



A COMPARATIVE STUDY OF INSURANCE ADVISOR AND BANCASSURANCE CHANNEL IN SELLING LIFE INSURANCE PRODUCTS IN INDIA

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Abstract:

In India, one of the fastest growing industries in the service sector is, insurance. After open up of sector, IRDA has given approval to variety of channels, with the intention of increasing penetration and density in insurance sector. Present study is to compare the effectiveness of two major distribution channels, individual agents and bancassurance.

Index Terms: Individual Advisors, Bancassurance, Individual New Business Premium & Group New Business Premium

1. Introduction:

In India, one of the fastest growing industries in the service sector is, insurance. With the entry of foreign collaborations and private players, life insurance is growing tremendously. Many factors are responsible for such growth. One of the major reasons is new channels of distribution. IRDA has given approval to variety of channels, with the intention of increasing penetration and density in insurance sector. The IRDA lists out agents, corporate agents –banks (bancassurance) and others, brokers, surveyors, TPA services, web aggregators, insurance repositories, and insurance marketing firms as the intermediaries. Among these intermediaries new business premium share of individual advisors (agents) and corporate agents-bank (bancassurance), is more.

Bancassurance refers to banks acting as corporate agents for insurers to distribute insurance products. Bank acts as a mediator between the insurance company and their customers. A broader definition of bancassurance was provided by Swiss Re (1992): “Bancassurance can be described as a strategy adopted by banks or insurance companies aiming to operate the financial services market in a more or less integrated manner.” Bancassurance is the process of using a bank’s customer relationships to sell life and nonlife insurance products and it is a new pathway for the effective development of insurance.

Most people have their first contact with an insurance company through insurance advisors. These workers help individuals, families, and businesses select insurance policies that provide the best protection for their lives, health, and property. (Rita Rebekah 2015) In fact, insurance advisor is the person who spread insurance till the introduction of other intermediaries. As in India financial literacy is very low, life insurance advisors toiled hard to achieve success.

2. Review of Literature:

Tripathy and Pal (2005) stated that insurance sector offers ample opportunity for the banks to widen their horizon of financial intermediation. Hussels et.al (2007) studied the overall structure and developments in the insurance markets in South and East Asia and stated that bancassurance is fast growing distribution channel in South and East Asia. Agarwal and Upadhyay (2009) stated that distribution channels have strong influence on product marketing and the image of the insurer in the market. Chang et.al (2011) had an opinion that bank products and insurance products are complementary, so the bancassurance channel can satisfy customers’ preferences for one-stop shopping. Mazhar and Ansari (2013) through their study analysed that, there is a correlation between life insurance consumption and number of bank branches.

Gopalakrishna (2013) specified that, human life value- based selling and appropriate after sales service are the need of the hour. Even Mujumdar had the same opinion. Mujumdar(2015) stated that Indians heavily depend on agents for purchase, servicing and claim settlement. Purohit (2016), had an opinion that, to meet the heterogeneity of the insurance market, there is a need for different distribution channels.

3. Objective of Study:

- ✓ To compare the effectiveness of individual agents and bancassurance as distribution channels of life insurance.
- ✓ To determine the future trend of contribution by the individual agents and bancassurance.

4. Research Methodology:

Present study is based on secondary data and data was collected from annual report of IRDA, research articles published in journals, magazines and newspapers. For the study data from the year 2010-11 to 2014-15 is taken into consideration. The statistical tools that were used to analyse the data in tune with objectives of the study is Percentage.

5. Analysis and Results:

Effectiveness:

It is apparent that the insurance industry in India experienced substantial growth in terms of absolute numbers. Because of many factors, still insurance industry is not able to tap the full potential of the market. Traditionally, insurance sector dependent on individual advisors. Later, along with opening the insurance sector, IRDA allowed corporate agents and many other intermediaries.

Table 1: Individual New Business Premium collected through individual agents and Bancassurance (in percentage)

Year	Individual Agent	Bancassurance
2010-11	78.95	13.30
2011-12	78.69	14.96
2012-13	77.53	16.18
2013-14	78.4	15.62
2014-15	71.42	20.84
Average	76.99	16.18

Source: Compiled from annual reports of IRDA

As shown in Table1 individual new business premium collection through individual agents was 77 to 78 percent from the year 2010-11 till 2013-14. But in the year individual premium collected through individual agents drastically fall down to 71.42 per cent. If we look at the bancassurance channel, except for 2013-14, premium collected is gradually increasing over the years.

