

EVOLUTION OF BANCASSURANCE

WHITEPAPER

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INTRODUCTION TO BANCASSURANCE

The bancassurance model has gained popularity in India in recent years due to the increasing awareness for insurance products and the convenience it offers to the consumers.

This model involves banks partnering with insurance companies to offer insurance products to their customers. Under this arrangement, banks act as intermediaries, selling insurance products on behalf of the insurance companies and collecting premiums from customers. This model has proven to be successful in expanding insurance coverage across regions.

With a large and diverse population, selling insurance in India can be challenging, especially in rural areas. To reach such a substantial number of people, several insurance companies are proposing to make insurance accessible through

bancassurance, with the most fundamental financial institutions like the neighbourhood bank branch. This distribution model allows banks to offer their customers insurance products and helps insurance companies reach a broader audience.

This whitepaper explores the evolution of bancassurance, from its origins to its current state, and provides insights into the trends and how the future looks like.

HISTORY OF BANCASSURANCE IN INDIA

2000

The Insurance Regulatory and Development Authority of India (IRDAI) introduces the concept of Bancassurance in India.

2002

ICICI Bank and ICICI Prudential Life Insurance entered a tie-up, marking the beginning of Bancassurance in India.

2004-2005

The Indian government opened the insurance sector to private players and allowed foreign investment up to 26%, leading to increased competition in the market.

2006-2010

Bancassurance in India on the rise: Banks partnering with insurance companies to offer customized products and multi-channel distribution

2011-2015

Bancassurance became an important source of revenue for banks in India.

2016-2021

The Indian government introduces several measures to increase insurance penetration in the country, further fueling the growth of Bancassurance in India.

2022

IRDAI proposes that corporate agents like banks can have tie-ups with nine insurance companies.

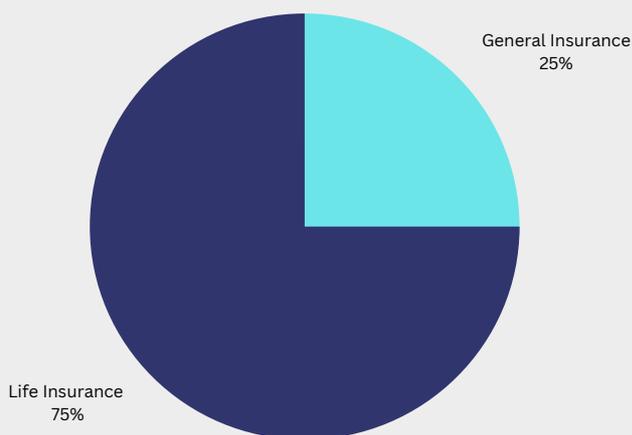
Bancassurance continues to grow in India, focusing more on digital channels and technology-driven solutions. The model benefits both banks and insurance companies and will continue to grow.

INSURANCE MARKET SCENARIO - INDIA

The Insurance Industry in India has seen a significant transformation in recent years. Covid has also played a vital role in increasing insurance awareness and penetration. Looking at the insurance distribution between Life Insurance and General Insurance, Life Insurance contributes approximately 75% of the premium value while general

insurance contributes approximately 25% and if we talk about the channels driving Life insurance distribution, Bancassurance and Agency models are the major contributors to Life Insurance.

Distribution Chart



As per the reports from IRDAI (Annual Handbook), the Life Insurance sector receives a significant contribution from the Banca and Direct channels. Specifically, the Banca channel accounts for a total premium of 51188 crore, while the Direct channel contributes a substantial amount of 176892 crore in the year 2021-22.

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The Bancassurance Channel had a premium of INR 41,096.00 crores in 2020-21, which increased to INR

51,188.00 crores in 2021-22, representing a YoY growth of 24.5%.

The Direct channel had a premium of INR 157,509.00 crores in 2020-21, which increased to INR 176,892.00 crores in 2021-22, showing a YoY growth of 12.3%. Overall, both channels experienced an increase in premium, with Bancassurance Channel having a higher YoY growth rate than Direct Channel.

