

# UNIT 7- Banc assurance- Everything You Need To Know



## Introduction

Banc assurance is the concept of selling insurance products of insurance companies by banks. Bank acts as an agent and promotes Banca (Banc assurance) products under section 6(1)(o) of the Banking Regulation Act, 1949.

It originated in Europe in the 1980s and was successful. The Banc assurance business model is a globally accepted profitable business.

## Why Banc assurance?

Banc assurance is a structured banking product by which banks are enabled to offer diverse range of banking products in addition to products like CASA accounts, FDs, forex, etc.

Banc assurance is a good source of fee-based income to banks. Though banks deal with both life and non-life insurance schemes, the focus remains on offering life insurance schemes to individual customers in retail banking.

## Types of Banc assurance products:

### **Life insurance products:**

- Term insurance plans( with accident and death benefits).
- Endowment plans
- ULIPs( Unit Linked Insurance Plans)

### **Non-life Insurance products:**

- Health insurance
- Marine insurance( for cargo shipments)
- Property insurance( against natural calamities)
- Key Men insurance( Top executives of companies, partnership firms,etc)

## Types of Banc assurance models in India:

### **1. Pure distributor Model:**

In pure distributor, Model bank acts as a distributor of insurance schemes of Insurance company.

Example: Indian Overseas Bank acts as a distributor of Life Insurance Corporation of India

### **2. Strategic alliance Model:**

In this model there would be an agreement between the bank and the insurance company to market banca products, other insurance functions are not carried out by the bank.

Example: HDFC bank with HDFC life insurance company and HDFC ERGO general insurance company.

### **3. Joint venture Model:**

In a joint venture model a new joint venture company is established in which the bank(s) and the insurance company will have shareholdings in agreed ratio.

Example: IndiaFirst Life insurance Co. Ltd is a Joint venture between Bank of Baroda (44%), Andhra Bank (30%) and UK's financial and investment company ' Legal and General' (26%).

## **Advantages of Banc assurance:**

### **To Insurance Companies:**

- Increased turnover.
- Higher market penetration ( both urban and rural) through the existing customer base of the bank.
- Cost efficient as channel and network are well established by banks

### **To banks :**

- Enhanced product portfolio.
- The source of additional fee-based income.
- Man power efficient- as existing bank staff can be trained.
- High degree of alignment in customised product sales and support services.

### **To Customers :**

- A Higher degree of trust.
- Easy premium payment, as it can be linked to bank account.
- Access to a wider range of products within the bank.
- Assured advice and services by the bank.