

Bancassurance



Target Market, Segmentation and Products

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Target Market

Target Market for Bancassurance

- Existing Bank customers
- Potential Bank customers

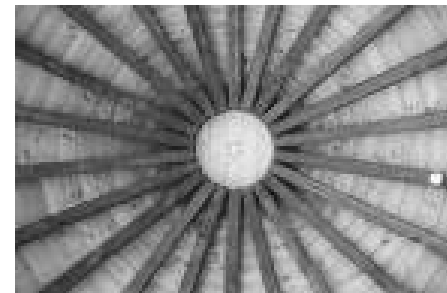
Target market is spread across all lines of bank business

Key to success in bancassurance is to identify the opportunities available in the bank customer base and offer the right financial planning solution

Bancassurance - Customer Segmentation

Possible approaches

- “Slicing” of Bank Database
- Targeting Customer Life Stage
- Event Trigger Approach

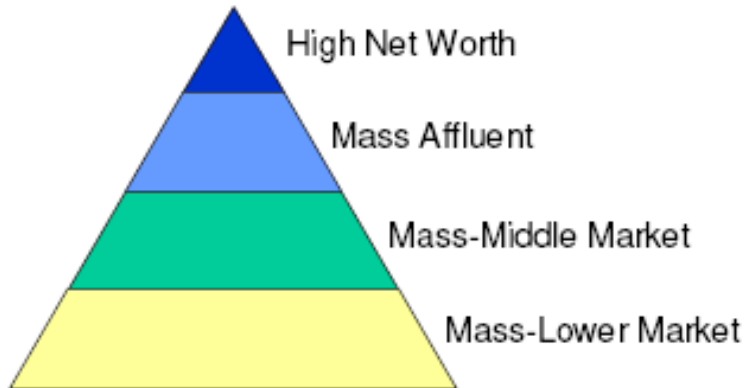


Which one is correct ? – depends on the bank, its target market and strategy to banking and bancassurance

All or a combination of the above can be used

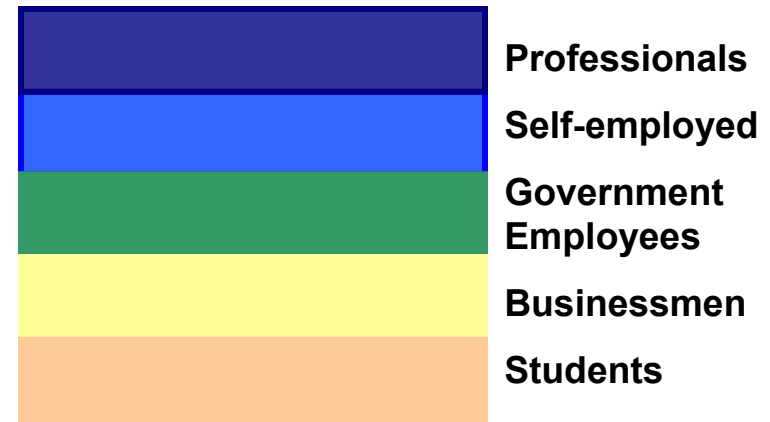
“Slicing” of Bank Database

“Preferred Banking” or “General Banking”



← Segmentation by worth to bank

Segmentation by occupation / role in society →



Targeting Customer Life Stage

- Student
- Young, Single
- Young, married with family
- Wealth Accumulation stage
- Wealth Management stage
- Retirement



Event Trigger Approach

- Birth
- Admission to University
- Wedding
- New Job
- Purchase of House
- Career Change
- Business Set-up
- Loss of Property
- Retirement
- Grandchildren
- Death



Product Development

Idea Generation

- Ideas – may come from bank, insurance company or customers



- Bank needs to determine if the idea can be sold to the customers
- Insurance company needs to determine if the idea can be transformed into a marketable product – can it be priced...competitively

Idea needs to take into account the characteristics of the target market

Product Development

Idea Screening

➤ Weeding out process to evaluate new product ideas quickly to determine which ones should be worked upon further and which ones should be rejected



Bank and insurance company may decide amongst themselves on which ideas are workable – danger is that the idea may not be appealing to customers

Bank may decide to carry out a quick survey on the product idea across the customer base

Survey may give valuable insight into which financial planning tool customers prefer

Bank input is very important in idea screening stage

Product Development

Product Pricing and design

Product technical aspects taken care of by the insurance company – actuaries, underwriters, systems

Basic product characteristics – Age and term limits, premium limits, benefits, underwriting criteria

Policy document and marketing material

Profit objective for insurance company

Bank commission / fee

Strategic fit for insurance company and bank



Product Development

Marketing and Distribution Strategy

Bank – which distribution channel will be used for selling the product – does it fit with the product complexity

Bank sales force, Insurer's sales force in bank branch, telemarketing, mail shots, internet, others?

