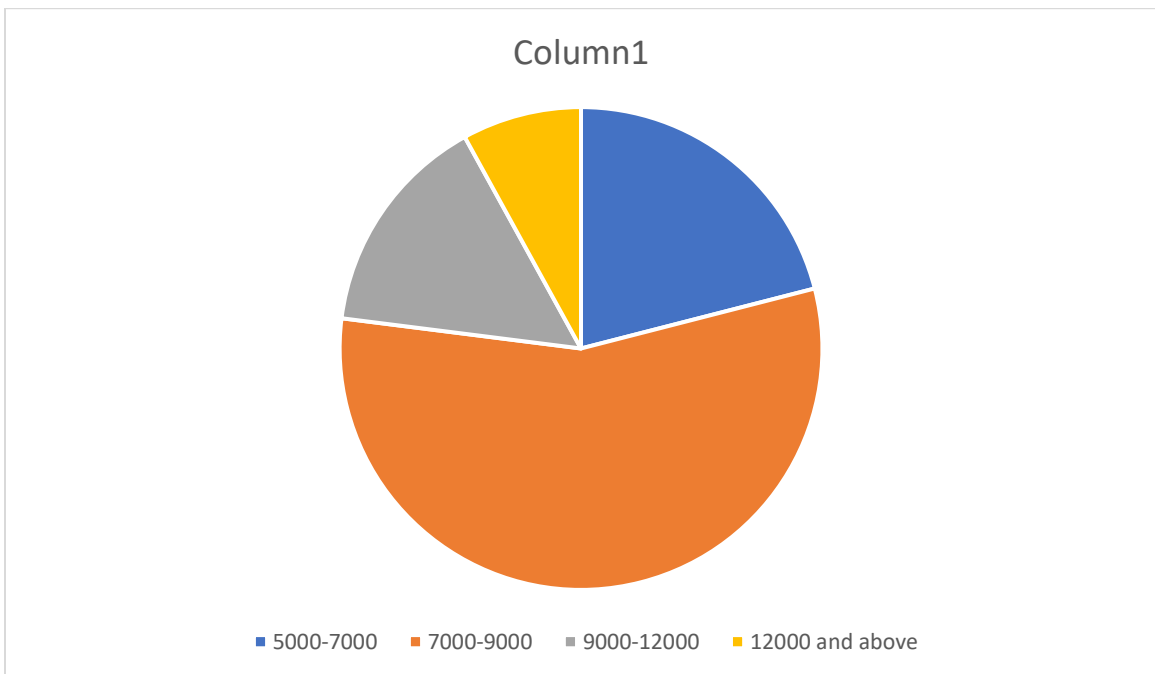


**Interpretation:**

Above chart shows, out of total respondents 91, 56.7% respondents are Yes Customers and 43.6% respondents are No Customers.