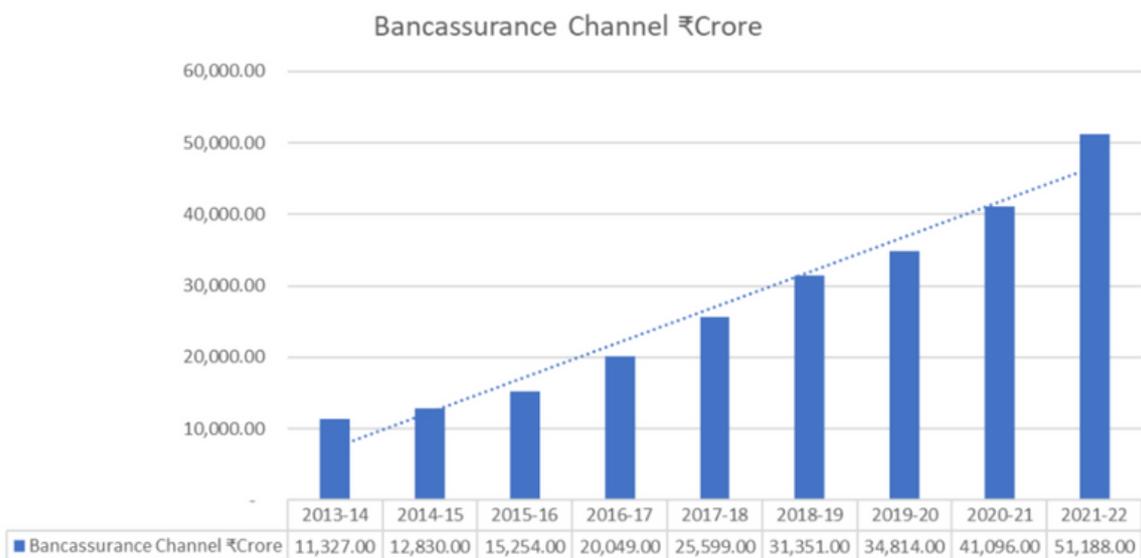
Particulars	2020-21	2021-22
Bancassurance Channel	41096 Cr	51188 Cr
Direct Channel	157509 Cr	1176892 Cr

GROWTH OF BANCA CHANNEL IN LAST 10 YEARS

Banca Channel has been growing at a rapid pace from last decade, witnessed a growth of approx 25% in the year 2021-22 when compared to 2020-21.

represents 21% of the total. In contrast, the Direct channel is mainly Group Life Insurance, which constitutes a significant majority of 91%.

Under the Banca channel, Retail Life Insurance holds a dominant share of approximately 79% of the total, whereas Group Life Insurance



In last 5 years, Private Insurers have grown a lot significantly and reached 50% of the Retail Life market share in terms of fresh business premium.

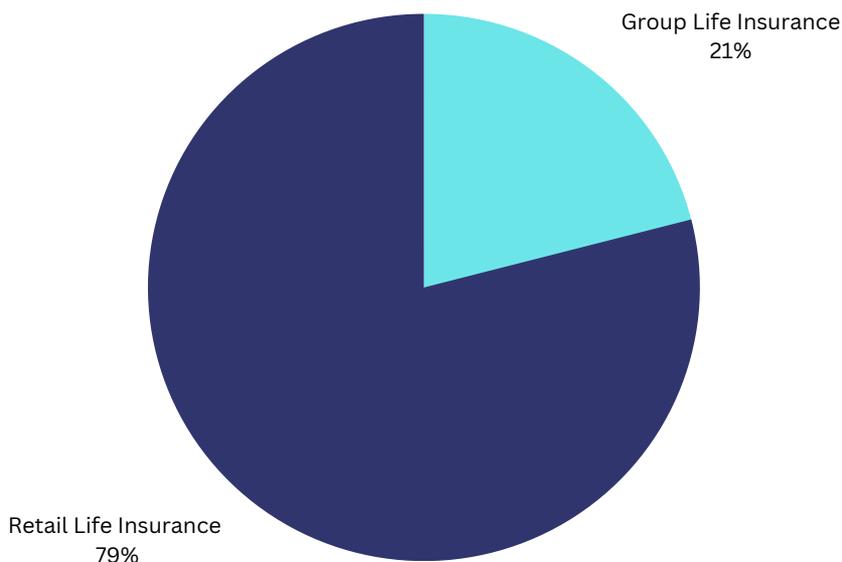
On the distribution channels side also Bancassurance has emerged as the major distribution channel and contributes to 52% of the Retail Life Insurance distributed by Private Insurers while Independent Agents contribute 95% of the LIC's retail LI premium.

