



Bancassurance Products by Profitability 2019

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Global Products and Market Intelligence (GPMI)

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GLOBAL SUPPORT TEAM

Bancassurance Products by Profitability

In support of RGA's effort to benchmark successful sales and distribution practices in bancassurance we surveyed our local markets to get their insights on the top products (by profitability), as well as distribution methods and success drivers.

Thank you to our local RGA offices for contributing data to our research for the bancassurance channel in your markets.

The following offices provided data:

- Australia
- Brazil
- Canada
- China
- France
- Hong Kong
- India
- Italy
- Japan
- Mexico
- Portugal
- Singapore
- South Africa
- South Korea
- Spain/Portugal
- United Kingdom
- United Arab Emirates
- United States



Bancassurance is the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel to sell insurance products to the bank's client base.

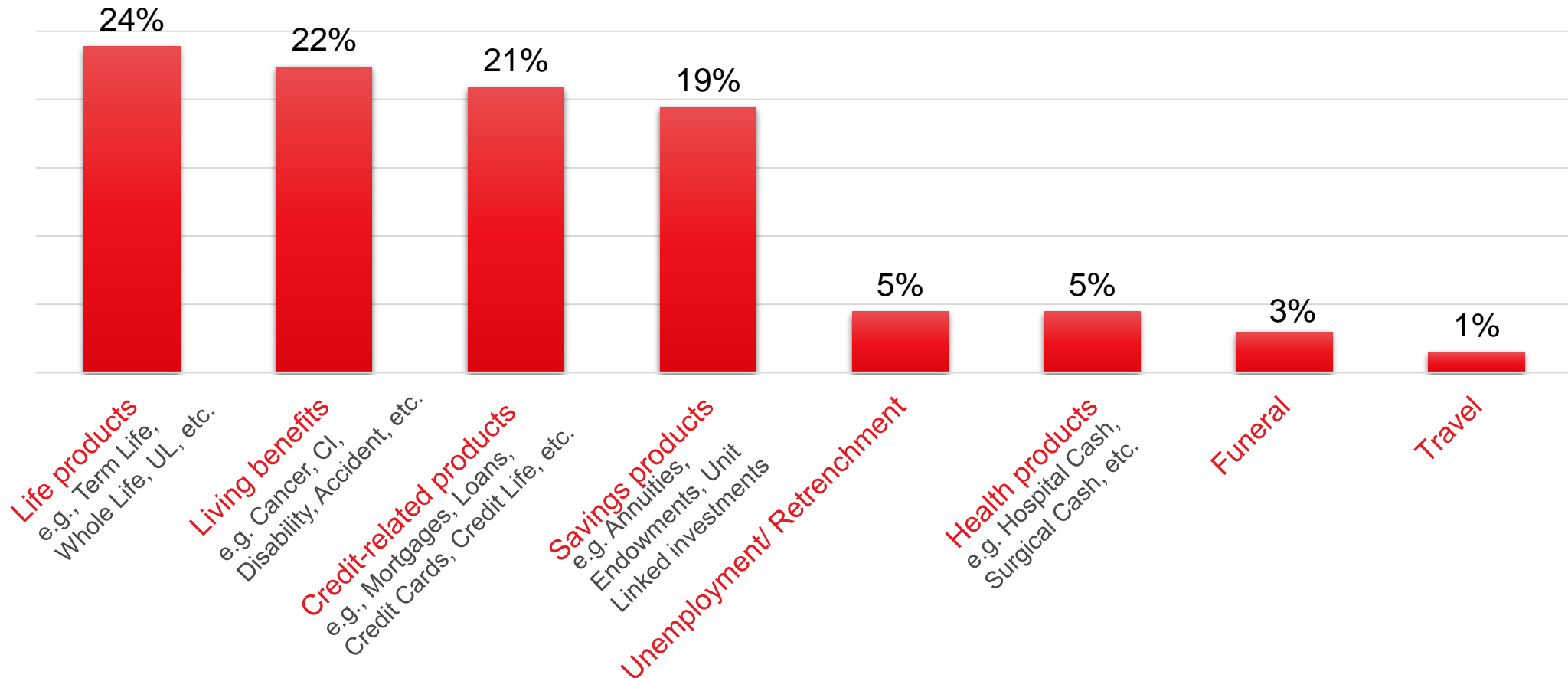
Bancassurance Products Definitions

- **Life products** - insurance products that provide a death benefit to your beneficiaries in the event of your death (e.g. Term Life, Universal Life or Whole Life).
- **Credit-related products** – includes policies purchased by a borrower that pays off one or more existing debts, or pays the contribution towards those debts, in the event of a death, disability, or in rare cases, unemployment. (e.g. Mortgage loans, credit cards, Credit Life, etc.)
- **Living benefits** - Insurance products that can be used for individual illness protection, while the policyholder is still alive (e.g. Critical Illness, Long Term Care, Accident and Disability).
- **Savings products** - Insurance products that can be used for individual savings due to their cash value accumulation (e.g. Annuities, Endowments, and Unit-Linked investments).
- **Unemployment/Retrenchment** products – Unemployment insurance is an insurance by which people may receive benefits if they have faultlessly lost their jobs and meet other eligibility criteria. Retrenchment insurance covers the insured's salary, or a portion thereof, in the event of unemployment to cover living expenses for a fixed period of time.
- **Health products** – products that pay defined cash amounts on the happening of a hospital stay or pre-defined surgery, such as hospital cash or surgical cash, etc. that are not covered by government plans, which could be used to cover health costs among other expenses.
- **Funeral** – insurance which pays on death a benefit that can be allotted toward funeral costs with a fixed sum assured.
- **Travel** – insurance coverage for risks associated with traveling such as loss of luggage, delays, and death or injury while in a foreign country.

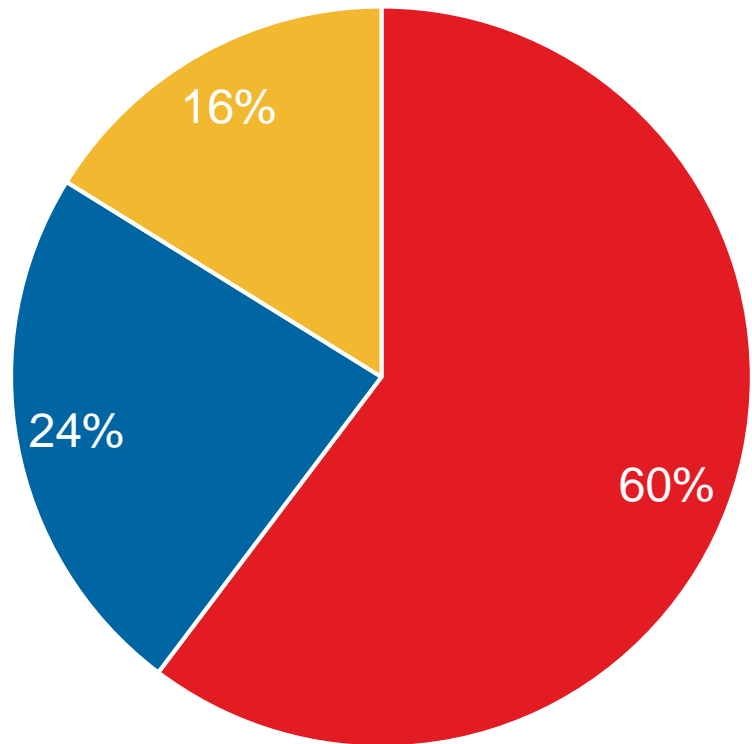
Global Top Profitable Bancassurance Products