### 7.How much Premium do you pay Quarterly?

5000-7000	21
7000-9000	56
9000-12000	15
12000 and above	8

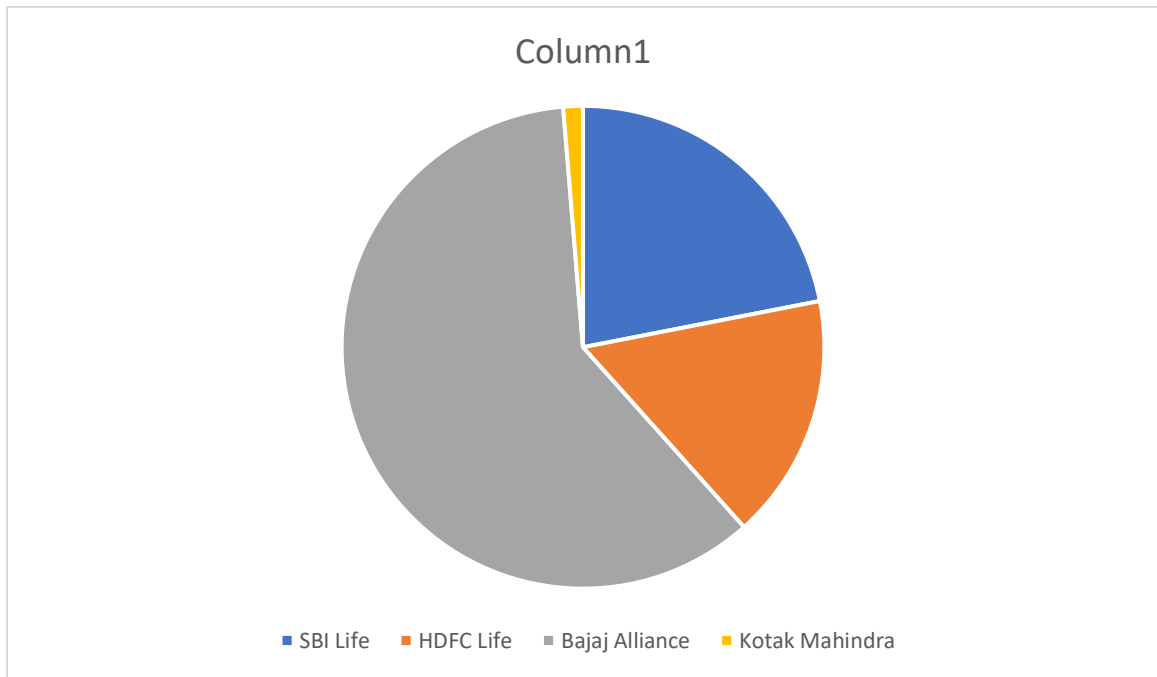


#### Interpretation:

Above charts shows, out of the total respondents 91, 21% respondents are 5000-7000 customer, 56% respondents are 7000-9000 customer, 15% respondents are 9000-12000 customer and 8% respondents are 12000 and above.

**8. Which company will you prefer for bank assurance?**

SBI Life	20
HDFC Life	15
Bajaj Alliance	55
Kotak Mahindra	10

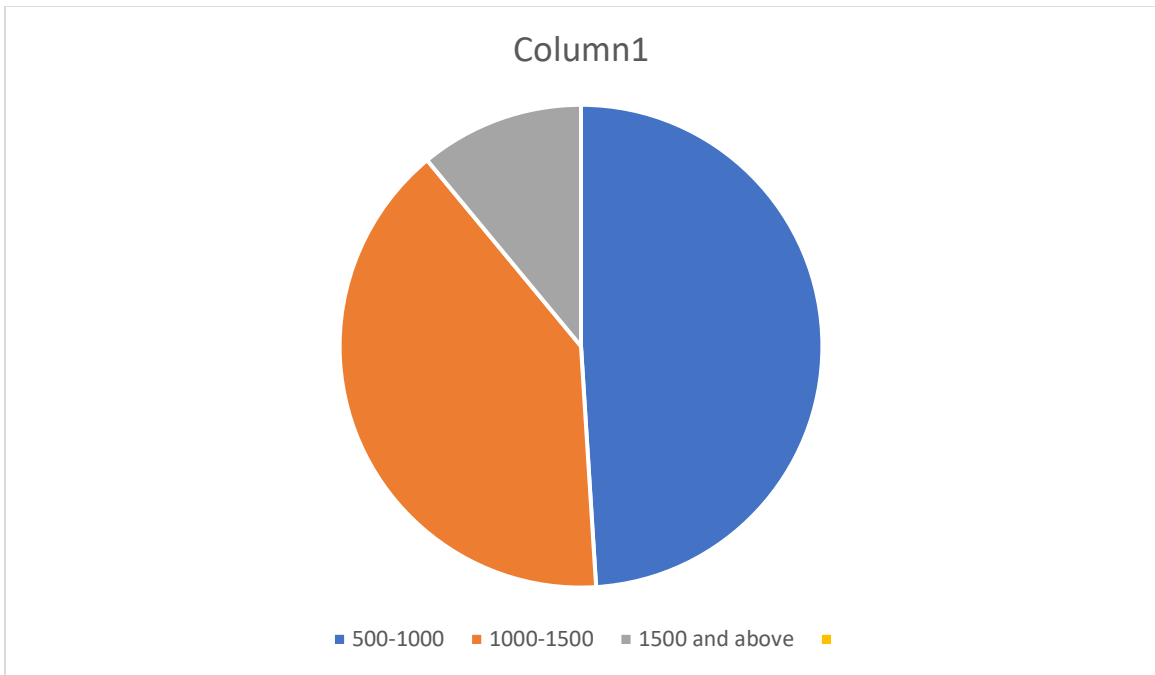


**Interpretation:**

Above chart shows, out of the total respondents 100, 20% respondents are SBI Life customers, 15% respondents are HDFC Life customers, 55% respondents are Bajaj Alliance customers and 10% respondents are Kotak Mahindra.