Based on the data from the IRDAI and analysis, it can be inferred that the Bancassurance Channel has

significant potential for growth, driven by the digitization and technological

advancements in the insurance industry and insurtech players. With the increasing adoption of digital channels and platforms, the Bancassurance Channel can capitalize on new age technologies to become a more prominent and preferred channel for insurance distribution.

Banca Channel Composition



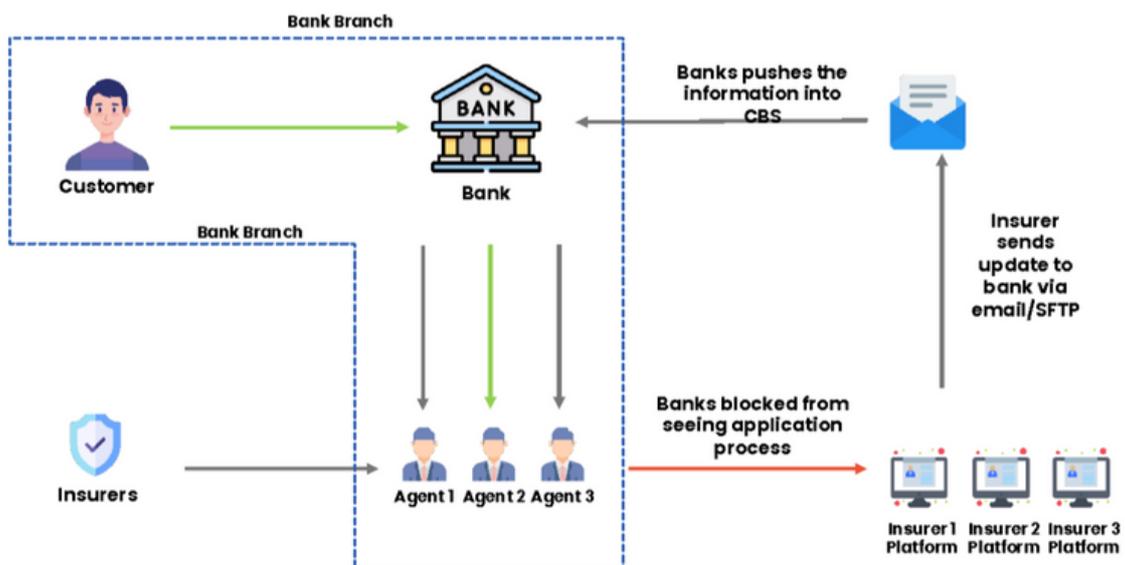
EVOLUTION ON BANCASSURANCE

Banca 1.0: Traditional Bancassurance Model

The goal of the Bancassurance model was to enhance the customer experience by providing them with a convenient and comprehensive solution for their insurance needs.

That's why control of the journey moves away from Banks to Insurers, and Banks rely on insurers for any reporting, reconciliation and other servicing aspects.

Banks act as customer data owners, while Insurers own the end-to-end fulfilment.



Process Flow for Banca 1.0: Step-by-step insurance lead transfer and policy generation

Banks existing customers enter the branch for the daily banking transaction, for example, opening a new FD. The branch staff convinces the customer to look for insurance with a limited and sufficient understanding of insurance products based on connection with the customer.