Respondents were asked to specify their top 5 profitable bancassurance products

76 Responses



Product Mixes: Tied/Embedded, Standalone and Both



■ Standalone ■ Tied ■ Both

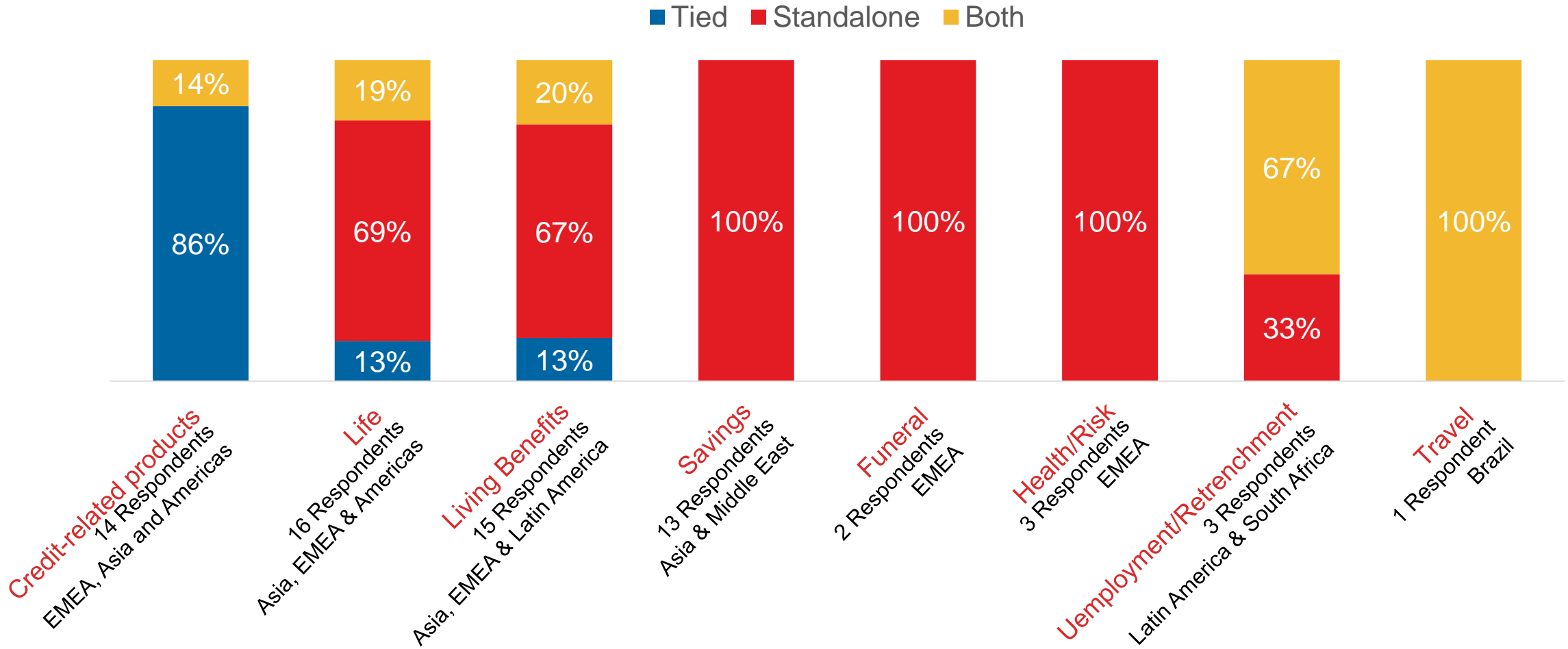
68 Responses

- The largest group of profitable bancassurance products are sold on a **standalone** basis (60%)
- Standalone products varied by types but are predominantly sold via bank or branch channels
- The drivers for success included brand strength and distribution footprint as well as incentives to sell (commissions and up-selling) or in Asia the drivers include investments with high returns

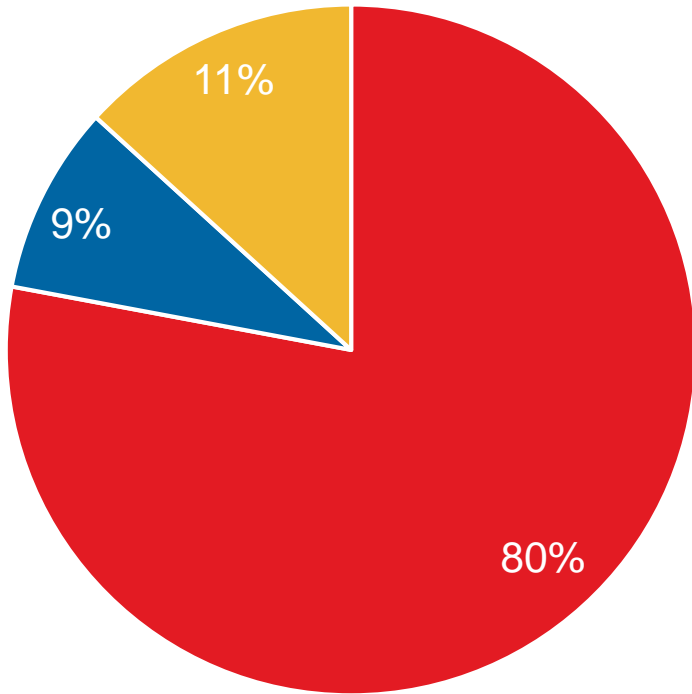
- **Tied products** yielded 24% with the majority of tied products being credit-related, as expected, with a couple of responses for life and living benefits which are sold in-branch or through mortgage representatives/lenders
- Commissions and incentives were cited as driving factors around the world for tied products

- The smallest proportion (16%) offer **both** tied and standalone products
- A varied product mix consisting of Term, CI, Unemployment, Travel and Life – being sold in-branch by bank staff, via other sales types, and through call centres
- Often these products were cited as ‘easy to sell’

Product Mixes: Tied, Standalone or Both



Product Mixes: Voluntary, Compulsory and Both



■ Voluntary ■ Compulsory ■ Both

64 Responses

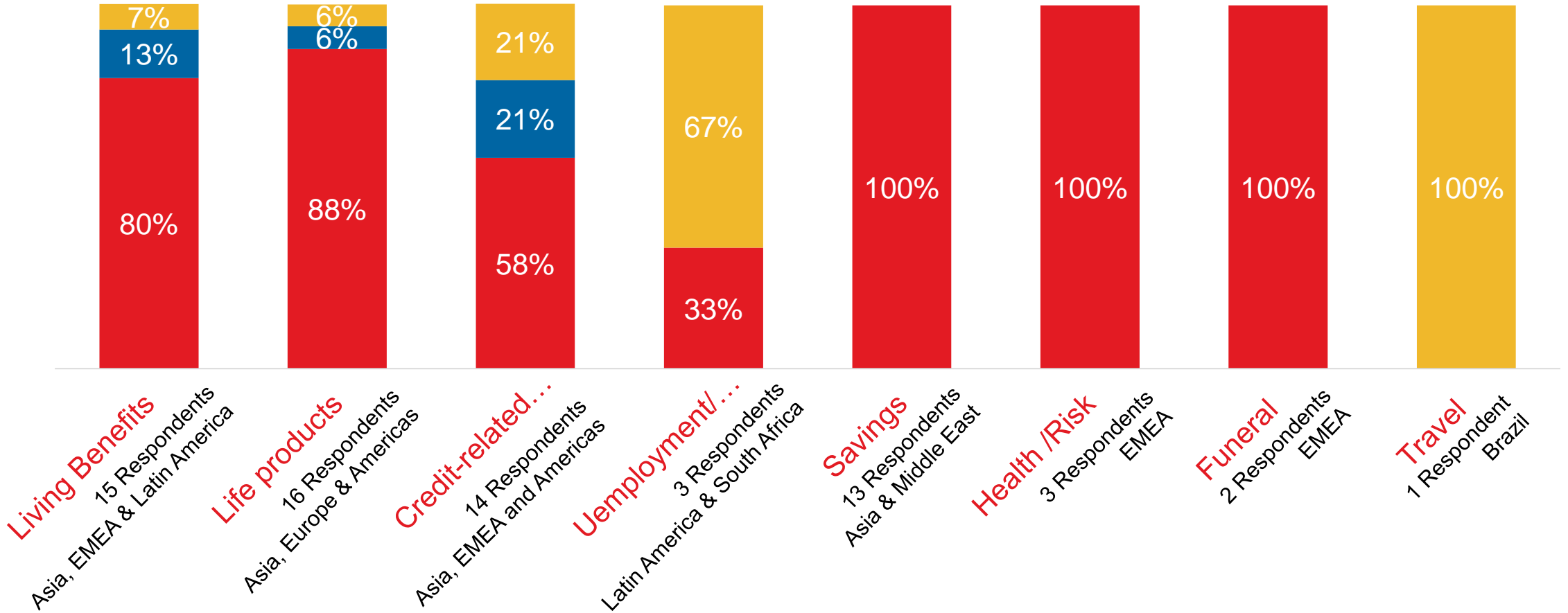
- The largest group of profitable bancassurance products are sold on a **voluntary** basis (80%)
 - Voluntary **credit-related** products are sold in-branch and through brokers and agents, and through call centres and online; drivers included pricing to brand strength of banking partner
 - **Life products** are sold predominantly in-branch or through agents/brokers with incentives from banks and in support of customer needs
 - **Living benefits** largely included CI, followed by Cancer products and Personal Accident; sold in-branches or through brokers/agents and call centres; success is dependent on simple, limited UW approaches with easy fulfillment
 - Distributed in-branches, **Savings products** – both sales and sum assureds - are increased by incentives/commissions and predominantly in Asia as a tool for wealth accumulation and retirement planning
 - **Health products** included Accidental/Health products (e.g., Hospital Cash, Surgical Cash, etc.) in Italy and South Africa are distributed by branches, call centres and online through targeted marketing campaigns

- Profitable bancassurance products (11%) that were sold **both** on a **voluntary** and **compulsory** basis were mostly credit-related in EMEA through branches and are easy to sell in conjunction with a mortgage or lending product being issued

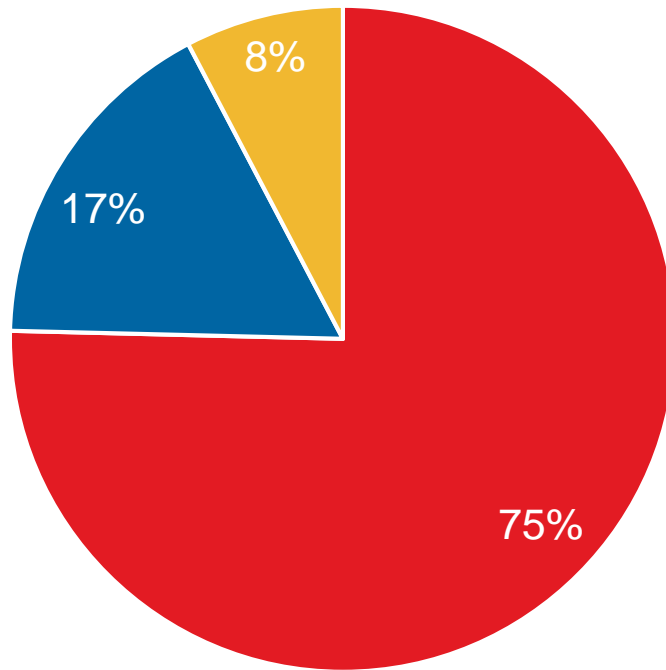
- **Compulsory products** yielded 9% with mainly credit-related (insurance on credit cards, loans, credit life) and a couple of Life, Living benefits and Unemployment or Retrenchment products – these are generally easy to sell
- Many are sold in-branch or through mortgage representatives/lenders with commissions and incentives