**9.How much fees do your bank charges according to the services?**

500-1000	49
1000-1500	40
1500 and above	11

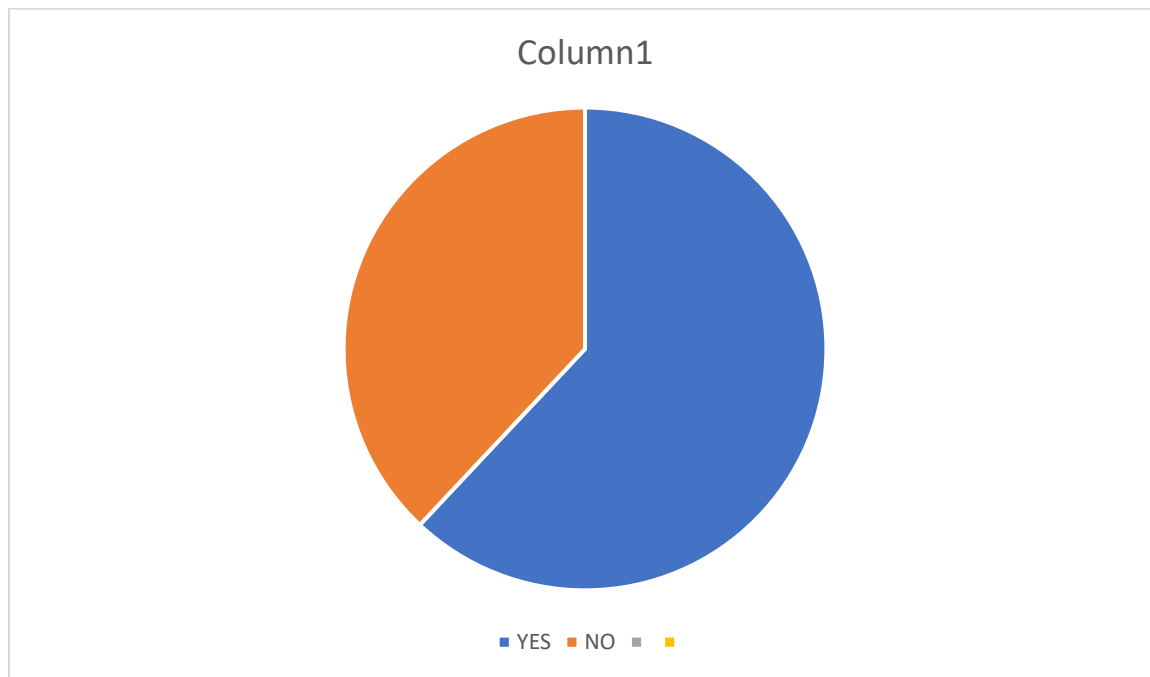


**Interpretation:**

Above chart shows, out of the total respondents 100,49% respondents are 500-1000 customers,40% respondents are 1000-1500 customer and 11% respondents are 1500 and above.