Compensation structure for the distribution channel – bank commission / fee shared with the bank distribution channel

How does the product and distribution channel compare with bank's and insurer's competitors

Training support to distribution channel

Advertisements, publicity, customer communications

Products

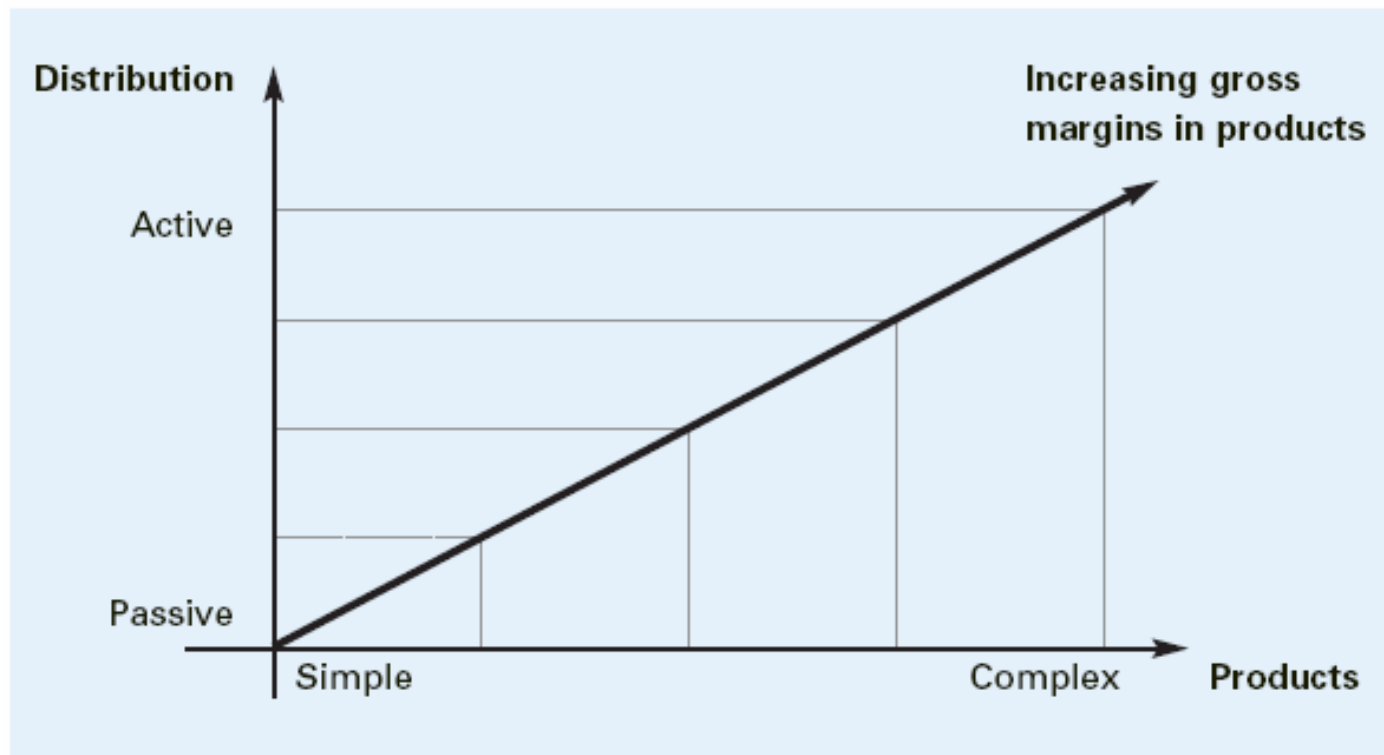
Life – Savings, Education, Pension, Term insurance, Personal Accident, Critical Illness, Health, **Takaful**