Product Mixes: Voluntary, Compulsory or Both

■ Voluntary ■ Compulsory ■ Both



Product Mixes: Individual, Group and Both



■ Individual ■ Group ■ Both

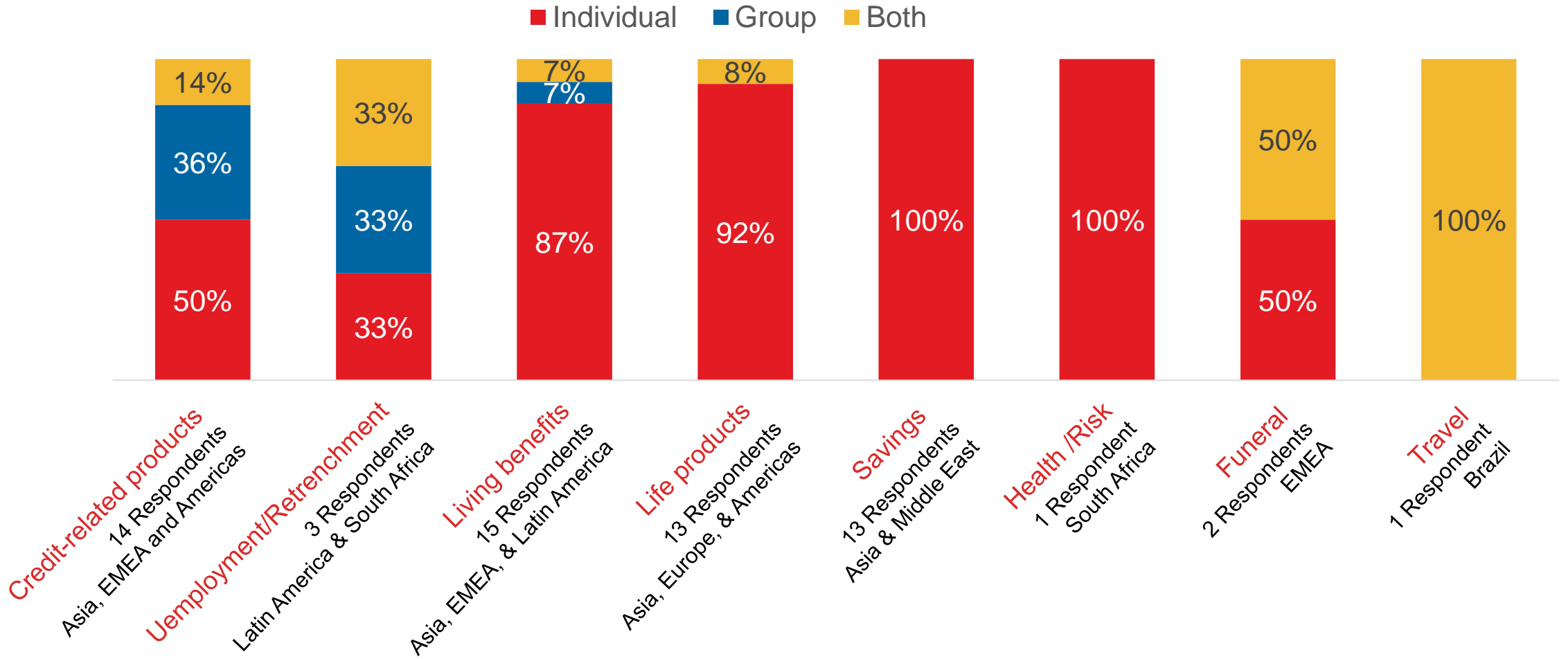
68 Responses

- The largest group of profitable bancassurance products are sold on an **individual** basis (75%)
- Individual **credit-related** products are sold in-branch and through lenders; drivers included ease of sale and financial incentives to reduce interest on a mortgage in Asia
- **Life products** are sold predominantly in-branch or through agents/brokers with incentives from banks and in support of customer needs
- **Living benefits** largely included CI, followed by Cancer products and Personal Accident; sold in-branches or through brokers/agents and call centers; success is dependent on simple, limited UW approaches with easy fulfillment
- Distributed in-branches, **Savings products** are increased by incentives/commissions and predominantly in Asia as a tool for wealth accumulation and retirement planning
- **Health products** included Accidental/Health products (e.g., Hospital Cash, Surgical Cash, etc.) in Italy and South Africa are distributed by branches, call centers and online through targeted marketing campaigns

- **Group products** accounted for 17% with mainly group credit life plans in EMEA and Asia sold through bank channels and are popular due to low pricing or because they are compulsory products
- **Life products** sold in Latin America are Life (WOL) or Death coverage while India offers Group Term Life plans sold through branches, agents/brokers and through tele-sales channels with strong sales incentives
- Other group products include: **Living Benefits** (e.g., miscellaneous risk products sold in Brazil for Personal Accident and Disability sold through branches) and **Travel** benefits which are compulsory products sold in Brazil

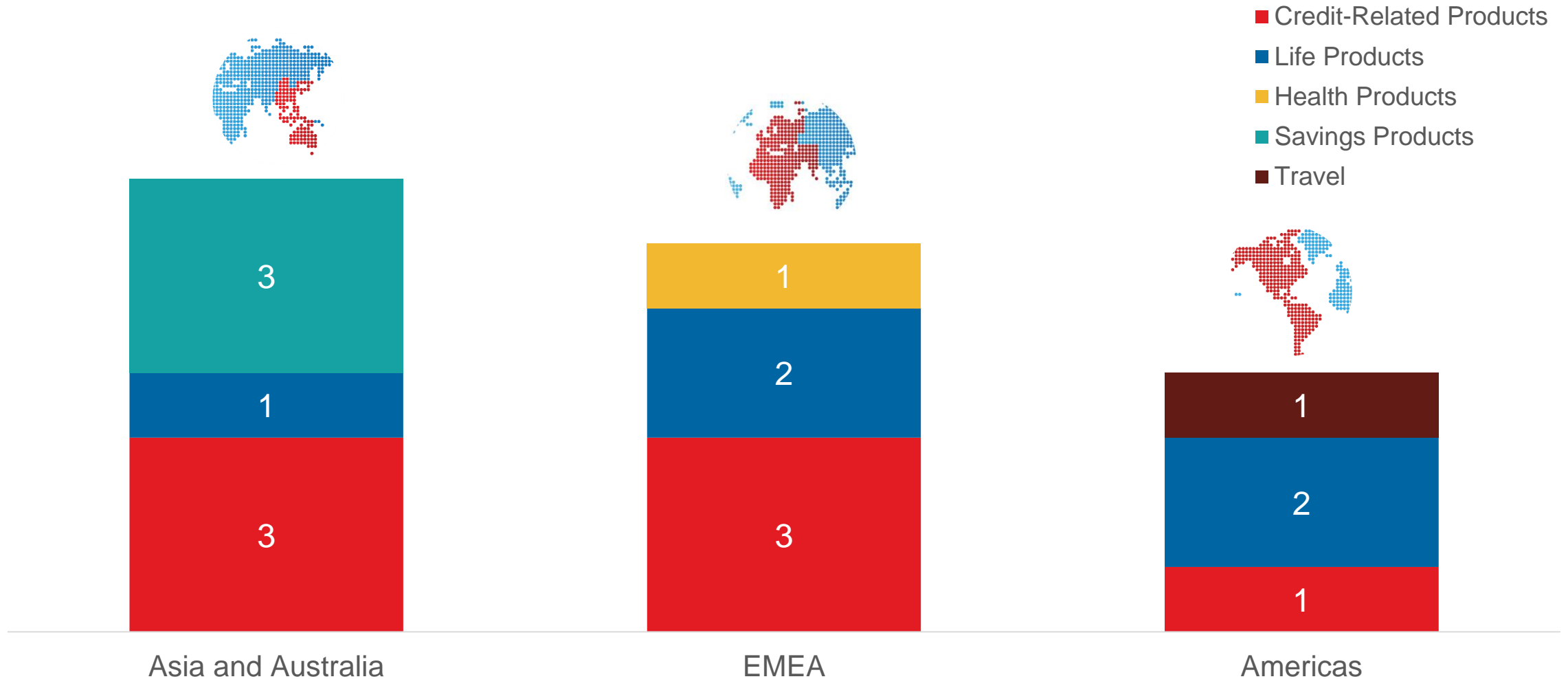
- Products sold **both** on an **individual** and **group** basis (8%) are mostly sold in Latin America and include Death coverage, TPD, Unemployment, Travel and Credit through banks, agents, call centers, online and via third-parties
- South Africa also offers Funeral products with short-term product cycles and increased call center volume – both regions cited positive cross and up-selling experiences

Product Mixes: Individual, Group and Both



First Ranked Bancassurance Products by Profitability

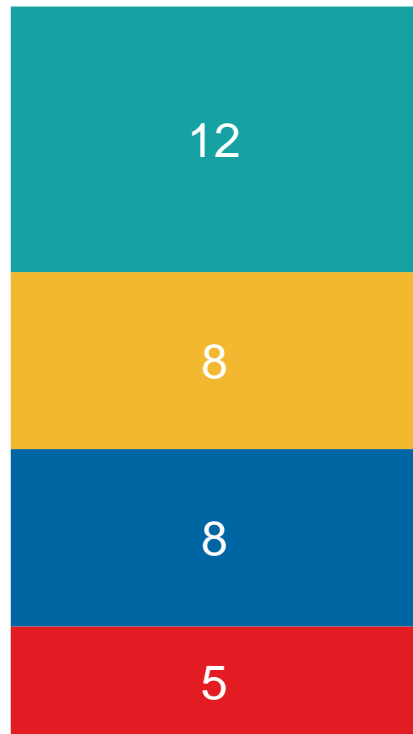
Based on responses from 17 countries around the world