**10.Do you get appropriate information about your policy?**

YES	62
NO	38

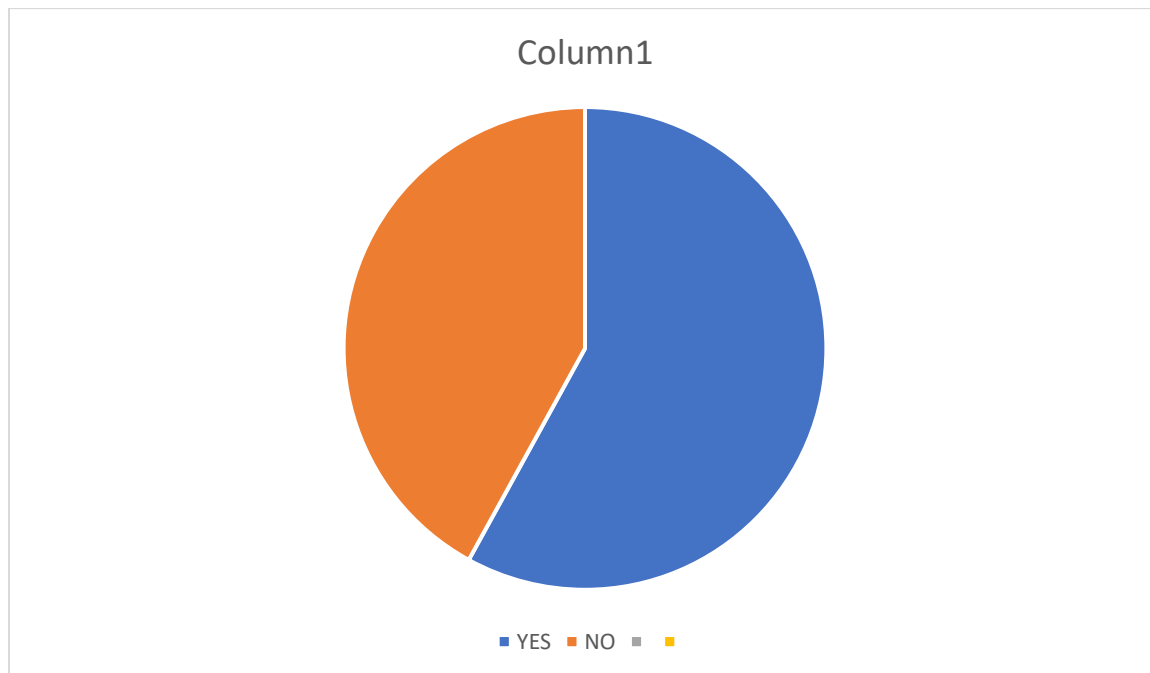


**Interpretation:**

Above chart shows, out of the total respondents 100,62% respondents are Yes customers and 38% respondents are No customers.