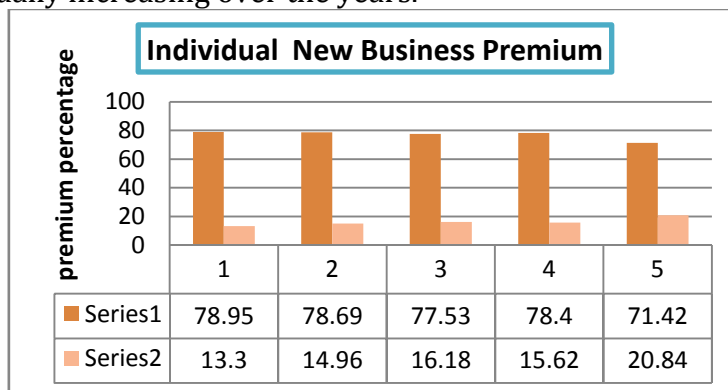


Chart 1: Individual New Business Premium collected through individual agents and Bancassurance

The above chart shows the trend of individual new business premium collected by individual agents and bancassurance channel over a period of time.

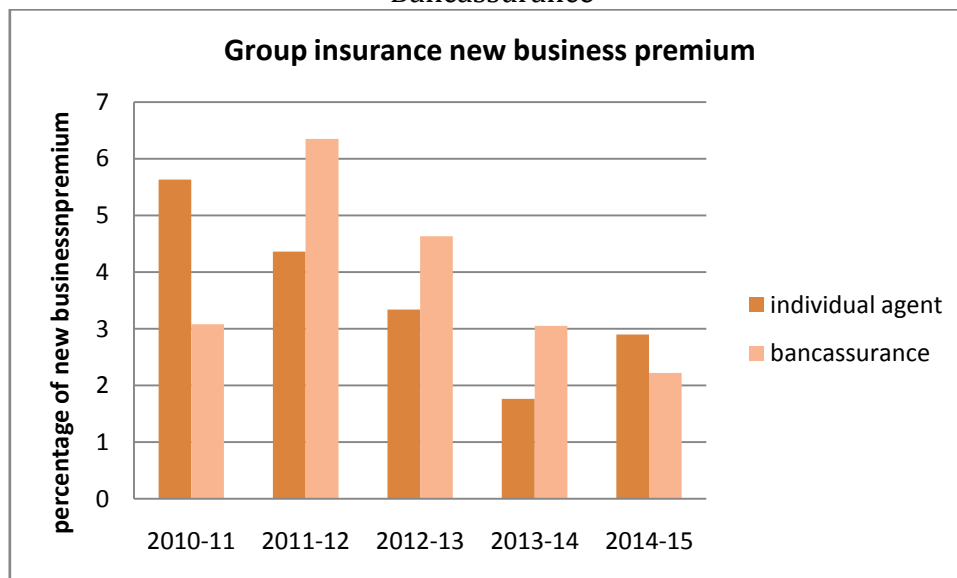
Table 2: Group New Business Premium collected through individual agents and Bancassurance (in percentage)

Year	Individual Advisor	Bancassurance
2010-11	5.63	3.08
2011-12	4.36	6.35
2012-13	3.34	4.63
2013-14	1.76	3.05
2014-15	2.90	2.22
Average	3.59	3.87

Source: Compiled from annual reports of IRDA

Table 2 shows that, in case of group insurance new business premium collected through individual agents was decreasing over the years till 2013-14. In the year 2014-15 there is a slight increment. In case of group insurance new business premium collected through bancassurance, there is a fluctuation in premium collection.

Chart 2: Group New Business Premium collected through individual agents and Bancassurance



The chart shows clearly the trend of group insurance new business premium collected through both the distribution channels.

Future Trend:

The above study also shows that bancassurance is growing as an important intermediary in insurance sector. By the end of 2020 bancassurance channel may able to grab 30 percent of total business as a distribution channel in insurance sector. To bring New Business, bank has a upper hand on individual agents. Bank is considered as a reliable financial advisor by large number of people. But major drawback in bancassurance is lack of after sales service. In this model commission is payable to bank, not to the employees of bank. Observation shows that, there is interest in issuing a policy, which lacks in after sales service. This factor may affect the future growth of bancassurance.

If the same trend continues and if there is no other major changes takes place, individual advisors may reach to 65-70 per cent of total business. The number of life

insurance advisor is dwindling and there are more number of new intermediaries. This may result in reduced contribution by individual advisor. But a unique nature of advisor, which is, providing after sales service and personal contact with the customer, may help the advisor to uphold the pride of top performer.

6. Scope and Limitation:

After opening up the market in insurance sector, IRDA has allowed many, new distribution channels. The scope of present study is limited to only two distribution channels, individual agents and bancassurance. Study is also limited to five years starting from 2010-11 to 2014-15. Study with all distribution channels starting from liberalization may give better information.

7. Conclusion:

Distribution channels in life insurance are an important element. Image of the insurance companies are built through these channels. If insurance sector is considered as a human body insurance advisors can be considered as spinal cord or heart, which is inevitable. Slowly insurance companies preferring to sell their products through banks, because it offers a cost-effective means to enter the insurance market rapidly. The study shows the trend of future. The changes and challenges makes every intermediary put their hundred per cent effort and make insurance sector grow and glow.

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