Top 5 Most Profitable Bancassurance Products

RGA Internal Bancassurance Market Survey 2018

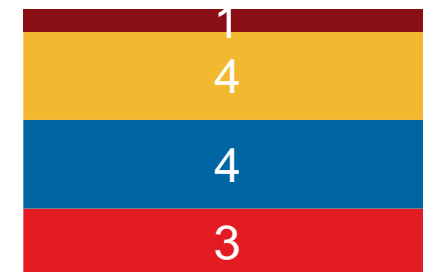
- Credit-Related Products
- Life Products
- Living Benefits
- Savings Products
- Health Products
- Funeral
- Travel



Asia and Australia



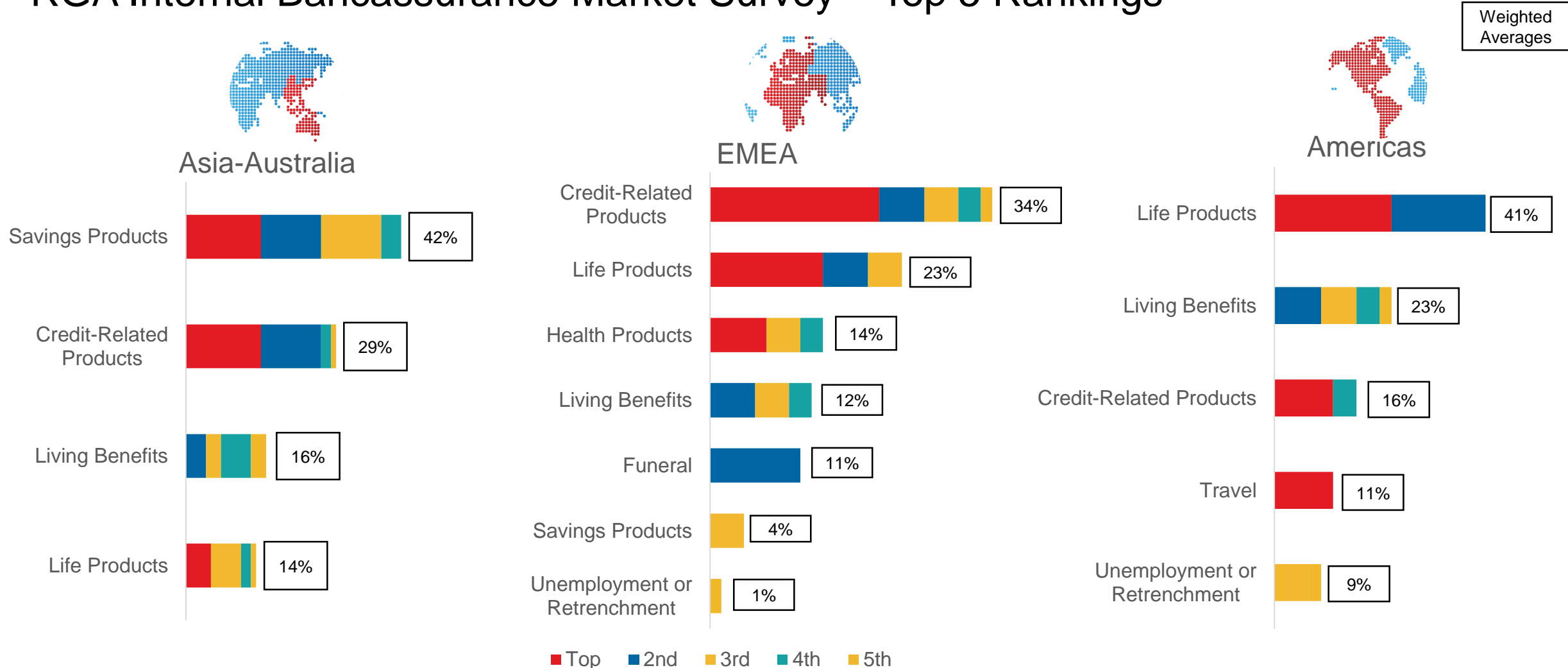
EMEA



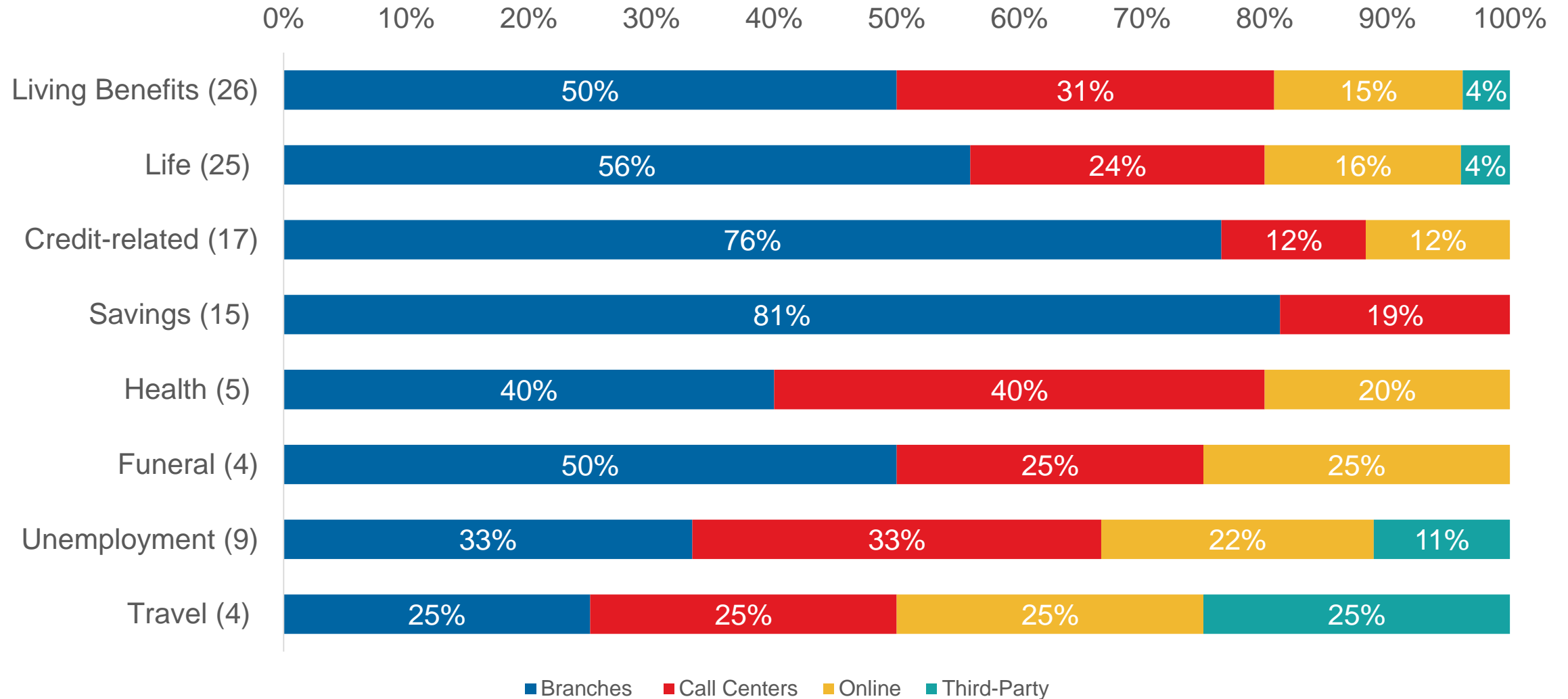
Americas

Top Weighted Bancassurance Products by Region

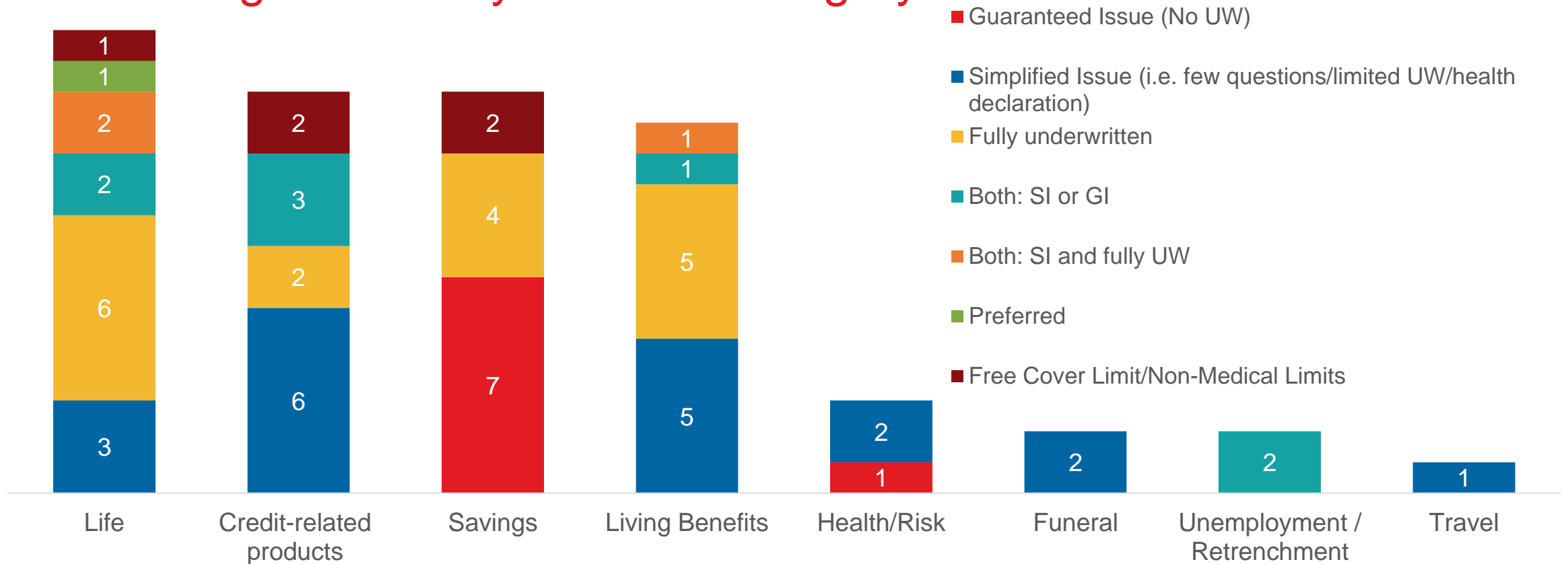
RGA Internal Bancassurance Market Survey – Top 5 Rankings



