



# **Firm wise Contribution of Bancassurance as a Distribution Channel in Selected Life Insurance Companies in India**

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## **I. ABSTRACT**

The distribution channel of the life insurance industry in India has undergone significant changes in recent years. The traditional method of selling life insurance policies through agents is still prevalent, but there has been a shift towards alternative distribution channels such as bancassurance, digital platforms, and corporate agents etc. Bancassurance is a popular distribution channel in the Indian life insurance industry, where insurance products are sold through bank branches. This distribution channel is beneficial for both the banks and the insurance companies as it helps them reach out to a large customer base. Many Indian banks have tie-ups with insurance companies, which enables them to offer insurance products to their customers. In India, bancassurance has become an essential part of the insurance industry, and providing the several benefits to insurance companies. One of the significant advantages of bancassurance to insurance companies in India is the potential for increased sales. Banks have a vast customer base, and insurance companies can tap into this base to sell their products. By partnering with banks, insurance companies can reach out to more customers, which can lead to increased sales and revenue. Therefore Bancassurance has become a important channel in acquiring premium and that makes it of value to study the contribution of Bancassurance as a distribution channel in life insurance industry. In this study the five life insurance companies including the LIC, the public sector company are evaluated firm wise to analyse the contribution from Bancassurance channel. The study took the data of five selected insurance companies for the period 2010-11 to 2020-21. The study reveals that the SBI life insurance is earning the highest premium from bancassurance channel out of all the selected companies. The LIC being the largest life insurance companies has the lowest business acquisition through Bancassurance channel.

Keywords: Life insurance, Bancassurance, Growth, Policy, Premium.

## **II. INTRODUCTION**

The monetary climate has changed in Indian financial service. Indian Insurance industry is witnessing the mutation in the role of Bancassurance as distributing insurance product and services. Insurance companies has taken essential alliance like Bancassurance as distribution network for selling insurance products. In

Bancassurance the selling expertise and constructive force of insurance companies are integrated with distribution network and client base of banks. According to IAMAI, business from Bancassurance has expanded from 27 percent to 56 percent during the period of 2011 to 2019. Bancassurance refers to the distribution of insurance products through banks. In India, bancassurance has become an increasingly popular channel for the distribution of insurance products. The Reserve Bank of India (RBI) first allowed banks to sell insurance products in 2000, and since then, the channel has grown rapidly. Bancassurance has several advantages in India. Firstly, it allows insurance companies to tap into the large customer base of banks. In India there are large number of unbanked and underbanked population, with least access to traditional insurance channels. To reach these customers Bancassurance provides a way and offer them insurance products. Banks enjoy a vast customer base, and insurance companies can tap into this base to sell their products. Insurance companies can increase their distribution channels and reach more customers by partnering with banks, that may lead to increased sales and revenue. Secondly, a wider range of financial products can be offer to their customers through Bancassurance. Banks can increase their revenue streams and improve customer retention. The insurance product offered by the banks can provide a value-added service to their customers, that results into building loyalty and trust.

At last, for insurance companies bancassurance can be proven cost-effective. With established infrastructure of banks, including branches and staff, which can be leveraged to distribute insurance products. This can help insurance companies to save on distribution costs and improve their profitability.

### III. REVIEW OF LITERATURE

**Popli and Rao (2009)** analysed customer's response different Banks regarding Bancassurance to cross-sell insurance products through network of bank branches. The findings show that all the consumers are availing insurance products, mainly for vehicle and Life Insurance products. The personal realation with banks found to be the factor to buy insurance products from banks.

**Bala and Verma (2012)** explore the contributing factor to the Bancassurance in Indian economy. The secondary data were used for the study. With a vast area of rural and semi urban area the Indian economy may pose challenges for insurance sector. The study suggested that the regulators (IRDAI and RBI) should act jointly with the objective of expanding insurance penetration in cost effective manner.

**Sinha (2013)** analysed the various distribution channel of leading private insurers firms in life insurance sector during the period 2005-06 to 2009-10. The author did an exploratory study on recent pattern in channel of distribution and found that there is shift from traditional channel to other channels by the private firms.

