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**BANCASSURANCE MODEL**

## How Successful has the Bancassurance Model been in India?



a win-win situation for both the Banks and Insurance companies. The Banks would get an additional revenue stream while the Insurance companies would leverage the huge distribution franchise of the Banks to reach out to more customers.

In the Indian context, in the Banks, an oft quoted example was that of the American Bank—Wells Fargo, where the products sold per customer were supposedly 5 times that of the Indian banks, with Insurance products being just one of the products. It has now emerged that some of the Branch Managers of Wells Fargo engaged in illicit means to get business or 'show' business.

Wells Fargo has been slapped on the wrist by the US Senate Banking Committee with a fine of US \$ 185 million. But the Bank has not given up Cross Selling. It continues to prod customers into taking more products to increase stickiness. The motto "Eight is Great" still holds good and currently, on an average, a Checking Account has 6.27 products. (Page 66 of The Economist, September 17<sup>th</sup> 2016).

What is in it for the Banks? After all Banks, being Corporate Agents, get commission from the Insurance companies for sale through the Bank's branches. But the commission earned is small, if we take it as a proportion of "Fee Income" or even if we take into account other components of "Commission" earned by the Banks like Loan Processing Charges, Commission on Government Business or LC/BG Commission.

Bancassurance (derived from Bank + Insurance) can be traced back to the early fifties of the previous century, when the French Bank, BNP Paribas introduced it as an additional revenue stream for its branches in France. The employees of the Bank were given "Cross Selling" targets and over a period of time, this was built into their KRAs, with encouraging results. BNP Paribas of France does almost all its insurance business through Bancassurance. Incidentally, this is the genesis of the Bancassurance model worldwide, replicated to a large extent, successfully in India as well.

In the early nineties, India saw Bancassurance being introduced at a frenetic pace, with a number of Banks, both Public and Private, tying up with Insurance companies. It was apparently

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