Distribution of Products

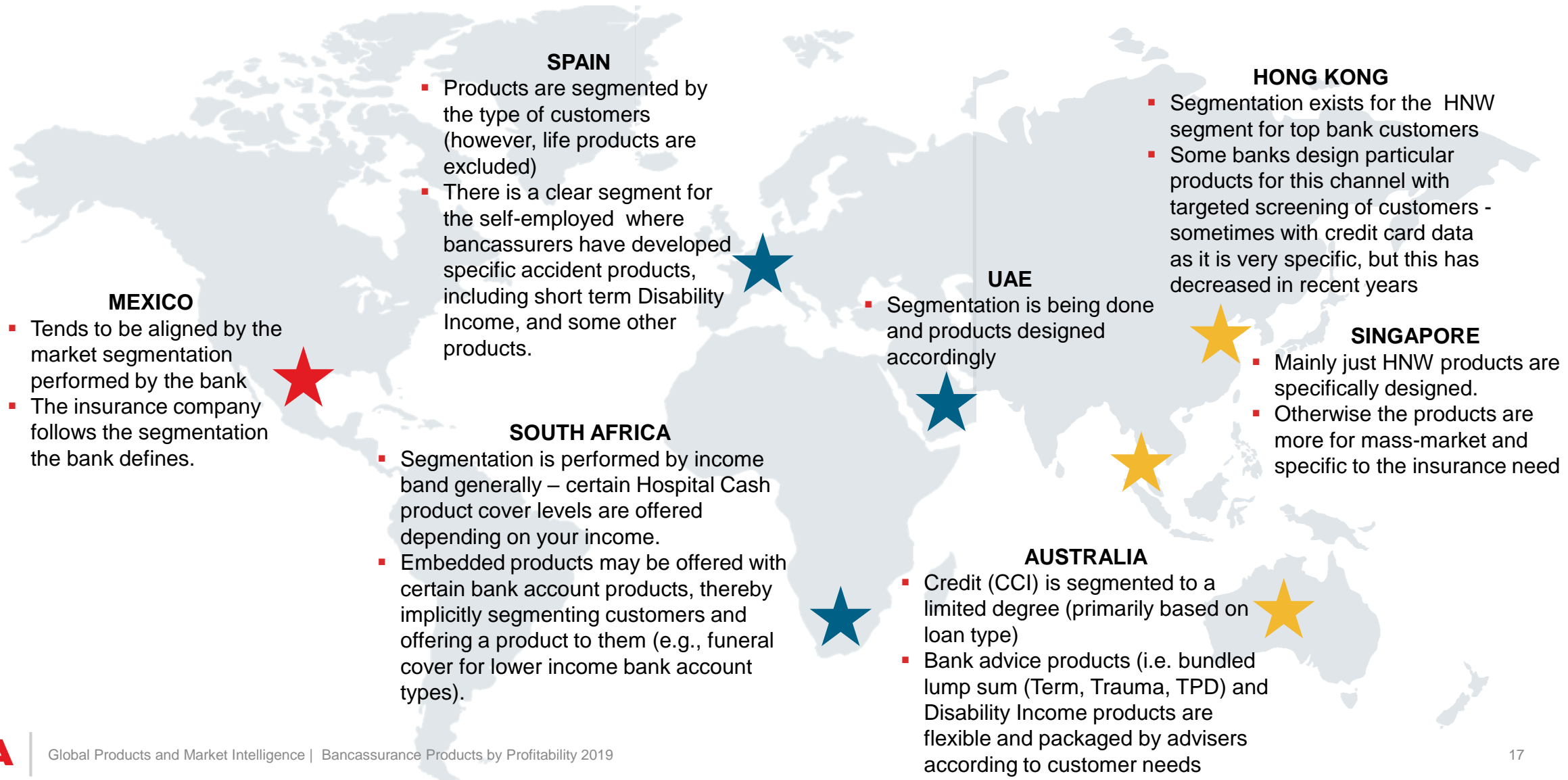


Underwriting Method by Product Category



- UW methods varied by product type, as expected with predominantly savings products under Guaranteed Issue (GI)
- Life, Credit-related, Living benefits and some health and funeral products were simplified issue meaning they have a few simple questions, some limited underwriting or required a health declaration to qualify

Customer Segmentation Practices



RGA









Market Overviews

GST
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Top Ranked Bancassurance Products by Profitability

EMEA

	Country	Product	Tied or Standalone	Compulsory or Voluntary	Individual or Group	Driver of Success
Credit related	France 	Credit Life	Tied to a banking product	Voluntary	Group	Pricing
	South Africa 	Group Life (Death & Disability)	Tied to a banking product	Compulsory / Voluntary	Individual; tied to personal loans, credit cards, mortgages & vehicle loans; both secured / unsecured	Brand strength of banking partners; compulsory cover; ease of processing (tick box)
	Middle East 	Group Credit Life	Protection cover	Compulsory	Group	Risk Management for covering O/S balances
Life products	United Kingdom 	Term Insurance	Tied to a banking product/Standalone	Voluntary	Individual	Brand strength and distribution reach of banking partners; limited underwriting approach
	Spain 	Term Insurance	Tied to mortgages and loans	Compulsory / Voluntary	Individual	Incentives for branch staff to sell the product
Health	Italy 	Accident & Health product (e.g., surgical & hospital cash)	Standalone	Voluntary		Incentives to call centers





Top Ranked Bancassurance Products by Profitability

Asia

	Country	Product	Tied or Standalone	Compulsory or Voluntary	Individual or Group	Driver of Success
Credit related	Hong Kong 	Mortgage Reducing Term Assurance (MRTA)	Tied to mortgage (packaged)	Voluntary	Individual	Financial incentive to reduce interest on mortgage
	Singapore 	Mortgage Reducing Term Assurance (MRTA)	Tied to mortgage (packaged)	Voluntary	Individual	Financial incentive to have a lower mortgage rate
Life						
	Japan 	Single Premium Whole Life	Standalone	Voluntary	Individual	Customer needs (inheritance); High upfront commission
Savings						
	China 	Annuity Product	Standalone	Voluntary	Individual	Higher return for clients and a strong upfront commission for the bank
	India 	Unit Linked Investment Plan	Standalone	Voluntary	Individual	Incentives / commission to sales staff
	South Korea 	Equity-Linked Securities (ELS) Variable	Standalone	Voluntary	Individual	High return investments

Top Ranked Bancassurance Products by Profitability

Americas

	Country	Product	Tied or Standalone	Compulsory or Voluntary	Individual or Group	Driver of Success
Credit related	Canada 	Credit-related (mainly mortgages)	Tied or bundled to financial products (mortgages, lines of credit, and credit cards)	Voluntary	Under a Group contract with Individual certificates	Sales incentives, however, penetration is low due to cost compared to non-credit life products
Life	Mexico 	Death Coverage	Tied / Standalone	Compulsory / Voluntary	Individual and Group – Credit Life secured	Commissions to bank executives, telesales/marketing, and internal agents; online fees
	United States 	Universal Life	Standalone	Voluntary	Individual	N/A – only 2% bancassurance penetration; broker dominated market
Misc. products	Brazil 	Travel	Tied / Standalone	Compulsory / Voluntary	Individual / Group	Cross-selling protection products alongside credit cards; enhanced by the Schengen Agreement where Brazilians are required to have a minimum insurance cover.