### 11. Is taking a life assurance is important?

YES	58
NO	42

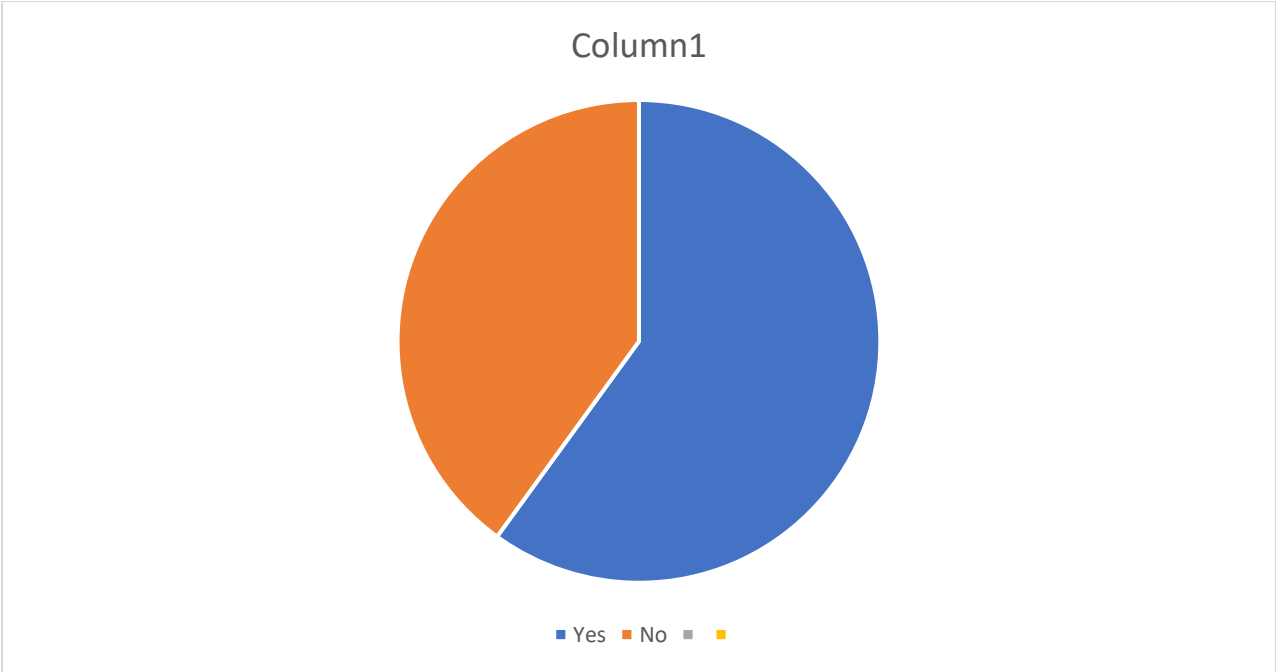


#### Interpretation:

Above chart shows, out of the total respondents 100,58% respondents are Yes customers and 42% respondents are No customers.

**12. Do you think risk coverage is as important as return from the investment?**

YES	60
NO	40

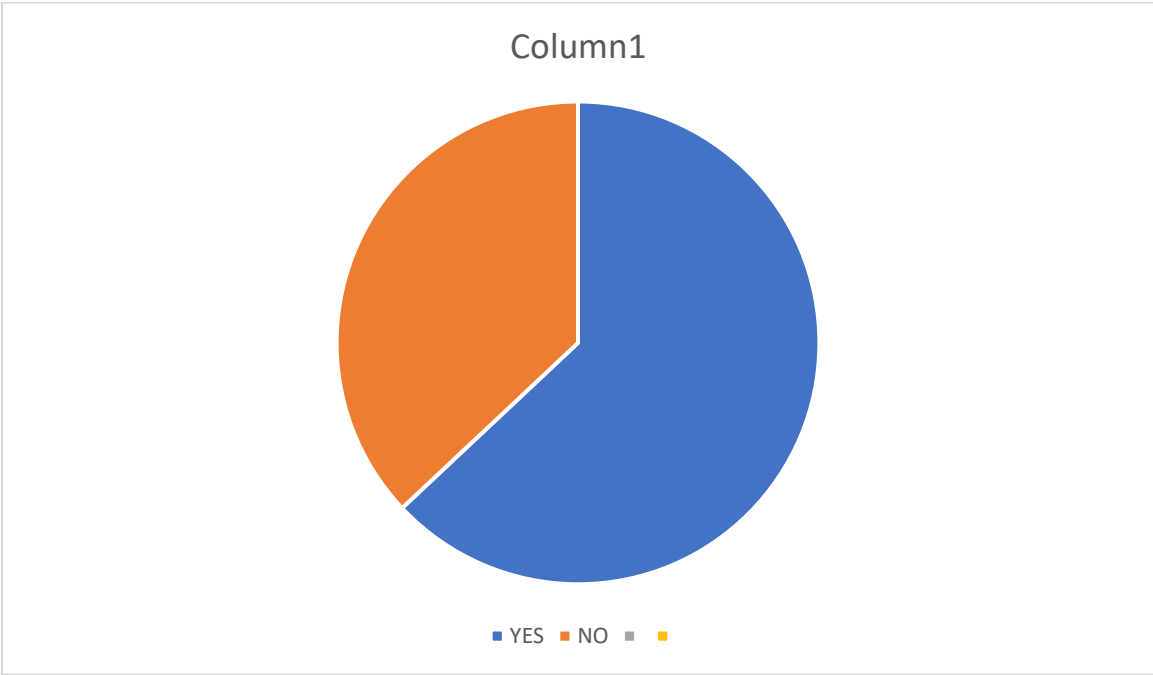


**Interpretation:**

Above chart shows, out of the total respondents 100,60% respondents are Yes customers and 40% respondents are No.

**13. Do you think there is lack of interest in assurance agent? Is that reason for less marketing of assurance product in rural area?**