**Acharya and Hebbar (2016)** in their study observed the importance of effective distribution channel in insurance industry. The selling of insurance product through banking channel is found to be the cost effective in comparison to individual agents in many aspect. Bancasssurance as channel is observed to grow at good pace in comparison to the individual agent due to its vast coverage.

**Sharma and Bhateja (2016)** studied the data for the period 2003 to 2014 to explore the future possibility and bearings of Bancassurance in life insurance industry in india. The study concluded that the combined effort of bank and insurance compnies can make Bancassurance the advantageous and competent channel of distribution.

**Singh and Chaturvedi (2018)** explore the Bancassurance's role in insurance industry. The data from the 168 respondent were taken for the study and bancassurance is found to be compelling in insurance sector in india. It was observed that insurance companies must work towards synergy between banks and insurance companies so that benefit from banking network can be avail to increase insurance premium. As the bank have the vast customer base the same can be leveraged by the insurance companies to increase the insurance penetration.

**Singh et al. (2020)** examined the distribution channel of life and non life insurance industry in india. The sudy used the secondry data. The study suggested that to be successful in maket one must study the business environment carefully. The market trends of insurance industry should be considered while adopting marketing strategies for selling insurance product. A good management with highly technical staff is required to be successful in marketing. To ensure the growth graph of insurance companies distribution system of insurance companies should ensure that product and services reach to the market with proper mechanism.

**Misas (2022)** examined the co-existence of Bancassurance with other channel of distribution in spain. The analysis period of eight years were taken on the firms running under life sector. the study concluded the presence of Bancassurance channel with other distribution channel is the result of more cost efficient.

#### IV. OBJECTIVE OF THE STUDY

The primary goal of the study is to investigate and analyse the firm wise contribution of Bancassurance as a Distribution Channel in Selected Life Insurance Companies in India.

#### V. RESEARCH METHODOLOGY

The current study is mainly based on the secondary data. The top five Life insurance companies viz HDFC, ICICI Lombard, SBI life and one public sector company LIC are selected for the study. The data for the study is collected from the Annual reports of the companies. The ratio of Bancassurance premium to total premium has been calculated in percentage and the ratio of Bancassurance policies to total policies has been calculated in percentage. This ratio is showing the share of Bancassurance in relation to total business acquired from other channels. For the study the premium amount and number of policies acquired from the Bancassurance channel were collected and analysed with the percentage.

**VI. DATA ANALYSIS AND INTERPRETATION**

TABLE 1

BUSINESS AQUISITION THROUGH CORPORATE AGENT- BANKS (INDIVIDUAL PREMIUM)

(in crores)

SR. NO	INSURERS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	HDFC	2130.98	1870.00	2294.00	1667.00	2218.79	2490.66	2566.42	3493.60	3567.54	3537.31	4614.91
2	ICICI	2132.60	1131.70	1524.20	1819.40	2773.80	3062.10	3981.70	4417.00	4492.50	3915.50	382.00
3	MAX LIFE	424.00	687.42	817.00	1054.00	1324.00	1505.00	2044.00	2535.00	2993.00	3152.74	3956.23
4	SBI	2051.00	1485.00	1228.00	1524.00	1944.00	3024.00	4185.00	5669.00	6640.00	7586.00	8172.00
5	LIC	953.02	1097.89	1323.68	1157.26	854.43	716.62	1089.03	1350.43	1269.38	1429.86	1755.76
	Maximum	2132.60	1870.00	2294.00	1819.40	2773.80	3062.10	4185.00	5669.00	6640.00	7586.00	8172.00
	Minimum	424.00	687.42	817.00	1054.00	854.43	716.62	1089.03	1350.43	1269.38	1429.86	382.00

(SOURCE: ANNUAL REPORTS OF COMPANIES FROM 2010-11 TO 2020-21)