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Success Drivers



Credit-Related Products

Driving Factors for Success in Bancassurance



Asia and Australia

- Compulsory and beneficial to add various riders, such as Critical Illness, etc.
- **Commission to sales staff**
- Risk management practices
- **Financial incentives to reduce interest on mortgage**



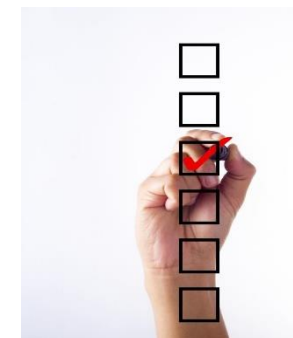
EMEA

- Pricing
- Ease of sales (i.e. when a mortgage or loan/lending product is issued, or a tick box process)
- Brand strength of banking partner
- Compulsory
- Risk management for covering O/S balances



Americas (Mexico & Brazil)

- Voluntary with mortgage products (but experience high take-up rates)
- Easy to sell face-to-face in branches
- Usually cheap
- Ticking boxes product



* Bolded responses denote multiple responses

Life Products

Driving Factors for Success in Bancassurance



Asia and Australia

- Incentives or **commissions** to sales staff
- Promoted by government (India)
- Complete offering to high-end customers
- **Premium financing** – arbitrage is key – dependent upon market conditions, as the feature is simple
- Customer needs such as inheritance or protection-type products
- Strong sales support



EMEA

- Brand strength and distribution footprint of banking partner
- Limited UW approach
- Broker commissions
- Campaigns marketed by banks



Americas (Mexico & Brazil)

- Commissions to bank executives, tele-sales/ marketing and internal agents
- Incentives for branch staff to sell these products



Living Benefits

Driving Factors for Success in Bancassurance



Asia and Australia

- Strong and upfront commissions for the banks
- **Commission**
- Simple, low ticket size with easy fulfillment process, especially in payment technology
- Convenience of purchase over a call or online
- **Targeting** cancer or personal accident **needs with a savings component** (refund all paid premium at maturity)



EMEA

- Brand strength and distribution footprint of banking partner
- Limited UW approach
- Commission



Americas
(Mexico & Brazil)

- Commissions to bank executives and tele-sales/marketing staff
- Incentives for branch staff to sell these products



Savings Products

Driving Factors for Success in Bancassurance



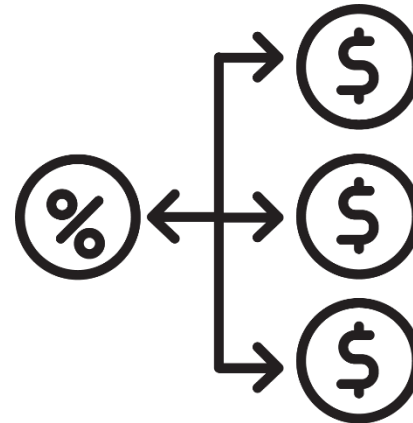
Asia and Australia

- Incentives or **commissions** to sales staff
- Higher return for client
- **Lucrative and upfront commission for the bank**
- **Meeting customer needs for investments/ wealth accumulation/ retirement planning** with simple or long-term products
- **Alternative to Savings deposit** – traditional bancassurance product play changing from deposit to fee income which is a natural conversion in a bank



EMEA

- **Commission**



Driving Factors for Success in Bancassurance

Health Products



- Brand strength and distribution footprint of banking partner
- Limited UW approach
- Incentives to call centers
- Campaigns marketed by banks



Funeral Products



- Commercial approach with huge pressure on sales agents
- Short-term product cycles and increased call center volumes
- Positive upselling experience



Travel Products



- Cross-selling protection products alongside credit cards
- Schengen Agreement increases product sales as Brazilians are required to have minimum insurance cover



Retrenchment / Unemployment

Driving Factors for Success in Bancassurance



- Current economic climate makes this product attractive



- Commissions to bank executives and tele-sales/marketing staff
- Brazil: Guaranteed by law (compulsory)
- Offered by private banks usually for autonomous workers that are afraid of losing their income due to disability (mainly by accident or illness)

Innovations in Bancassurance



Technology

- Engage customers
- Optimize cross-sell and up-sell complementary products
- UW innovations to simplify the process
- Increased D2C
- Access and unification of information from different sources within the bank to be used for bancassurance – a “one client view” perspective



Predictive Analytics/ Customer Segmentation

- Increase customer centricity
- Product customization/development based on customer segmentation by the banks

Credit-Related Products

New Innovations

Areas for Growth



Asia and
Australia

- New innovations reflecting the need to make the customer journey more simplified
- In general, companies are trying to tap into the bank customer space with more protection products
- Regulatory changes

- Strategic partnerships e.g., property developers (Hong Kong)



EMEA

- Regulatory changes (i.e., in South Africa NCR is offering more value to customers)

- Sales through in-branch channels and compulsory products (Middle East)



Americas

- Nothing currently listed

- Offering additional benefits or riders (Canada)

Life Products

New Innovations

Areas for Growth



Asia and
Australia

- New innovations reflecting the need to make the customer journey more simplified
- In general, companies are trying to tap into the bank customer space with more protection products

- Adding in-branch sales
- Adding riders and benefits (Japan)



EMEA

- Technology and underwriting innovations to simplify the process
- Digitalization
- Regulatory changes

- Digital and mobile (Spain and Portugal)
- Simplifying the product
- Simplifying sales and the underwriting process (UK)



Americas
(Mexico &
Brazil)

- Technology innovations and increasing digital
- More D2C
- Predictive analytics in support of customer centricity
- Collection of information from different sources of the bank to be used for bancassurance

- Digital (US, Mexico, Brazil)
- Increased telemarketing sales (Mexico)

Living Benefits

New Innovations

Areas for Growth



Asia and
Australia

- New innovations reflecting the need to make the customer journey more simplified
- In general, companies are trying to tap into the bank customer space with more protection products

- None listed



EMEA

- Technology and underwriting innovations to simplify the process

- Simplifying the product & sales/UW processes (United Kingdom)
- Sales in-branch/banks (Middle East)
- Telemarketing/Telesales (Middle East)



Americas

- None listed

- None listed

Savings Products

New Innovations

Areas for Growth



Asia and
Australia

- Open architecture where banks can sell products of 3 companies under life, non-life & health (India)
- Assisted sales
- Regulatory changes on annuity tax structures (Hong Kong)
- Shift from in-branch sales to mobile banking environment (South Korea)
- Tapping into bancassurance with more protection products

- Simplifying the product (Japan)



EMEA

- In-branch/banks
- Telemarketing/telesales (Middle East)

Health Products

New Innovations

Areas for Growth



EMEA

- Some product innovation related to health products and adding services to clients
- Pushing sales networks
- Big banks brands are pushing health products via outbound/inbound channels and offering sales through apps and website

- In-branch/banks
- Online Straight-Through-Processing (STP) (South Africa)

Funeral Products



EMEA

- Switching of policies allowing for waiving on underwriting (i.e. waiting period served)

- Digital
- In-branch/banks
- Adding riders and benefits
- Adapting product features (South Africa)

Travel Products



Americas
(Mexico
& Brazil)

- Offering sales via apps and website

- Digital
- Mobile (Brazil)

Retrenchment / Unemployment

New Innovations

Areas for Growth



EMEA

- Embedded into NCR regulations, therefore, bringing greater attention to this product (South Africa)

- Adding riders and benefits
- Adapting product features (South Africa)



Americas
(Brazil)

- Big banks brands are pushing these unemployment products products via outbound/inbound and offering sales through apps and website (Brazil)

- Digital (Brazil)



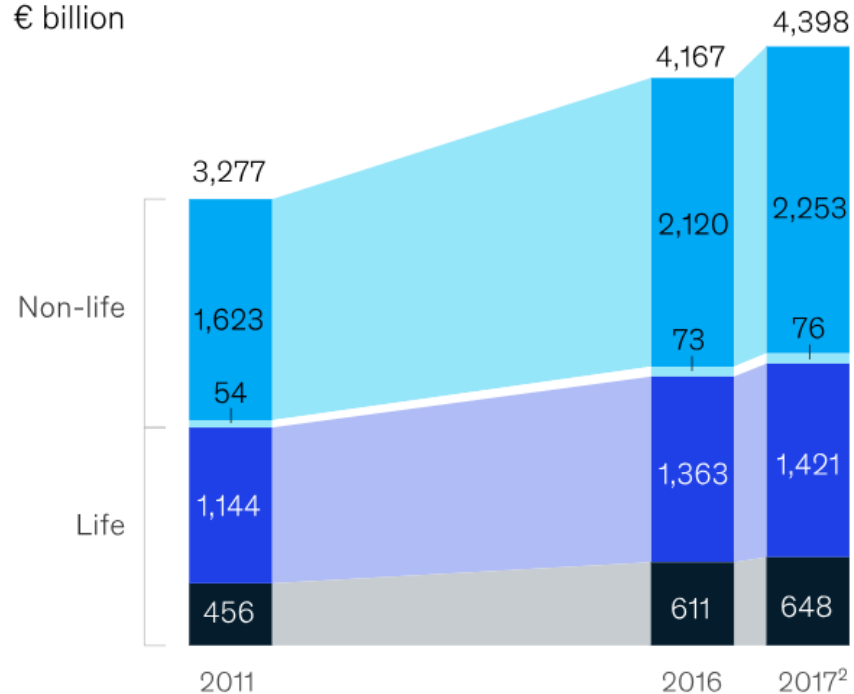
Current state of bancassurance and global drivers for profitability (supplementary research)



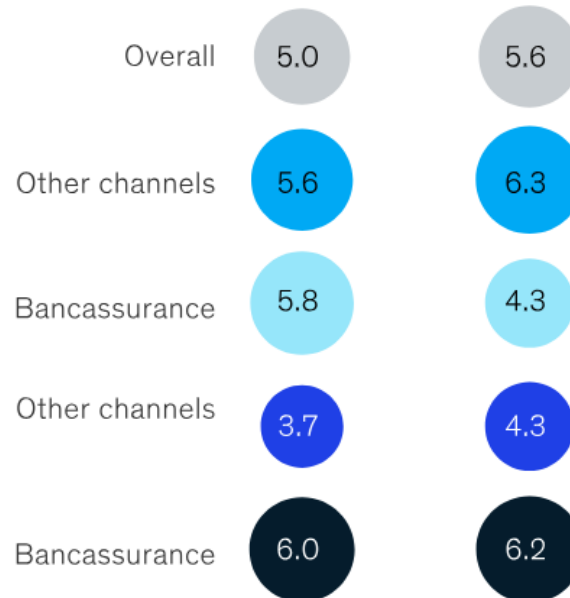
Global Drivers for Profitability

Life products continued to grow while non-life product growth has slowed.

