

PRESS RELEASE

Tuesday 14th November 2006

Non-Life Bancassurance in Europe: Commercial Lines

A new bancassurance battleground for Europe?

Introduction

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Non-Life Bancassurance in Europe: Commercial Lines*. The research is based on a survey of 370 banks serving business customers in ten territories in Europe: Austria, Belgium, France, Germany, Italy, the Netherlands, the Nordic region (comprising Denmark, Norway and Sweden), Portugal, Spain and the UK / Republic of Ireland.

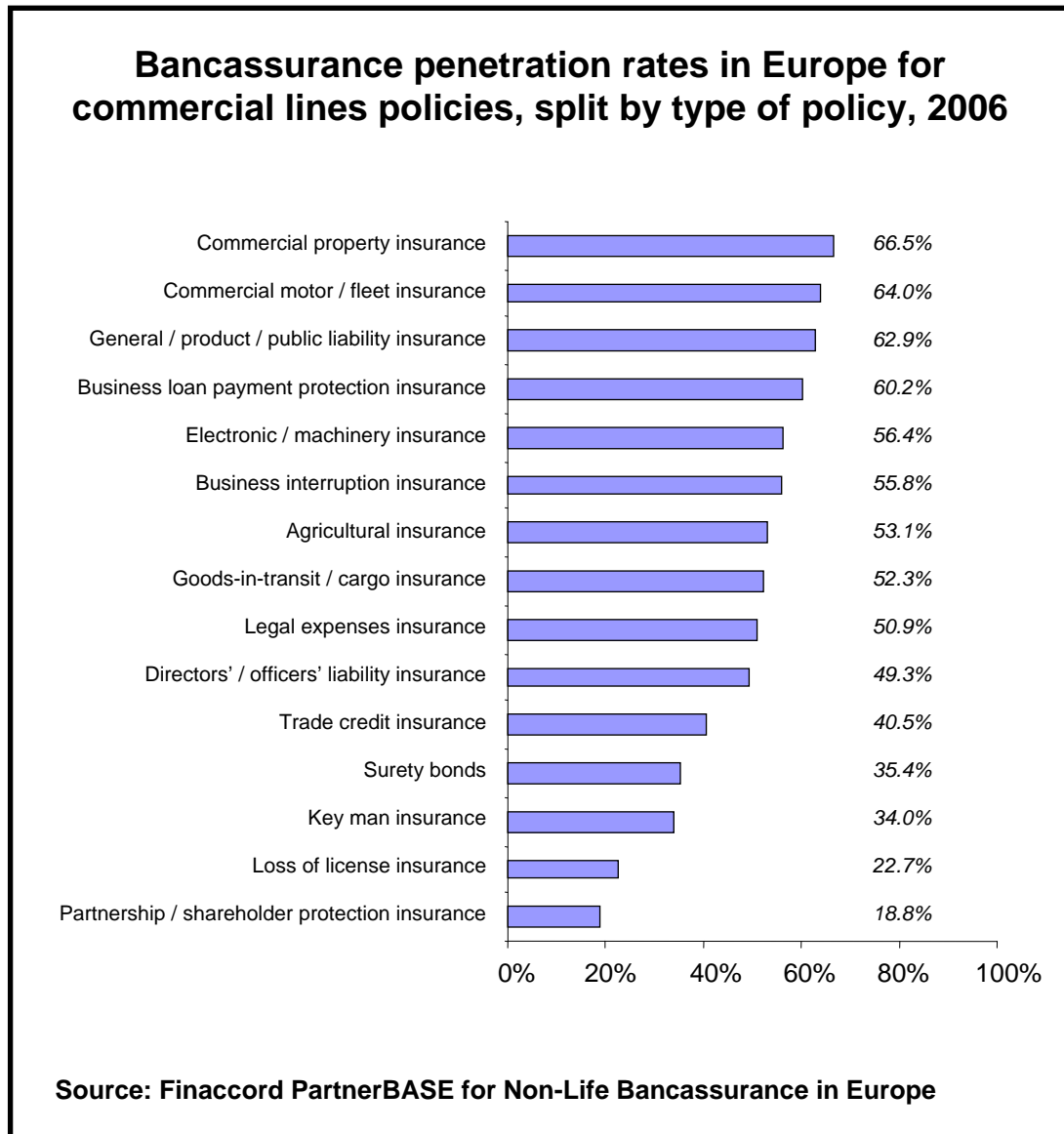
By means of this investigation, the report sheds light on the extent of involvement of banks across Europe in the distribution of commercial lines policies, highlights the types of business insurance that they promote, clarifies the operating models that they use to compete in this market and identifies the underwriters and brokers with which they work to source commercial insurance policies.