TABLE 1.1

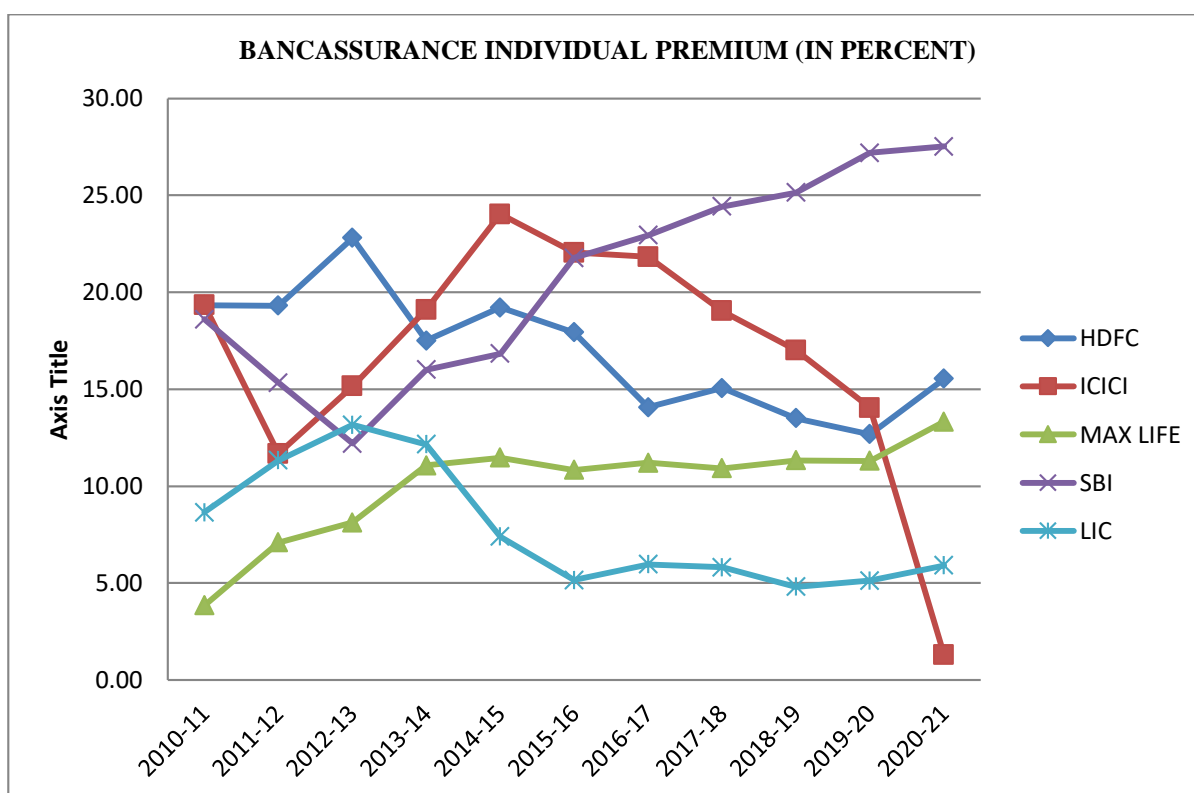
FIRMS WISE CONTRIBUTION OF BANCASSURANCE PREMIUM TO INDUSTRY TOTAL PREMIUM  
(IN PERCENT)

(in percent)

SR. NO	INSURERS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	HDFC	19.34	19.30	22.80	17.51	19.22	17.93	14.07	15.05	13.50	12.68	15.54
2	ICICI	19.35	11.68	15.15	19.11	24.02	22.04	21.82	19.03	17.01	14.03	1.29
3	MAX LIFE	3.85	7.10	8.12	11.07	11.47	10.83	11.20	10.92	11.33	11.30	13.33
4	SBI	18.61	15.33	12.20	16.01	16.84	21.77	22.94	24.43	25.14	27.19	27.52
5	LIC	8.65	11.33	13.16	12.15	7.40	5.16	5.97	5.82	4.81	5.13	5.91
	Maximum	19.35	19.30	22.80	19.11	24.02	22.04	22.94	24.43	25.14	27.19	27.52
	Minimum	3.85	7.10	8.12	11.07	7.40	5.16	5.97	5.82	4.81	5.13	1.29

