

PRESS RELEASE

Bancassurance in Global Markets

Emerging markets in the Asia-Pacific region and Latin America offer the most growth potential for bancassurers but the magnitude and nature of opportunities vary greatly from country to country

London, 12 March 2013 - The involvement of banks and other lending institutions in the distribution of insurance (i.e. bancassurance) varies greatly across the world depending on the product and the structure of the market, according to a series of research reports published by Finaccord in recent months.

Based on an investigation of over 1,300 banks and other lending institutions in 16 developed and emerging economies in the Asia-Pacific, European and Latin American regions, Finaccord's research established that the distribution share of banks is highest for life insurance in Brazil, France, Italy, South Korea and Spain, and for non-life insurance in Brazil, Chile, India, South Korea and Spain. In contrast, they are weakest for life insurance in Chile, India, Japan, the UK and Vietnam and for non-life insurance in China, Germany, Italy, Japan and Vietnam. This data is shown in Graphic 1 (on the third page of this press release).

"Analysed by product and country, there are some interesting anomalies", comments Tobias Schneider, a Consultant at Finaccord. "For example, banks in South Korea perform particularly well in investment-related life insurance whereas their counterparts in Chile are banned by regulation from selling these types of product. Moreover, while banking institutions in Hong Kong offer a wide range of health-related products, European banks exert only a limited influence in this sector."

Finaccord's research also investigated the operating models used by banking institutions to sell different types of insurance. The analysis revealed substantial differences across these countries, reflecting both the structure of the underlying market and regulatory issues, and this data is illustrated in Graphic 2 (on the fourth page). For example, captive insurance underwriters owned by banks themselves are favoured in Brazil, France, Hong Kong, Italy, Mexico and Vietnam whereas banks in China, Japan and South Korea are more likely to use multiple non-captive underwriters. Meanwhile, in India, a key regulation caps foreign direct investment in the insurance sector at a maximum of 26%; therefore, the joint venture bancassurance model is the most prominent one in India, mainly out of necessity.

Generally speaking, growth in the bancassurance channel is occurring most rapidly in emerging economies outside of Europe, where insurers are increasingly making use of banks' large customer bases to market their policies. For instance, the share of the bancassurance channel in Indonesia's life insurance market grew from around 25% to 41% between 2007 and 2012, thereby replacing agents as the main distribution channel. In contrast, the share of bancassurance in Europe's advanced economies is likely to have reached a peak and may even decline in future years, partly because of reputational damage to the banking sector in the wake of the financial crisis but also because alternative distribution systems tend to be stronger here.

"The emerging markets of the Asia-Pacific region and Latin America clearly show the greatest potential as a consequence of both growth in the underlying insurance market and the fact that the share of the bancassurance channel is likely to increase", concludes Tobias Schneider. "However, the key to tapping these promising markets is for insurance companies to arrive at a detailed understanding of how they are structured, the regulations that are in place, the products that banks are interested in selling and the partnerships that they already have with insurance providers to this end."