World insurance premiums,
€ billion



CAGR,¹
2011–17,² %



- Life products tend to have higher average sale prices and profit margins than most non-life products
- Within the bancassurance structure, life products are related to financial products and banks have access to their clients' personal financial assets, they often work to promote life policies with built-in cash value as an alternative form of investment, citing tax benefits

¹Compound annual growth rate.
²Estimated.
Source: Local regulatory sources; McKinsey analysis

Source: McKinsey

Global Business Drivers

Overall, the bancassurance industry has seen strong premium growth around the world. From 2011 to 2017, the growth of the bancassurance channel outpaced other channels in both life and non-life products



Aging population

Proportion of world's population over 60 years old will nearly double from 12% to 22% between 2015 and 2050

(Source: World Health Organization)



Need for health, life insurance & retirement product plans for this growing demographic



Economic growth in developing economies

Increasing partnership opportunities to access large customer bases and profitable for both bank/insurer



Insurance offers additional revenue and opportunity to expand the financial product portfolio of banks; and a higher return on equity



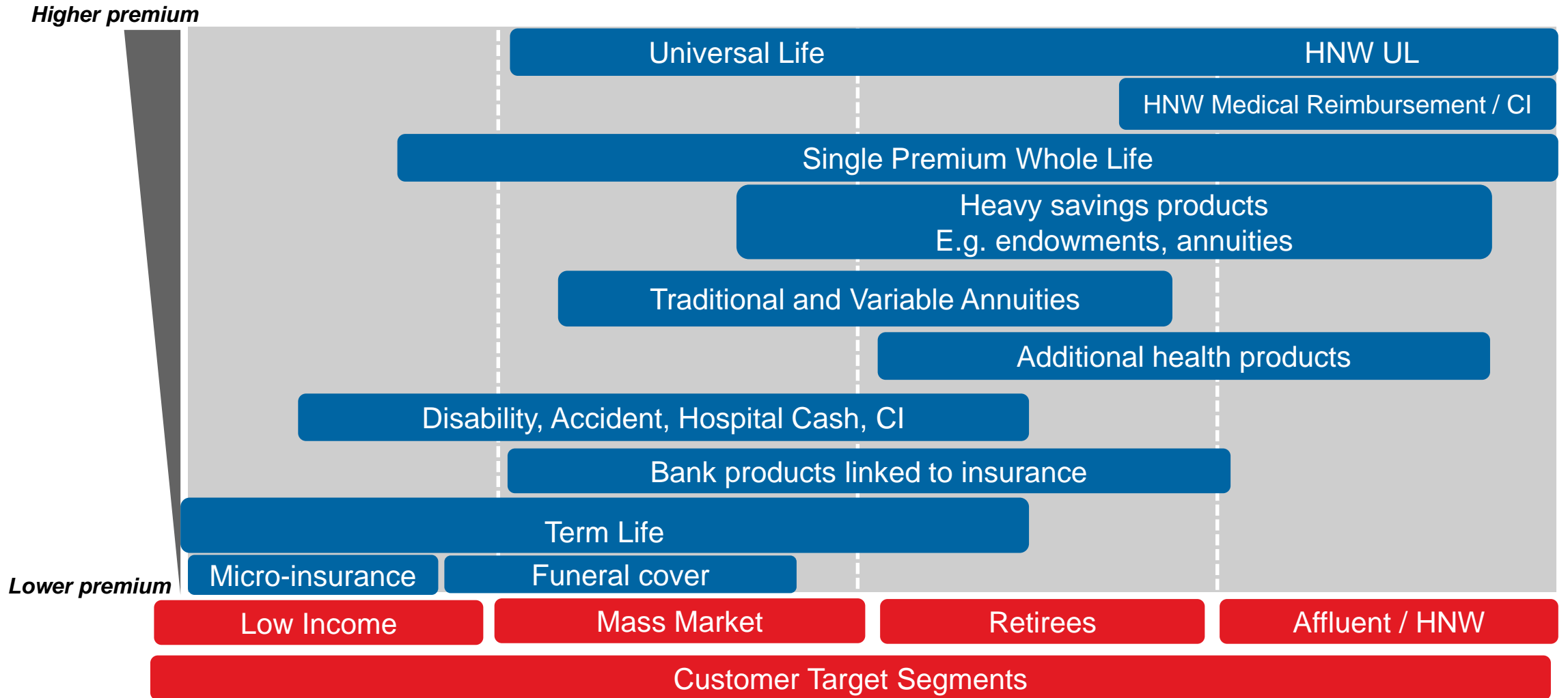
Rising internet, mobile penetration and technological advancements

Influencing consumer behaviors and their purchasing patterns



Need for increasing customer engagement and digital strategies

Core Bancassurance Offerings



Current State of Bancassurance

Banks are moving toward digital



Selling environment is becoming less optimal

Complicated by regulatory and operational constraints



Rise of digital causing reduced in-branch activity in some markets



Insurers are lagging behind banks in CX/UX



Room for growth though digital optimization

Design
or enhance the customer journey focused on broader financial objectives of the target customer segments

Integrate
regulatory requirements into a seamless multi-channel customer process

Establish
a holistic and broad-based customer data set with the required custodian management

Achieve
a digital open standards platform with bank and insurer applications

Bank Challenges Directly Impact Insurance Sales

Changes in consumer behaviour means that clients are visiting bank branches less and less – Shift to digital and omni-channel approach

Customer behaviour triggered Standard Bank move to close 91 branches

COMPANIES / 15 MARCH 2019, 07:00AM / KABELO KHUMALO



Picture: Supplied

JOHANNESBURG – Standard Bank, Africa's largest bank by assets, yesterday said that more than 1 000 jobs were on the line as the group contemplates closing down nearly 100 branches across the country.

The bank said the shift in customer behaviour means that its clients are using its branches less.

Source: <https://www.iol.co.za/business-report/companies/customer-behaviour-triggered-standard-bank-move-to-close-91-branches-19896105>

South Africa

- Standard Bank, Africa's largest bank in terms of assets, closed 91 branches down in response to less clients visiting bank branches and a shift in consumer behavior
- Competition with tech-savvy banks e.g. TymeBank, South Africa's first fully digital-driven bank and other competitors revamping their retail and business banking delivery models

United States

- J.P. Morgan, Wells Fargo, and Bank of America have reportedly shut approximately 1,915 branches between 2014 and 2018 as a result of higher fees compared to digital banks and the increased use of technology such as chatbots and online tools

Source: <https://www.forbes.com/sites/ronshevlm/2019/03/11/will-bank-branches-go-the-way-of-retail-stores/#7701577da72d>

Changing Customer Expectations

Millennials

Born between
1981 – 1996

Total of 2.5 billion
or



31% of the
Global population

**Digitally savvy
and socially
active**

43x

**# of times
checking
phones/ day**

**Key life events
happening later
than before**

84%

**Millennials live
at home with
their parents**

(Source: KPMG Hong
Kong Survey)