(SOURCE: AUTHOR'S CALCULATION)

CHART 1: FIRMS WISE CONTRIBUTION OF BANCASSURANCE PREMIUM TO INDUSTRY TOTAL PREMIUM (IN PERCENT)



The table 1.1 shows the firms wise contribution of Bancassurance premium to industry total premium in percent. The data shows that the Bancassurance contribution of HDFC remained high during the first five year of data in terms of premium. It remained more than 17 percent during first 6 years. ICICI got the maximum contribution during 2014-15 and 2015-16 and least at 2020-21. In MAX life Bancassurance channel contributed maximum in 2014-15. Its performance was better in late study period. In SBI life the bancassurance channel contributed at an increasing trend. From 2012-13 onwards the ratio stands highest among all the selected firms. The LIC the only public sector company in insurance industry is not contributing much through Bancassurance and contributing near 5 percent from 2015-16 to till the end of study period

TABLE 2

## BUSINESS AQUISITION THROUGH CORPORATE AGENT- BANKS (INDIVIDUAL POLICIES)

(In Numbers)												
SR. NO	INSURERS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	HDFC	332931	377007	479640	400455	411252	512662	449706	514538	404205	349722	475266
2	ICICI	192550	183789	212327	213448	255226	290634	360389	393720	486135	375993	55049
3	MAX LIFE	111383	162494	196351	238666	255359	246799	298927	339124	364039	334023	365917
4	SBI	330767	312329	350735	452200	629931	788207	810977	878615	932799	927096	984719
5	LIC	332127	455297	499468	427144	313173	250659	170232	180614	190423	214447	212182
	Maximum	332931	455297	499468	452200	629931	788207	810977	878615	932799	927096	984719
	Minimum	111383	162494	196351	213448	255226	246799	170232	180614	190423	214447	55049

(SOURCE: ANNUAL REPORTS OF COMPANIES FROM 2010-11 TO 2020-21)