YES	63
NO	37

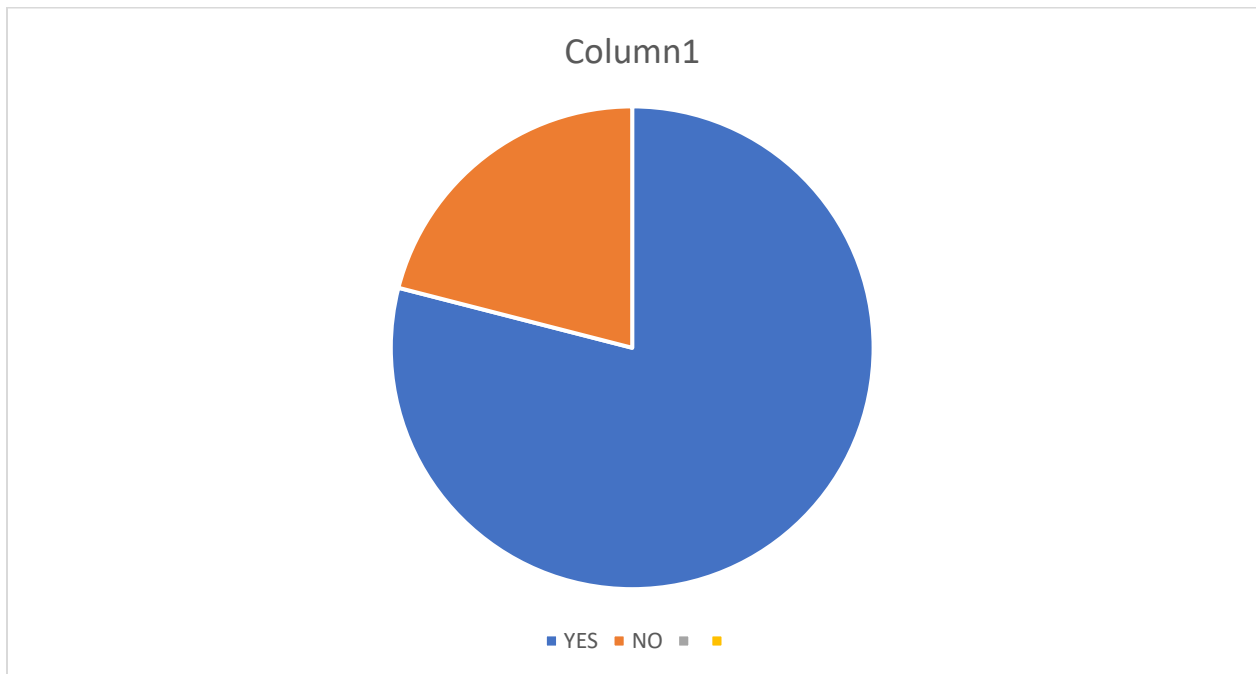


**Interpretation:**

Above chart shows, out of the total respondents 100,63% respondents are Yes customers and 37% respondents are No.

**14. Are you satisfied with your bank which has provided Insurance service under one roof?**

YES	79
NO	21



**Interpretation:**

Above chart shows, out of the total respondents 100,79% respondents are Yes customers and 21% respondents are No.

## CONCLUSION

The fact that the banking operations in India, unlike in other developed countries, are still branch oriented and manually operated vis-à-vis highly mechanized and automated banking channels viz internet banking ATMs etc. are all the more conducive for flourishing of bank assurance. Regulators could explore the possibility of allowing banks having tie-up arrangements with more than one insurance company giving wider choice for the customers. In addition to acting distributors, banks have recognized the potential of Bank assurance in India and will take equity stakes in insurance companies, in the long run.

Adequate training coupled with sufficient incisive system could avert the banks staff resistance if any. In sum, Bank assurance strategy would be 'win-win situation' for all the parties involved the customer, the insurance companies and the banks. The most immediate advantage for customers is that in insurance business the question of trust plays a greater role, especially due to the in-built requirements of a long term relations between the insurer and the insured.

- For banks it just acts as a mean of product diversification and additional fee income
- For insurance company it acts as a tool for increasing their market penetration and premium turnover.
- For customer it acts as a bonanza in terms as reduce price high quality product and delivery to door steps

The success of Bank assurance greatly hinges on bank ensuring excellent customer relationship therefore banks need to strive towards that direction.

The changing mind set is cascading through the banking sector in India and these would be right time for bank to resorting to bank assurance especially in the context of proactive policy environment of regulatory authorities and the government.