The way Bancassurance works is briefly described as follows:

1. Bank partners with an insurance company to offer insurance products to its customers.
2. Bank employees receive training from the insurance company to understand the insurance products and provide advice to customers.
3. Bank customers visit the bank branch and meet with bank employees to discuss their insurance needs.
4. Bank employees have 3-4 different logins as per the insurance partners of the Bank; they need to log in to each insurer one by one to tell the customer about the products available, coverage and the premium.
5. Bank employees recommend appropriate insurance products and help customers fill out lengthy application forms along with the insurance agent support, which is a time-consuming process for all the parties; this could take several hours with customers. Approximately 250-300 fields of information are required, along with a few customer consents.
6. The lead is completely transferred to the insurance representative from the Bank employee.
7. The insurance company processes the customer's application, and the policy is issued.
8. The Bank receives a commission for each policy sold.
9. Bank loses the visibility on renewal, claims, etc., along with an opportunity to cross-sell and earn more commissions.

While Banca 1.0 has successfully increased the distribution of insurance products in India, it has several limitations and challenges.

One major area for improvement is the need for more flexibility in product offerings. Banks are typically limited to selling the particular insurance product/products of the company they have partnered with, limiting the options available to customers.

Another area for improvement is the need for personalized advice and guidance for customers. Insurance can be a complex and confusing topic for many people. Traditional bancassurance models only sometimes provide the necessary support and education for customers to make informed decisions about their coverage.

There was also a possibility that bank staff would favour one insurance agent over others. The insurance agent takes the lead, and he needs help finding the right p

product for the customer persona and ends up selling a product that is not the best-suited one for the customer. There is a huge possibility of mis-selling. Insurance mis-selling is the practice of selling a product to a customer that is inappropriate for them. The insurance final benefits differ from those promised at the time of purchase, and the policy does not serve the customer purpose.

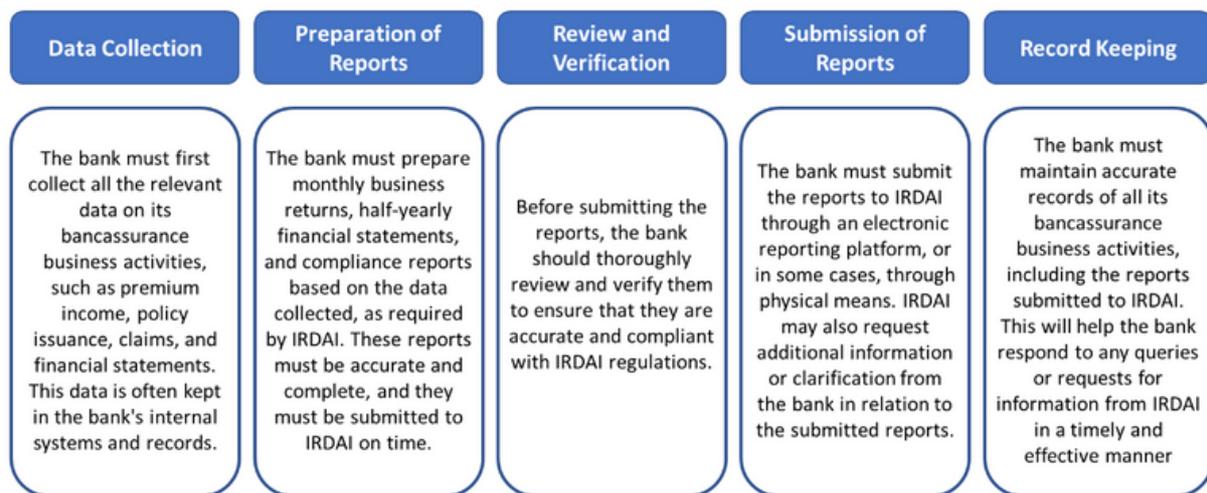
Banca 1.0 is a long, tedious, manual-intensive process with very little or no technology to keep track of the lead once it is passed to the insurance agent. Bank losses control over data and customers.