## CHART 2: FIRMS WISE CONTRIBUTION OF BANCASSURANCE POLICIES TO INDUSTRY TOTAL POLICIES (IN PERCENT)



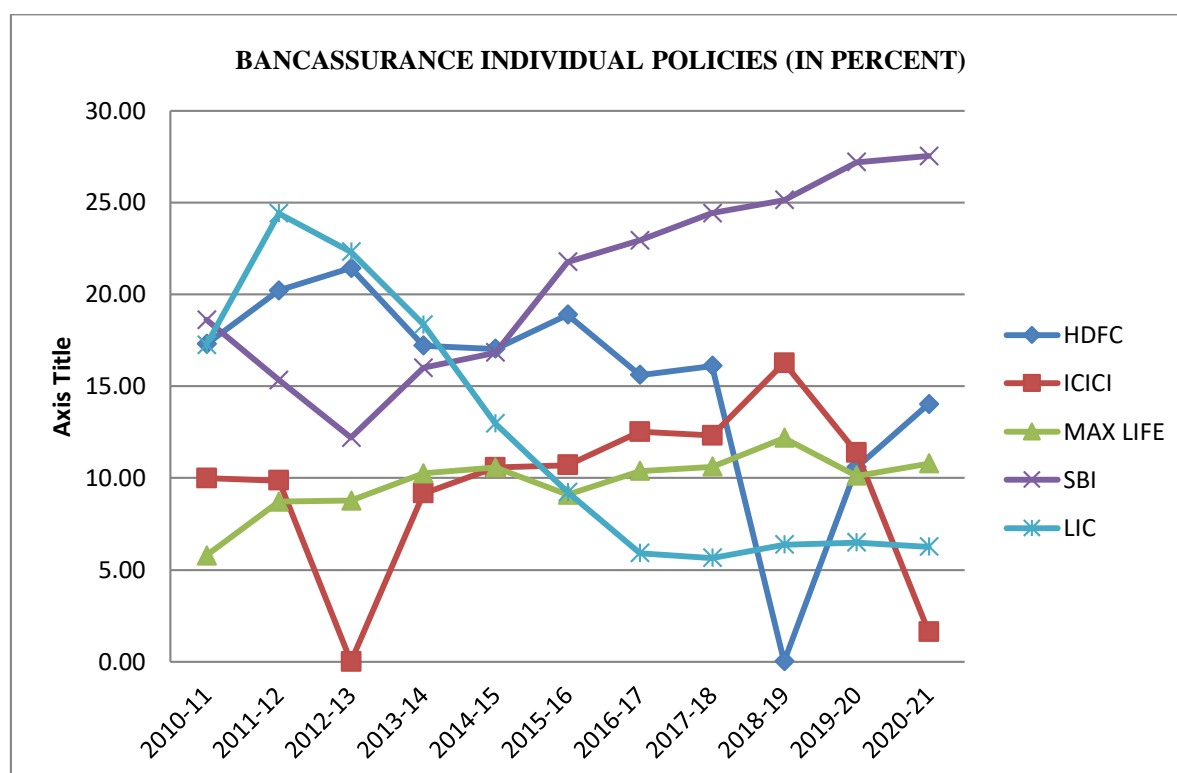


TABLE 2.2

FIRMS WISE CONTRIBUTION OF BANCASSURANCE POLICIES TO INDUSTRY TOTAL POLICIES (IN PERCENT)

												(in percent)
SR. NO	INSURERS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	HDFC	17.29	20.21	21.44	17.20	17.03	18.89	15.61	16.10	0.01	10.59	14.02
2	ICICI	10.00	9.85	0.01	9.17	10.57	10.71	12.51	12.32	16.26	11.39	1.62
3	MAX LIFE	5.78	8.71	8.78	10.25	10.57	9.09	10.38	10.61	12.18	10.12	10.80
4	SBI	18.61	15.33	12.20	16.01	16.84	21.77	22.94	24.43	25.14	27.19	27.52
5	LIC	17.25	24.41	22.32	18.35	12.97	9.23	5.91	5.65	6.37	6.49	6.26
	Maximum	18.61	24.41	22.32	18.35	17.03	21.77	22.94	24.43	25.14	27.19	27.52
	Minimum	5.78	8.71	0.01	9.17	10.57	9.09	5.91	5.65	0.01	6.49	1.62

(SOURCE:AUTHOR'S CALCULATION)

The analysis shows that out of five insurance firms selected for the study the SBI life insurance is the best performer in acquiring premium and policies through banking channel. The LIC the being the largest insurance company in life insurance sector is the lowest premium earner through Bancassurance channel. The result shows private company premium acquisition through Bancassurance is more than the public sector firm. The reason of private firms better performance is their tie-ups with the sister bank which are having a large bank customer base. The ICICI bank contribute approx 33 percent to the business of ICICI prudential life insurance from other tie-ups it is earning 11 percent of the business. The SBI life insurance the best performer out of all earn 60 percent of its business through Bancassurance in which SBI bank has the major contribution. HDFC Life has approx 270 bancassurance partner out of which majorly contributing through HDFC bank. The public sector firm LIC contribution through Bancassurance stand around 5 percent. The reason found after investigation is that LIC has around 70 banks tie-ups alone in india but still has lowest business through bank in comparison to other insurance firms because SBI life banking partner SBI bank has the largest customer base all over india and it enjoy the benefit of public sector bank in terms of customer trust. The public sector

company LIC is more relied on individual agents with less digital advancement as compare to other private insurer firms.

## VII. CONCLUSION

The Bancassurance distribution channel works through the network of banks. The infrastructure of banks can be used to reach the vast customer base of bank in cost-effective manner. Bancassurance has removed the limitation of insurance firms in reach out the customers from inaccessible areas. To increase sale, reducing cost and in enhancing product awareness, Bancassurance can be a great mechanism for insurance firms. The trust of customer on banks can be used by insurance companies in expanding insurance business thereto. For this the insurance companies and banks need to work on common goal of increasing insurance penetration.

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