Non-Life – Auto, Home & Content, Travel, Personal Accident

Products

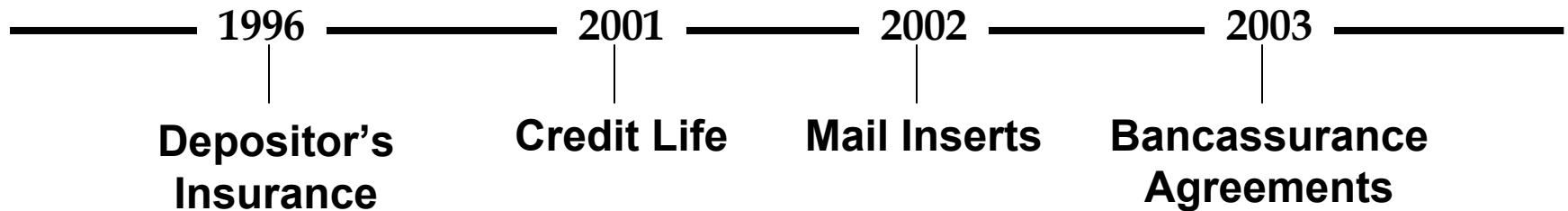
Relationship – Product Complexity and Distribution Channel



Life Cycle → Financial Needs → Product Solution

Life cycle segment	Financial Needs	Product Solutions
Young singles	Discretionary Income for Consumption Cash access Regular savings Car purchase	Current account / ATM Debit / credit card Savings facility Car insurance
Couples (no children)	As above + High level savings & investment House purchase	As above + Investment linked plans Deposit savings account Mortgage Travel , Mortgage Insurance
Families (young children)	Family protection Mortgage Protection Access to cash	Education Planning Health insurance Disability Income insurance
Families (older children)	As above + School / College expenses	As above + Investment Products
Pre-retirees (empty-nest)	Maximize savings for retirement	Additional pension fund contributions Investment Products
Retirees	Regular income in retirement	Annuities

Bancassurance in Pakistan



Bancassurance awareness has increased in Pakistan over the last 3 years – EFU Life is a pioneer in introducing banking products

With time most successful banks will realize the positive impact that bancassurance revenue can have on their bottom line

Product Environment in Pakistan

Credit Card Insurance – Being offered on all major Visa, Master and Amex Card

Mortgage Insurance – Being offered by some banks as compulsory and some as voluntary cover

Personal Loans, BTF

Telemarketing – Simple Products such as Personal Accident, Term Assurance being offered by some banks – high volume, low premium offerings

Bancassurance in Pakistan

Individual Bancassurance

Standard Chartered – started in 2003

ABN AMRO – started in 2004

Products - Personal Accident & Unit linked Savings Products

EFU Life has successful relationship with both banks

Many other banks have realized the potential of bancassurance and have shown interest in this channel

Large national and local banks have yet to enter the bancassurance market

Revenue for Hypothetical Bank

Following example uses market consistent parameters

Gives indication of income potential through bancassurance

Bank – Medium Sized – 50 to 75 branches countrywide

Has good reputation and credibility in the market

Bancassurance opportunities seen in **Individual Savings Products, Credit Card Insurance, Mortgage Insurance and Personal Loans Insurance**

Credit Cards have been launched – will grow to sizable level in 2 years time

Mortgage and Personal Loans portfolio – already exists, insurance cover will be started now

