



## Will bancassurance survive the pandemic?

Prior to COVID-19, Indian insurers were largely dependent on agents and bancassurance channel for their sales. The pandemic has changed a lot of things. *Asia Insurance Review* spoke with **Bajaj Allianz General Insurance's Mr Aashish Sethi** about how the bancassurance channel has been impacted and how it has adapted to accommodate less physical contact with customers.

By Anoop Khanna



**C**OVERD-19, the consequential social distancing and extended lockdowns have put a stop to face-to-face contact and impacted insurance sales adversely. Prior to the pandemic Indian insurers were largely dependent on insurance agents and bancassurance, which rely on seller/customer face-to-face contact.

### **Bancassurance channel in India**

Banks in India have relied on advanced digital capabilities, promotional activities and features of new insurance policies and have encouraged more partnerships with insurance players.

In particular, meeting the requirements of digitally-savvy millennials via online promotions has been a game-changer for insurance companies through the bancassurance channel. India also enjoys a demographic advantage with a high proportion of people under 30.

As per a report by Internet and Mobile Association of India, India had over 504m monthly active internet users as of May 2020. The market share of bancassurance in

India increased to 56% from 27% between 2011 and 2019. Agency sales during this period declined from 42% to 24%. The contribution of direct sales by insurers improved from 2-4% to 14-15% from 2011 to 2019.

### **The party may come to an end**

The pandemic changed everything overnight. All insurance sales had to go online. It goes to the credit of the industry that it responded credibly and quickly. It adopted the digital mode of business in its entirety. Insurance sales, however, registered a drop, especially via bancassurance and agents.

The bancassurance channel sees almost three-fourth share of its premiums generated from sale of unit-linked insurance products. However, such products are expected to see a slowdown in the next couple of years, as during the pandemic the focus has turned towards pure protection products. This could lower the overall share of premiums from the bancassurance channel.

Deteriorating economic conditions and increasing loss of

jobs may lead some prospective customers away and existing customers may consider switching their insurers or reducing existing coverage. The major challenge for bancassurance and agent channels would be 'new' online insurance sales channels. To be able to access the right prospective customers will also be a difficult job.

The footfalls in banks branches have also reduced and may reduce further as bank customers increase usage of online and mobile banking even as pandemic related curbs abate. Customers are likely to visit bank branches less often for their banking needs.

COVID-19 has also impacted corporate loans as many businesses, especially small ones, have suffered economically due to lower business revenues and employee layoffs. The fall in corporate loans may indirectly bring down the volume of corporate customers of the bancassurance channel.

Things could also change as banks now have adopted an open architecture framework that permits



## MARKET PROFILE – INDIA

them to sell the insurance products of nine insurers (three each in life, non-life and health insurance).

By adopting open architecture the banks are now able to offer their customers a variety of products from different players. This results in stiff competition in the channel. Hence, some insurers are likely to reduce their share of business from the bancassurance channel.

### Ecosystem was conducive

Bajaj Allianz General Insurance president and head – bancassurance Aashish Sethi speaking with *Asia Insurance Review* said, "Proactive engagement with customers requires physical as well as digital channels.

"We have built a digital process in a manner that the relationship manager fills all the customer's details during the discussion, then the customer gets a SMS for validating the information and after the customer's verification he further make the payments," said Mr Sethi.

In a paper European bancassurance: Impact of COVID-19 and the next normal published in July 2020 McKinsey & Company said, "Insurers are facing customer expectations of more and better digital and remote channel distribution.

"Bancassurance may feel this shift quicker than more traditional insurers, especially as not just customers but also banks themselves may demand more sophisticated and integrated digital capabilities from their insurance partners than in the past."

Mr Sethi said, "When the lockdowns cut off physical movement and the sales force was brought to a standstill, rather than looking at these times as an adversity, we used our partnership with banks as an opportunity.

"Even pre-COVID-19 our focus was on simplification and ease of usage with both direct digital and digital assisted ecosystems for our customers to ease their experience in the digital insurance world. Our early move in the pre-COVID period towards simple, fully automated and end-to-end digital processes to reduce barriers to sales, stood us in good stead during this period."

COVID-19 also helped strengthen

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awareness of insurance, especially with digital solutions and has led to higher conversion ratios. Customers are now more aware of risks they are exposed to and it is up to insurance companies to ensure the mediums and touchpoints are made available for fruition of sales and service.

As lockdowns and social distancing continued, insurers ensured that insurance sales were available across channels - partner websites, mobile apps, chatbots, portals for partner sales team and tele calling. Quotation saving and retrieval are essential for cross-channel interaction to avoid the frustration of repetitive data entry.

Web aggregators also played a vital role in educating customers about insurance by providing easy and fast access to information and research to customers and all of it happening online.

The significant growth of e-commerce platforms in the country has also modified the customer behaviour and experience in buying products and services. The COVID-19 pandemic has catalysed faster adoption of online business models in the insurance industry.

### Banks have benefitted

Mr Sethi said, "Banks have also been the beneficiaries of these pandemic times, having endured challenging situations of ensuring customers move from visiting branches to visiting apps for digital banking solutions."

He said, "As banks have digitised, it has led bancassurance partners to digitise too and provide digital solutions to customers which sync with their experiences within the bank's technology solutioning."

With rising competition, customer retention is gaining weight in the

design of insurers' distribution strategies, shifting from customer acquisition which was the focus in previous years.

### Physical engagement will continue to be required

Mr Sethi said, "For a sector like insurance which is highly relationship-driven there is a shift from assisted service to self-service. The digital ecosystem has also been re-defined from a cost-reduction enabler to a sales and service invigorator. COVID-19 has disrupted incremental digitalisation and accelerated digital transformation to the forefront."

### Bancassurance reinvented

Mr Sethi said, "We have deployed our extensive digital training content through digital mediums and trained sales teams within the company and of also our partner banks. This has enabled a surge in sales enabled by customers eager to cover risks which are more prevalent in the current times."

As growth of digital channel evolves, simultaneously so do digital channels both in agency and bancassurance. Virtual sales offices were introduced which are built on the premise of being digital-first for distributors and customers who are digitally evolved.

The bancassurance front-end staff stand to gain from the new digital platforms and channels, these provide an additional tool to them to serve their customers better.

Bancassurance has benefitted both the partners, banks as well as insurance companies. Hence, it is to the advantage of both to reinvent bancassurance as digital bancassurance. ■