Bancassurance

Potential Development Impacts

Bancassurance—the process of using a Bank’s branch, sales network, and customer relationships to develop sales of insurance products—has been an important feature in the development of insurance markets in quite a number of countries. The effect has been stronger in life insurance than in non-life insurance, and stronger in some countries than in others.

However, promoting Bancassurance as a means to stability and growth is not a simple matter. The following dynamics of Bancassurance need to be understood before the decisions are made:

- Which countries find Bancassurance an effective tool? Which countries do not find it helpful? And why are there differences?
- Which countries choose to intervene with legislative, regulatory, or fiscal changes, sometimes to help and sometimes to constrain the use of Bancassurance? And why?
- Which types of insurance work well in a Bancassurance context and which types are less successful? And why?
- Which situations arise where Bancassurance sales actually can be unhelpful to the broader social development?
- Can Bancassurance effectively support micro-insurance? Is it the optimal distributor of insurance to rural areas?

Similarly, how to regulate the development of Bancassurance is an important concept to understand. Issues include the following:

- Ensuring the coverage is to a minimum standard and on a sound basis
- Ensuring the customer has a fair choice
- Ensuring the bank’s fees are fair and, as regards the insurers
- Ensuring that the insurers’ security is supported by a community safety net
- Ensuring that consumers and their claims are handled fairly

Clearly, a good understanding of these dynamics and issues should open the way for many countries to use Bancassurance as an effective development tool.

World Bank’s Response

The Non-Bank Financial Institutions (NBFI) Insurance Group is ready to offer technical support and advisory services to help developing countries and emerging markets develop Bancassurance practices and legal frameworks. The ultimate aim—to increase the sales of insurance products—is an important feature in the development of insurance markets in many countries as Bancassurance is becoming a key distribution channel in many insurance markets.

The NBFI Insurance Group has written a working paper Bancassurance - A Valuable Tool for Developing Insurance in Emerging Markets which provides the potential of Bancassurance to contribute to the growth and stability that both life and non-life insurance products can bring to emerging markets. The details of how some approaches work better than others, and how regulation and policyholder protection issues can impact such development, are reviewed, together with a discussion of regulatory policy issues and recommendations for best practice. And the paper provides a detailed study of the operation of Bancassurance in a major developed market (France) and this is contrasted with a further study in a developing market (Mexico).

How to Follow Up

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