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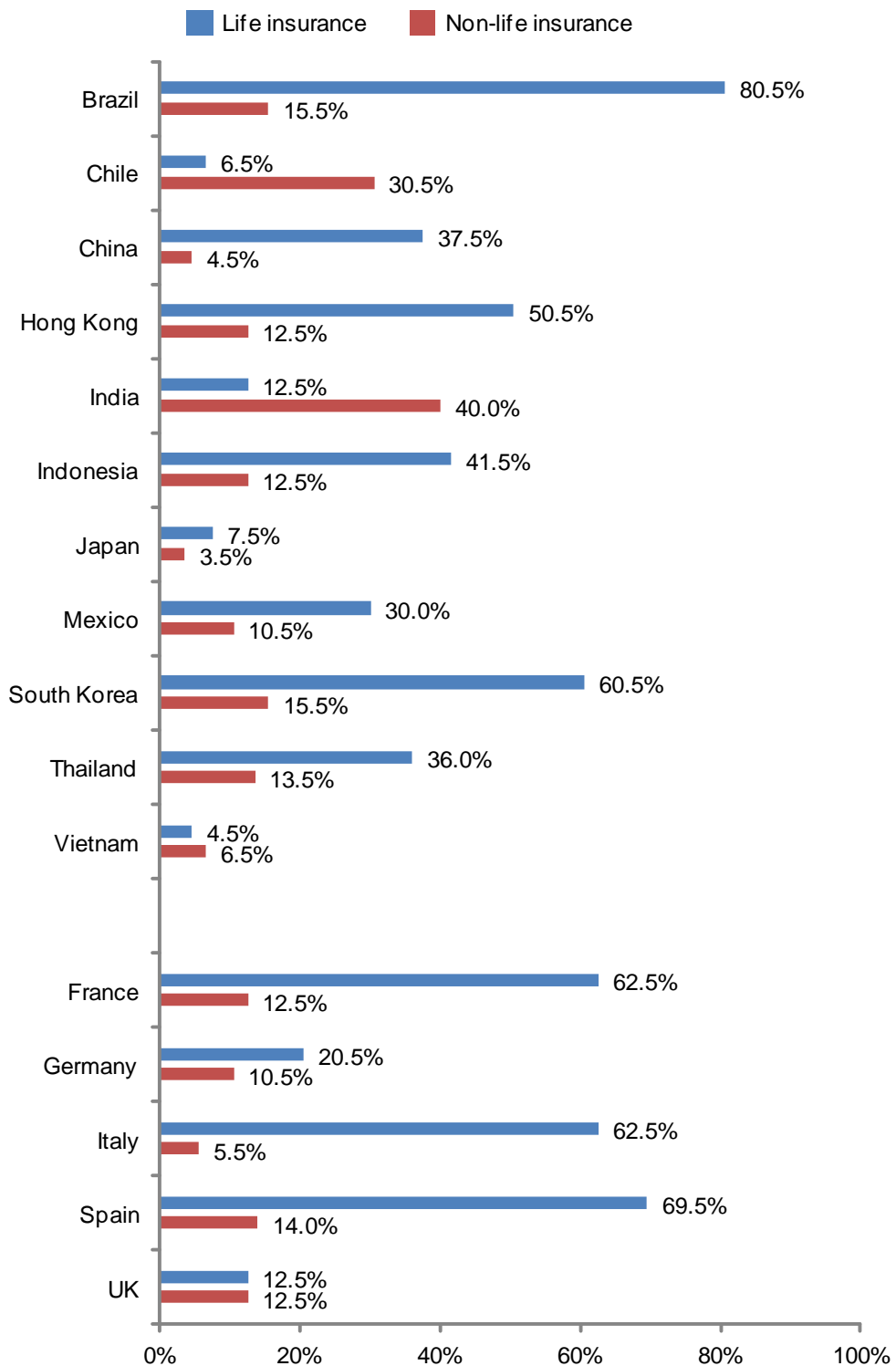
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Finaccord is a market research, publishing and consulting company specialising in financial services. It provides its clients with insight into and information about major issues in financial services in the UK, Europe and globally, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances. Finaccord's research of bancassurance covers not only life and non-life insurance but also creditor insurance.

Countries covered by the European [bancassurance series](#) are Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Russia, Spain, Sweden, Switzerland, Turkey and the UK. In addition, Finaccord has released equivalent reports about bancassurance in Brazil, Chile, China, Hong Kong, India, Indonesia, Japan, Mexico, South Korea, Thailand and Vietnam.

Sample graphics from the research, showing respectively the distribution share of the bancassurance channel in life and non-life insurance and operating models (weighted) used by banking organisations for the distribution of life, non-life and creditor insurance in 16 major global markets.