Also, reporting to IRDAI becomes a challenge in this case as whenever the reporting is required, approx 3 to 5 bank staff are occupied for a few days to manage all the scattered data related to insurance policies.

Banks engaging in bancassurance business must report their activities to the Insurance Regulatory and Development Authority of India (IRDAI) in the following manner:

Type	Monthly Business	Half-Yearly Reports	Compliance Reports
Description	<p>Banks must submit a detailed summary of their bancassurance business activities, including premium income, policy issuance, and claims, in a format as per the rules and regulations of IRDAI.</p>	<p>Banks must submit half- yearly financial statements, including a balance sheet and profit and loss account, to IRDAI to provide a comprehensive view of their bancassurance business in the prescribed format by IRDAI.</p>	<p>Banks must submit regular compliance reports to IRDAI to confirm that they follow all applicable insurance regulations and standards in their bancassurance operations.</p>

The process of IRDAI reporting by a bank for its bancassurance business typically involves the following steps:



To ensure that the reporting process runs smoothly, banks typically make the following efforts:

- 1. Training and Awareness:** Banks ensure that their employees are trained on IRDAI reporting requirements and understand the regulations well. This helps to minimize errors and omissions in the reports submitted to IRDAI.
- 2. IT Systems:** Banks invest in IT systems that can effectively collect and maintain the data needed for IRDAI reporting and generate the reports promptly and accurately.

- 3. Internal Controls:** Banks establish internal controls to ensure that the data collected is accurate and complete and that the reports are prepared and submitted in compliance with IRDAI regulations.

- 4. Monitoring and Review:** Banks regularly monitor their bancassurance business activities and review the reports submitted to IRDAI to identify any issues or areas for improvement.

The above steps are intended to outline the IRDAI reporting process for banks engaging in

bancassurance business. The exact measures and efforts may vary depending on the size and complexity of the Bank operations and the regulations in place at the time.

It is difficult to provide an exact approximation for the efforts (time and resources) that banks spend on IRDAI reporting as it may vary depending on various factors such as the size of the Bank, reporting requirements, etc. Depending upon the size of the bancassurance business, this could take significant bandwidth of the Bank staff.

Right now, this is limited to a maximum of 9 partners and multiple products, which may increase to 27 partners in the future. The complexity is huge in a bancassurance model and requires proper technology support to overcome these challenges. This is where Banca 2.0 comes into the picture.

The way Bancassurance works is briefly described as follows:

This hybrid model is where Insurtech (insurance technology) platform allows banks to take control of the customer data and

offer them the right insurance product as per their requirement, using tools like propensity and suitability matrix.

The current state of Bancassurance in India is evolving, with the introduction of insurtech companies disrupting the traditional model. Insurtech companies use technology to streamline and automate the insurance process, making it easier for customers to obtain coverage and for banks to manage their insurance business.

In the bancassurance space, insurtech companies envision a model where banks act as advisors rather than intermediaries. This model allows banks complete control over the customer data and lead flow. Insurtech platform, with the help of an advanced propensity model and suitability matrix, will enable banks to provide personalized advice and guidance to customers, helping them choose the insurance products that best meet their needs. This also brings transparency to the system where lead transfer to a particular insurer is done as per the customer-product fitment.