It is important for an insurer to understand the merits and demerits of bank assurance channels. It helps immensely to plan the resources accordance with the channel requirement. In other terms the contractual terms can be planned to maximized the channel effectiveness. Otherwise smooth functioning of bank assurance channel is difficult. With the coming up of various product and service tailored as per the customer's needs there is every reason to be optimistic that Bank assurance in India will play a long inning for the proper implementation of Bank assurance is still facing so many hurdles because of poor manpower management lack of call centres, no

personal contact with customers, inadequate incentives to agents and unfulfilment of other essential requirements.

I have experienced a lot during the preparation of the project. I had just a simple idea about Bank Assurance but after a detailed research in this topic, we found that how important Bank assurance can be for bankers, insurers as well as the customers. I am contented that all my objectives have been met to its fullest. I have also experienced that through Bank assurance is not being utilized to its fullest but it surely has a bright future ahead. India is at the threshold of a significant change in the way insurance is perceived in the country. Bank assurance will definitely play a defining role as alternative distribution channel and will change the way insurance is sold in India. The bridge has been reached and many are beginning to walk this cautious steps across it. Bank assurance in India just taken a flying start. It has a long way to go

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## **ANNEXURES:**

Bank assurance is such attempt, which is gaining popularity in Asia. pore particularly India. The opening up of local insurance has initiated changes in the way insurance products are distributed. A cursory look at the players who are entering into the insurance sector would highlight the fact that they are mainly from the financial sector and more particularly banks, Banks though do not have operational experience in insurance and, therefore, sec potential in utilizing all assets-customer, employee and physical asset in insurance to augment revenue potential.

The driver for new players tapping of banks for distribution is their eagerness to reach a critical mass of business within a time, LIC GIC and its subsidiaries during their monopoly days invested heavily in setting up of branch network though some of the decisions were not necessarily out of business considerations. Hut there is absolutely no doubt that by tapping banks, insurance companies could build a mass base of customer through the extensive branch network of approximately 85,000 bank branches, of which more 50 per cent is situated in the rural areas.

Bank assurance could be one way for players to take on the might of the public sector players who have set up their own extensive branch network, Bank assurance would also facilitate insurance companies to shift focus from highly competitive markets to markets where the competition has not yet caught up.

The success of Bank assurance would depend on banks and insurance companies crossing many hurdles. While there is much type about regulatory issues, many banks and insurance companies have not thought about the implementation issues associated with Bank assurance steps have been taken to address regulatory concerns and the time has come for them to focus on other operation a rising issues, Issues related to the operationsation of Bank assurance agreement are many and depends on the current state of parties to the agreements: banks and insurance companies on one hand, some of the issues relating to customer ownership and

impact of the deficiencies in insurance products on existing relationship have not been clearly understood by many banks.

Similarly, insurance companies are yet to find a way to imbibe insurance culture at the grass roots level Bank branch are expected to assist customers in the claim element process since the agent is traditionally looked upon as provide this service. One more issue, which arise in Bank assurance is whether banks will act as corporate agents or brokers in the distribution of the insurance products. The answer, of course, will lie in whether banking companies will like to be loyal to one principal and in doing so, will not assume a larger responsibility including those of mix-selling or they are loyal to their customers and work towards identifying suitable products for them.

## **APPENDIX**

### **Gender**

- Male
- Female

### **Age Group**

- 18-25
- 26-35
- 36-45
- 46 and above.

### **Do You have a Life Insurance?**

- Yes
- No

### **Have You heard about bank assurance?**

- Yes
- No

### **How much risk does it involve in bank assurance?**

- High risk
- Low risk
- No risk

### **Do you think bank assurance is more beneficial as compared to LIC?**

- Yes
- No

**Which company will you prefer for bank assurance?**

- SBI life
- Bajaj Alliance
- HDFC Life
- Kotak Mahindra

**How much Premium do you pay Quarterly?**

- 5000-7000
- 7000-9000
- 9000-12000
- 12000 and above

**How much fees do your bank charges according to the services?**

- 500-1000
- 1000-1500
- 1500 and above

**Do you get appropriate information about your policy?**

- Yes
- No

**Is taking a life assurance very important?**

- Yes
- No

**Do you think Risk coverage is as important as return from the investment?**

- Yes
- No

**Do you think there is lack of interest in assurance agent? Is that reason for less marketing of assurance product in rural area?**

- Yes
- No

**Are you satisfied with your bank which has provided insurance service under one roof?**

- Yes
- No