**Different
lifestyles and
needs**

**8
secs**

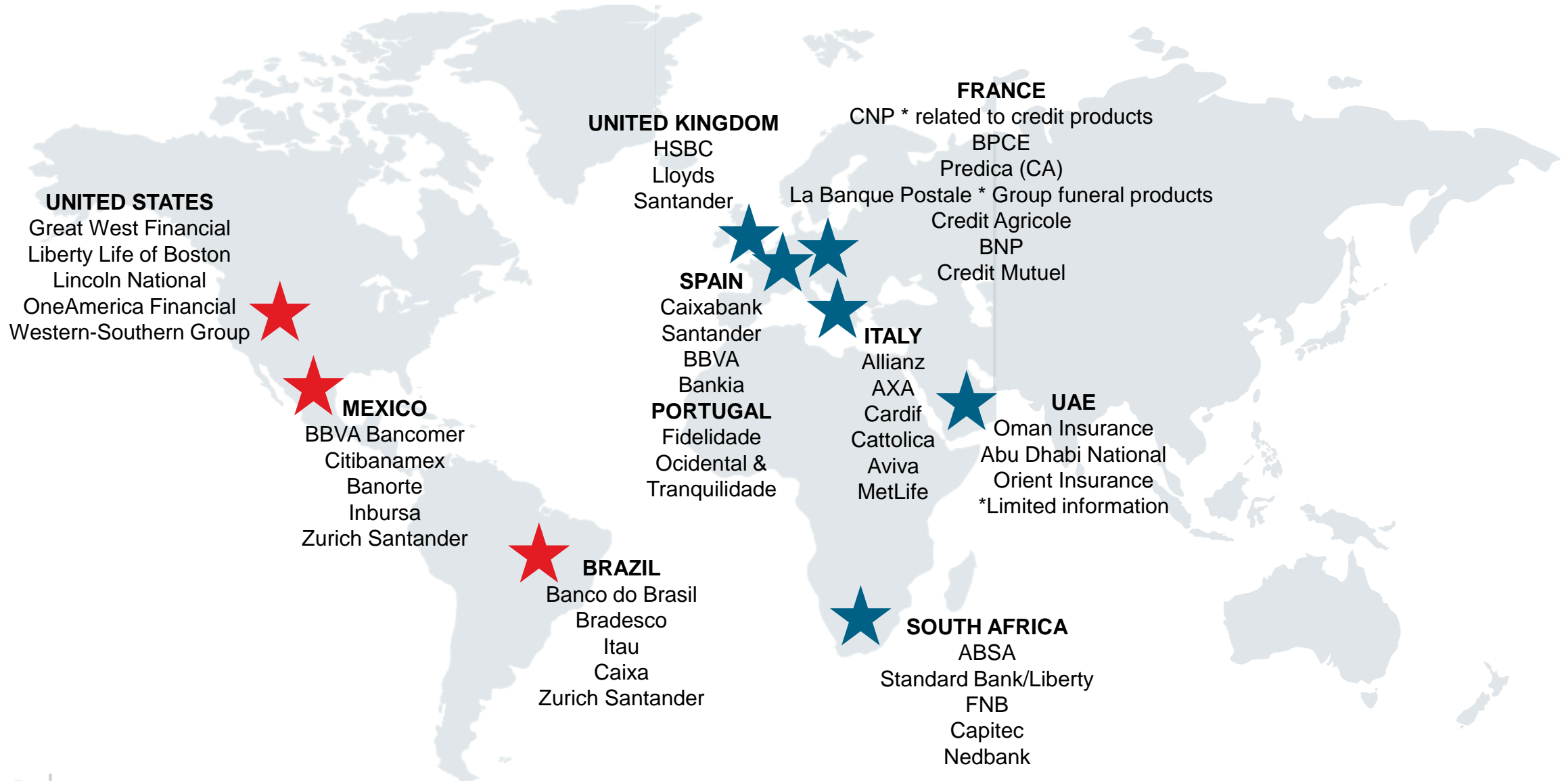
**Average
attention
span these
days**

RGA

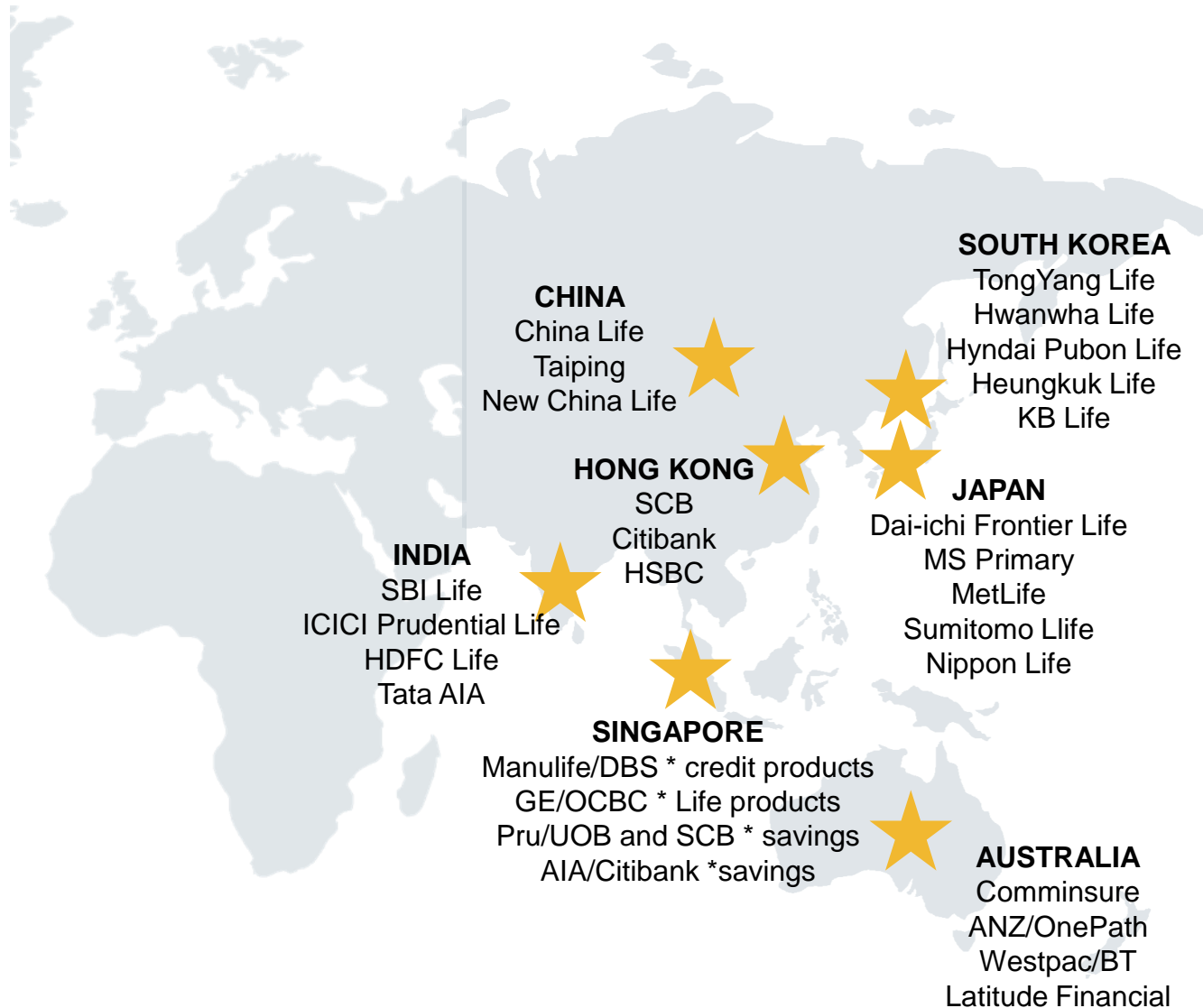
Top Bancassurers by Market



Top Bancassurance Competitors



Top Bancassurance Competitors



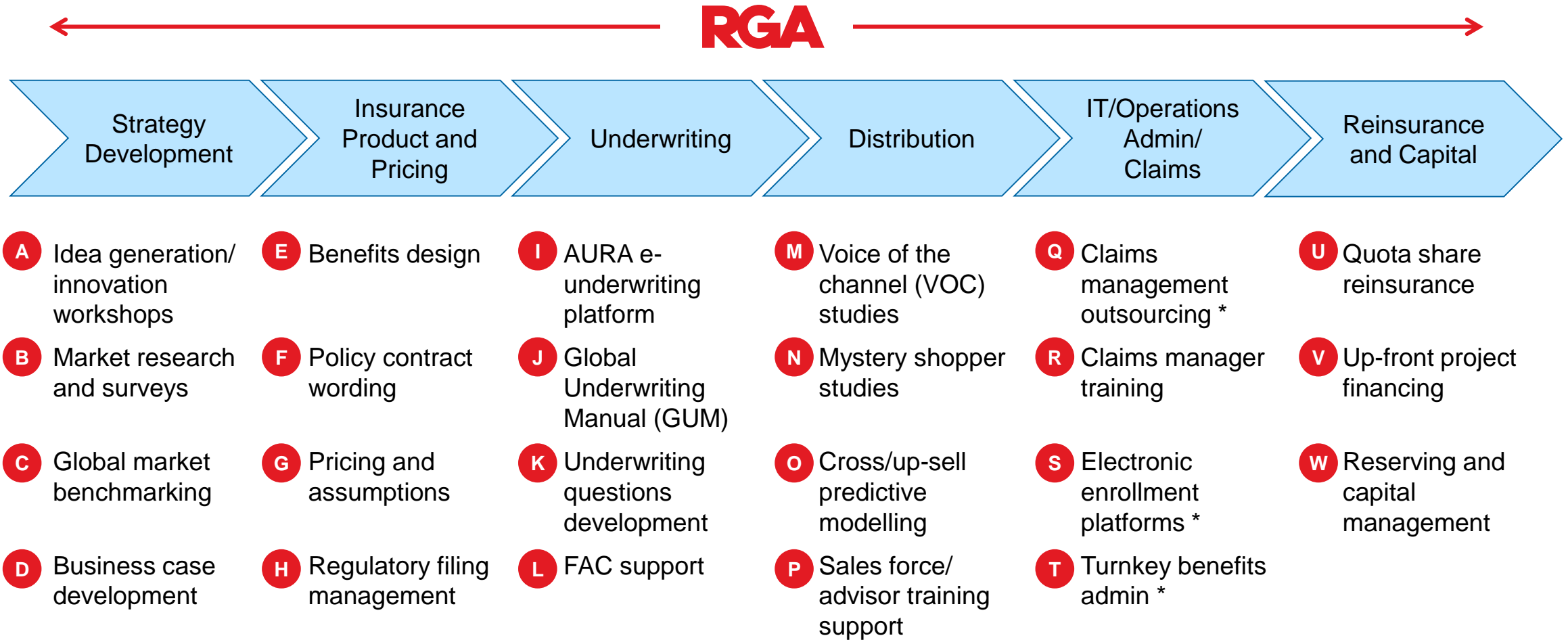


RGA Research and Expertise



RGA's offering: Bancassurance

We help clients grow their bancassurance business across the value chain



* In conjunction with 3rd party providers

RGA Bancassurance Surveys

- South Africa Bancassurance Survey (2007, 2008, 2012, 2014, 2016)
- South Africa Adviser Survey (2012)
- South Africa Mystery Shopping Survey (2012, 2018)
- US Survey “Bridging the Cultural Divide” (2008)
- Middle East Survey – “Bridging the Cultural Divide” (2009)
- France Survey–“The Changing Landscape of Mortgage Insurance”(2009)
- India Survey “Bridging the Cultural Divide” (2010, 2012)
- UK Bancassurance “Protection Sales Post MMR” Survey (2015)
- Australia/ New Zealand Bancassurance Survey (2013)
- Japan Bancassurance Survey (2013, 2017, 2019)
- Japan Mystery Shopping Survey (2011,2017)
- Japan Bank Survey (2019)



***“Flipping through the report I again realized how many insights and nuggets were uncovered in the survey process. Thanks again to all at RGA who were involved! Our industry will never be the same again – market share to chase and defend, mistakes to correct, and products to evolve.” -
Testimonial***

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