Types of business insurance policy covered by the research include: business interruption insurance; business loan payment protection insurance; commercial motor / fleet insurance; commercial property insurance; directors' and officers' liability insurance; general / product / public liability insurance; goods-in-transit / cargo insurance; key man insurance; legal expenses insurance; partnership / shareholder protection insurance; surety bonds; and trade credit insurance.

In spite of the fact that over 80% of Finaccord's sample of 370 business banks have at least some involvement in distributing insurance to business clients, this is the first time that a detailed study has ever been published on the subject in a market for commercial non-life insurance estimated to be worth in excess of €130.0 billion in gross written premiums in 2005 across the territories covered by the research.

Nine types of business insurance are promoted by more than half of the banks surveyed

Across the full universe of 370 banks serving business customers in the ten territories considered, the types of commercial insurance most commonly marketed by banks are commercial property insurance (available through 66.5% of these banks), commercial motor / fleet insurance (64.0%) and general / product / public liability insurance (62.9%). Furthermore, more than half of the 370 banks surveyed also promote six other forms of business insurance. Indeed, it is often the case that these types of policy are bundled together into packages for banks' small business customers. However, a further six types of policy achieve a penetration rate among business banks of less than 50%, namely directors' and officers' liability insurance (49.3%), trade credit insurance (40.5%), surety bonds (35.4%), key man insurance (34.0%), loss of license insurance (22.7%) and partnership / shareholder protection insurance (18.8%).



There is no homogeneity in European banks' approach to offering commercial non-life insurance

Moreover, one of the key findings of Finaccord's research into commercial lines bancassurance in Europe is that there is very little homogeneity among banks in different territories in terms not only of the products offered to business customers but, also, the operating models used. Indeed, the graphic that follows aggregates together the data concerning operating models for each type of policy offered by banks surveyed across the ten territories, thereby covering over 2,600 initiatives in total.

Banks in Germany and the Nordic region display a clear preference for links with a single partner

It shows that only in Germany and the Nordic region do banks active in commercial lines bancassurance display an overwhelming preference for establishing ties with a single, external underwriter. In Germany, this aspect of the market is due in part to the close links between many of the savings banks and public sector insurers, on one hand, and between the majority of credit co-operatives and R&V Versicherung, on the other.

Partnerships with single, external underwriters also constitute the most commonly occurring operating model for business insurance in Spain albeit the lead relative to other operating models, notably the use of internal brokerage divisions and panels spanning several underwriters, is much narrower. The high share of single partners in Spain is due primarily to the exclusive use of Caser by a number of savings banks.

In a handful of cases, external brokers have won significant bancassurance distribution mandates

The use by banks of external brokers for commercial insurance policies is only widespread in Austria, Italy and the UK / Ireland. Important relationships between banks and external brokers in these three territories include those between Banca Intesa and GPA Assiparos, Bank Austria Creditanstalt and GrECo International, BAWAG and Funk International, the Co-operative Bank and Towergate Risk Solutions Warren Hill and HBOS and Smart & Cook.

Internal brokerage divisions are widely used in six of the ten territories reviewed

With regards to internal brokerage divisions, these can be witnessed with a significant degree of frequency in Austria, France, Italy, the Netherlands, Spain and the UK / Ireland. Notable examples of banks in these territories using an internal brokerage model for all or a proportion of their commercial non-life bancassurance needs are Banca Nazionale del Lavoro, BBVA, Crédit Mutuel, Erste Bank, HSBC, La Caixa, San Paolo IMI, SNS Bank and UniCredit Banca.

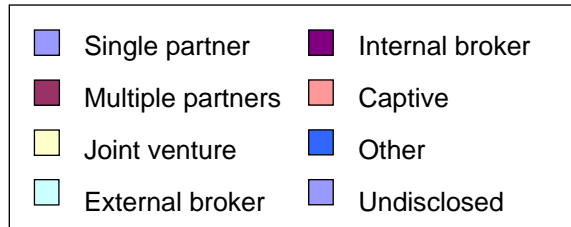
Captive insurers are dominant in commercial lines bancassurance in France, Italy and Portugal...