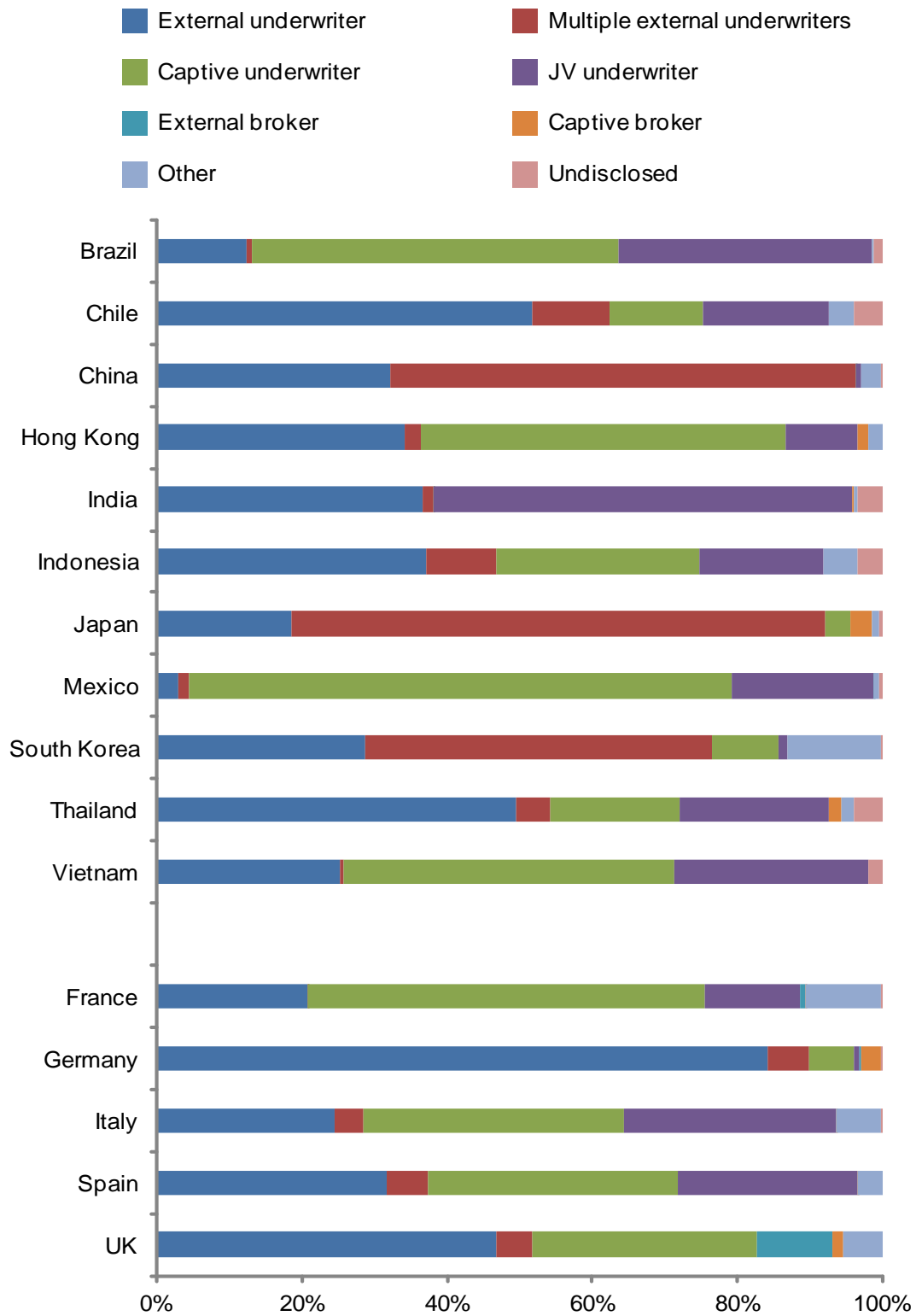
Graphic 1: distribution share of the bancassurance channel in life and non-life insurance in 16 major global markets



Note - data is for the most recent year available in each country (2010, 2011 or 2012)

Source: Finaccord Global Bancassurance analysis

Graphic 2: operating models (weighted) used by banking organisations to sell life, non-life and creditor insurance in 16 major global markets



Note 1 - the exact percentages can be obtained from Finaccord if required

Note 2 - data is for the most recent year available in each country (2010, 2011 or 2012)

Note 3 - use of operating models has been weighted by number of retail customers held by banks using this channel

Source: Finaccord Global Bancassurance analysis