Individual Savings Products to be started through branch network

Revenue for Hypothetical Bank

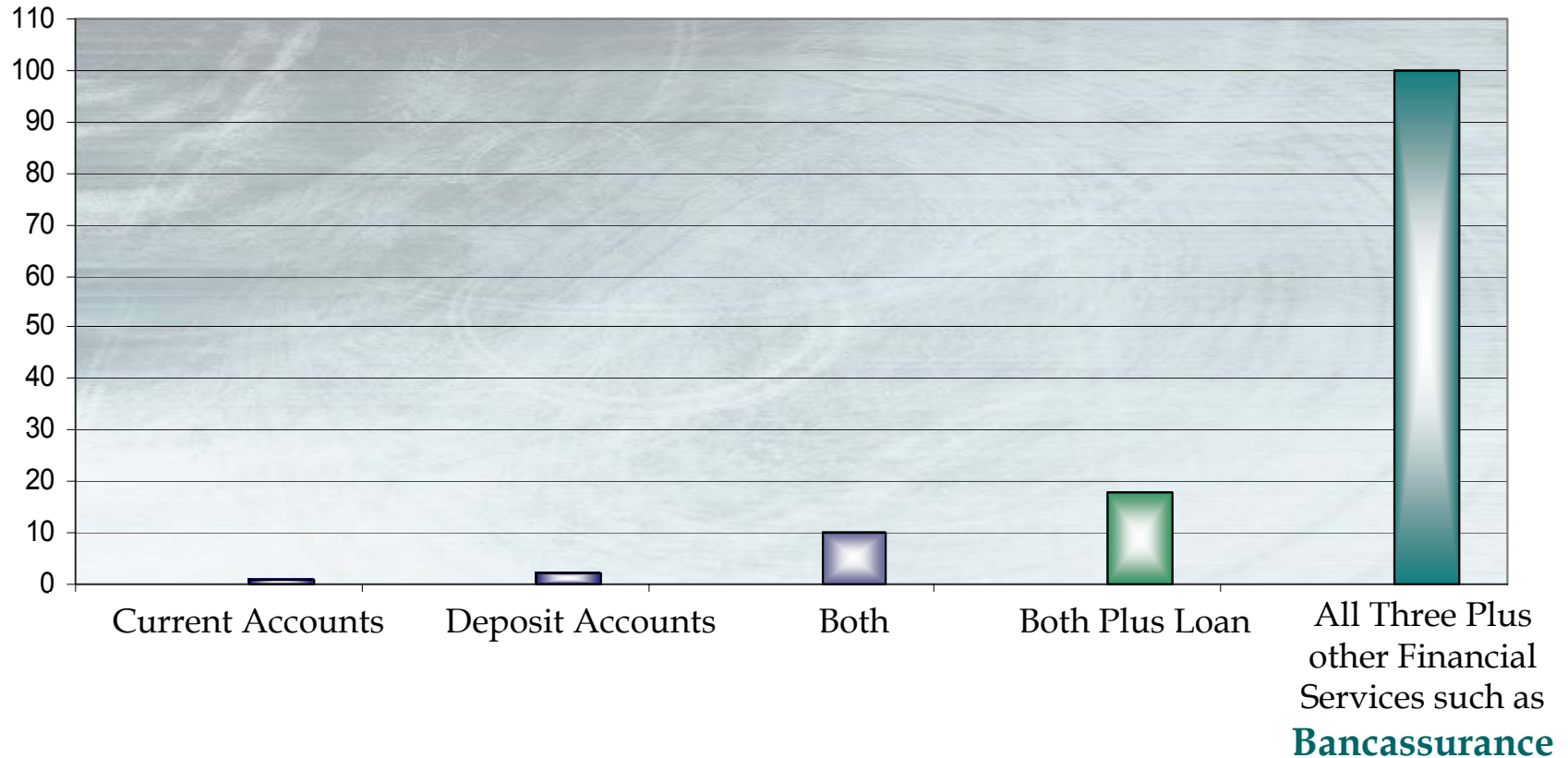
	Potential Fee income to Bank
First year	241,500,000
Second year	393,300,000
Third year	434,160,000

The above numbers should not be taken in their absolute terms but should be taken as an indication of the potential revenue “hidden” in bancassurance that the bank was not exploiting earlier

The figures above are based on conservative estimates

If the bank is serious about bancassurance and there is commitment at the senior level, these numbers could be much higher

Customer Loyalty



EFU Life Banking Relationships

Institution Name	Insurance Cover for Bank Customers
ABN AMRO Bank N.V.	Credit Cover for Credit Cards
	Home Loans
	Personal Installment Loan
	Balance Transfer Facility
	Individual Bancassurance
Askari Commercial Bank Limited	Credit Cover for Credit Cards
	Home Loans
Bank Alfalah Limited	Credit Cover for Credit Cards
	Home Loans
Citibank NA	Credit Cover for Credit Cards
Faysal Bank	Home Loans
Habib Bank	Home Loans

EFU Life Banking Relationships

Institution Name	Insurance Cover for Bank Customers
Habib Metropolitan Bank	Personal Loans
	Accountholders Insurance
IHFL	Home Loans
KASB Bank	School Fee Continuation Plan
MCB Bank	Credit Cards
SME Bank	Accountholders Insurance
Saudi Pak Bank	Umrah Scheme
Standard Chartered Bank	Credit Cover for Credit Cards
	Home Loans
	Individual Bancassurance
Union Bank Limited	Credit Cover for Cards
United Bank Limited	Credit Cover for Credit Cards

Expertise of EFU Life in bancassurance

- Dedicated bancassurance team
- Ability to design products based on bank customer needs
- Skilled and experience professionals – actuaries, underwriters
- Comprehensive systems support
- Structured Bancassurance training modules for bank staff
- Bancassurance Coordinators' Team
- Regular sharing of information – MIS reports
- Assisting the bank in developing business plan for Bancassurance
- Assisting in developing and suggesting various models for bank sales force compensation
- Joint Bancassurance committee – regular monitoring and evaluation of business
- Prompt Policy issuance, client services and claims settlement

Key Requirements for success

Good bank database

Holistic view of the mining of the database

Integral part of the bank's operations
(specific targets and accountability)

Choice of sales model and strength of processes

Buy-in from all levels of management
Management focus and commitment to shared
objectives



Thank you!