BANCA 2.0

Bancassurance model powered by Zopper

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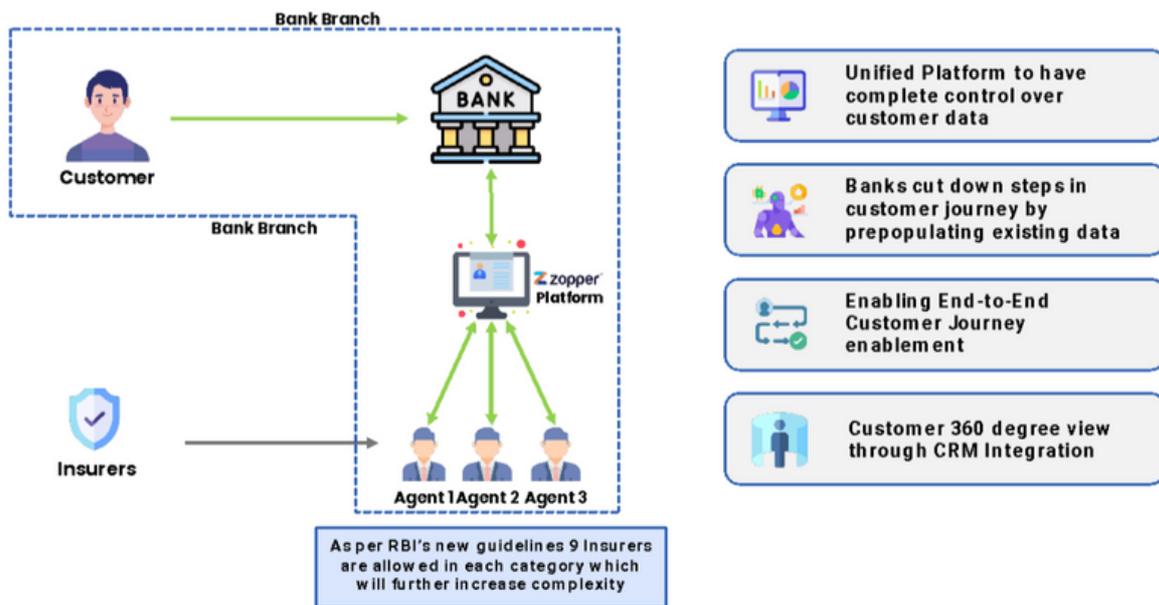
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Zopper - An Insurtech Platform: Revolutionizing the Bancassurance Model

Zopper provides technology-driven innovation in the insurance industry. Zopper offers the APIs and platforms to streamline buying, selling, and to manage insurance policies. Some standard features of Zopper are:

1. A platform for comparison, quote fetch, onboarding and managing customers and policies
2. Propensity and Suitability matrix for product fitment
3. Lead Management system along with the campaign management

Zopper aims to make insurance more accessible, affordable, and efficient for customers by disrupting traditional insurance models.



Process Flow for Banca 2.0:

Step-by-step insurance lead transfer and policy generation The customer journey of a bancassurance model powered by Zopper, i.e. Banca 2.0, is as follows:

1. Awareness: Bank employees/Insurance representatives have a single view for all the insurance partners, where they can view all the suitable products available as per the customer profile. A unified platform to help bank employees compare the products better and

help customers make informed decisions. The customer becomes aware of the insurance products and services offered. Zopper enables sales via the Bank website, mobile app, and other related channels.

2. Evaluation: The customer and

Bank staff evaluate the insurance products and services offered and compare them with other options available through the Bank in assisted and DIY journeys. Zopper solution provides real-time product information and quotes to help the customer make an informed decision.

3. Selection: The customer selects the insurance products and services that best meet their needs by speaking with a bank or insurance representative.

4. Onboarding: The customer completes the onboarding process, including providing the personal and financial information required. Zopper makes onboarding easy and hassle-free for customers by pre-populating fields with customer data using various integrations and OCR capabilities. Zopper integrates with the Bank's core IT system through APIs while keeping all the security checks in place with the Bank and helps pre-populate all the data relevant to customers. With the OCR feature, Zopper also fetches data from the documents uploaded during onboarding. This helped reduce the fields to approx. 80-90 fields from 250+ fields earlier.

5. Policy Issuance: Insurers get all the details in real-time, and the policy is issued, and the customer receives the policy documents electronically.

6. Claims: In case of a claim, the customer can initiate the process through a digital platform or by speaking with an insurance representative. Zopper's solution also automates the claims process, making it faster and more efficient.