The use of banks' captive underwriters for business insurance policies, on the other hand, is most in evidence in Belgium, France and Portugal. In Belgium, the leading four banking institutions - Dexia, Fortis, ING and KBC - insure a majority of the commercial policies offered on a captive basis while this is also the approach of Crédit Mutuel in France and of both Banco Espírito Santo and Caixa Geral de Depósitos in Portugal.

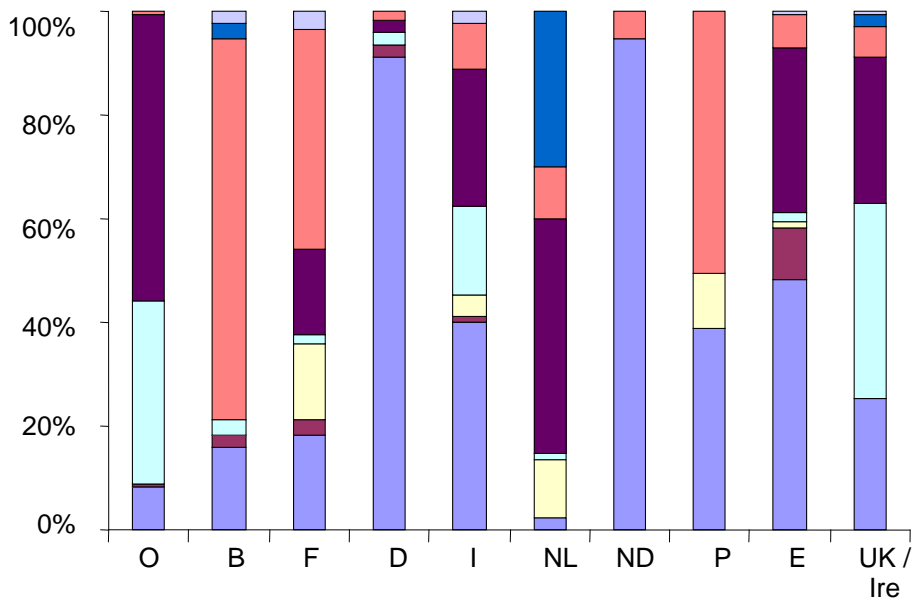
... and the market also plays host to a handful of joint ventures between banks and insurers

Meanwhile, joint venture underwriters account for a small proportion of commercial non-life insurance products offered by banks in France, Italy, the Netherlands and Portugal, the key examples being ABN AMRO Verzekering (a company jointly owned by ABN AMRO and Aviva), Assurances Banque Populaire (the joint initiative of Groupe des Banques Populaires and MAAF), Occidental (co-owned by Millennium BCP and Fortis) and Interpolis (now jointly owned by Rabobank and ACHMEA).

Comparison of operating models used for commercial lines bancassurance in Europe, 2006



% split of operating models for commercial lines bancassurance



Source: PartnerBASE for Non-Life Bancassurance in Europe

Commented a Finaccord spokesperson:

“Traditionally, banks have placed a much greater emphasis on development of bancassurance concepts for retail customers, especially in life insurance and retirement savings, albeit also increasingly in personal non-life insurance. However, for small and medium-sized business customers, in particular, banks should provide a significant route to market to providers of commercial insurance, especially in the light of their regular contact with this constituency. Indeed, a survey by Finaccord of 1,575 small business customers in the UK, for which detailed results are available in a separate report, shows that 7.8% of insured respondents claimed to have bought their business insurance through a bank. Ultimately, the key will be the extent to which banks are committed to developing this activity and actually put in place the systems and structures, including staff motivation and training, to encourage its growth. Nevertheless, there should be continuing opportunities for both brokers and underwriters of commercial insurance to partner with business banks not only to develop standard multi-risk insurance packages for small business customers but also more specialised types of policy.”

Non-Life Bancassurance in Europe: Commercial Lines was published in September 2006 and is available from Finaccord at a cost of £1,995.

About Finaccord

Established in 2002 by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector in the UK and Europe. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services in the UK and Europe and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

For further information, please contact Finaccord:

Telephone: +44 20 8453 7552
Fax: +44 20 8453 7583
E-mail: info@finaccord.com
Web: www.finaccord.com