7. Renewal: Customers can easily renew their policy through their Bank's website or mobile app or by speaking with an insurance/bank representative. Zopper's solution can remind the customer of the renewal date and provide renewal options. Overall, the customer journey of a bancassurance model powered by an insurtech will be fast, convenient, and efficient, resulting in a better insurance buying experience for the customer.

Reporting and compliance can now be automated, reducing the manual effort required and ensuring that the reporting process is more efficient and accurate. This will also reduced the risk of errors and

improve the overall transparency of the bancassurance model. Bank has total control over the insurance lead now, as the lead is not moving out of the Bank's environment.

This is eventually helping banks in creating customized business and regulatory reports on time as all the information is now on a unified platform. Zopper can make dashboards and reports as per regulatory requirements.

With Zopper in the picture, banks need to select the proper headers for the IRDAI reporting, and Zopper can generate instant reports in a few minutes.

Zopper, as an Insurtech, is enhancing the way the bancassurance model works, but there are still challenges that need to be addressed. There is a lot of workforce involved in the bancassurance model; bank staff needs to do some extra training to enable it; insurance companies also deploy their people in bank branches to assist bankers in the bancassurance model.

Zopper is envisioning a Banca 3.0 where all these complexities related to manpower and technology will be tackled, making the bancassurance business more profitable for banks.

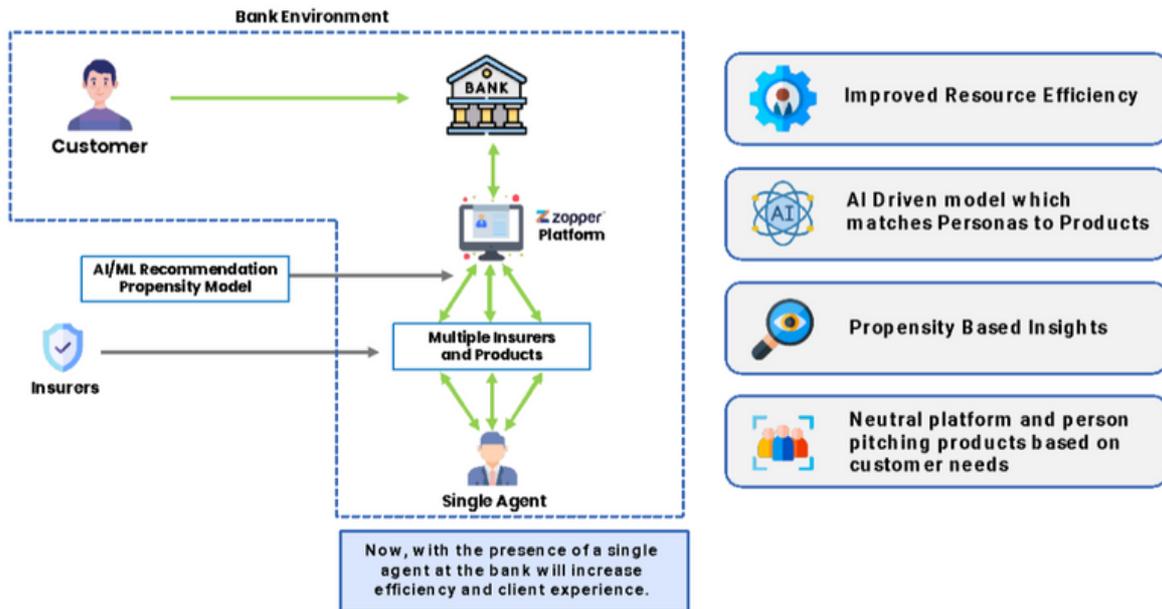
BANCA 3.0: REIMAGINING BANCASSURANCE

Banca 3.0 is a 360 degree approach to transform the entire bancassurance business model for all the stakeholders - Banks, Insurers and Customers. Zopper's platform will help the Bank automate its entire insurance business. There will be a single expert to help banks instead of multiple agents from multiple insurers. This expert will act as a product champion with all the relevant technology to smoothen the Bancassurance for a particular bank branch.

On the other hand Zopper's platform will enable insurers to introduce and launch new insurance products to their bancassurance partners with a single click, making products live with any bank in their ecosystem. Banca 3.0 will reduce sales and marketing efforts by insurers for

Banca 3.0 will reduce sales and marketing efforts by insurers for their banca partners, as there will be experts from Zopper to enable this thing on behalf of the insurer. Insurers have a fixed cost attached to the bancassurance model which is basically the dedicated resource cost/marketing expense for the partnered bank. Banca 3.0 can drastically reduce this fixed cost for insurance and help them start banca partnership with almost zero upfront cost.

Zopper's vision of Banca 3.0 is to have customers at the center and offer them best suited insurance products in a seamless and hassle free way. With the digitization of banca customers will have easy onboarding, correct product fitment and speedy claim processing and settlement.



Process Flow for Banca 3.0:

Step-by-step insurance lead transfer and policy generation

Under this model, Zopper will provide the Bank with a unified platform along with Zopper's product champions. Zopper platform will take care of all the operational procedures, whereas Zopper's product champion will assist in managing and running the platform, thereby reducing the complexities for the Bank. Insurers will have faster GTM for newly launched products to all the banks at once. Banks can manage products from a single dashboard.

1. Customer walks into the branch for banking, bank staff could direct that customer to Zopper's product champion (ZPC) for all insurance related needs.

2. ZPC will consult customers about insurance needs, study the customer profile and requirement, and suggest the best suited options to them.

3. Customers can make an informed decision on the spot.

ZPC will take care of all the formalities related to onboarding, KYC documents etc., through Zopper's platform, thereby generating the policy in near real-time.

1. ZPC will also take care of the customer life cycle management, like claims, after the policy generation also.

2. Business Reporting and Reconciliation reports can be generated instantly with the help of ZPC.

3. IRDAI Reporting Module will keep a check on all the regulatory requirements and will be updated as per the new and upcoming IRDAI notifications.

With Banca 3.0, banks and insurers both can enhance the entire bancassurance model with all the latest technology along with a dedicated resource/resources to manage the bancassurance business. Bank staff can focus on the core banking and reduce their efforts on insurance simultaneously increasing their bancassurance revenue. While the insurers can design and offer contextual

products by studying the financial behaviour of the customers.

Banca 3.0 will also reduce friction between the banks and insurance companies related to various operational issues like customer details, documents, policy punching, policy generation, customer consent etc. With this model, business reporting and reconciliation will be the added advantage for both the parties involved. Banks and Insurance companies can help in reducing the protection gap in the country.

To build a significant bancassurance business, banks and Insurers need to relook at five parameters primarily.

1. Advanced analytics for Lead generation
2. Seamless digital customer journey and processes
3. A digitally enabled product suitability model
4. Focus on customer-centric offerings
5. Digitally enabled bancassurance model

Zopper with its vision of Banca 3.0 is targeting all these parameters with a unique, unified, universal platform and allowing stakeholders to reimagine the way of doing the bancassurance business.

Conclusion:

In conclusion, the bancassurance model has constantly been evolving with technological advancements, and generative AI could be the next big thing in this space. With the ability to guide customers to the right insurance product based on their needs, generative AI could revolutionize the way

Bancassurance works. The proper blend of technology and strategy can ensure the success of Banca 3.0 for insurers and banks alike. Banca 3.0 can enhance the bancassurance landscape, streamline operations, improve customer experiences, and drive revenue growth.

As industry experts suggest, early adopters of technology are 100% more likely to see high revenue growth. They are four times more likely to be positive about prospects than those who are slower to adopt new technology.

Zopper, with its innovative approach to insurance distribution, is poised to play a key role in increasing insurance penetration in India. The future of Bancassurance looks promising, and we can expect to see more innovative solutions that will continue to enhance customer experience and drive growth in the industry.