



BANCASSURANCE – THE FUTURE OF INDIAN INSURANCE INDUSTRY

T. Hymavathi Kumari* Dr. D. Rajasekar**

*Research Scholar, AMET University, Kanathur, Chennai

**Associate Professor, AMET University, Kanathur, Chennai.

Abstract

Bancassurance as a business generating channel has been increasingly becoming important for the insurance companies, especially for the new private players which started functioning after the reforms in the industry. The current economic scenario has built in lot of pressure among banks viz. increase of CRR, fall out of number of loans, alternate mechanisms of credit that are available for customers etc. This has led banks to innovate some new ways of improving the financial position & achieve more profits. With most of the banks listed out in public stock exchanges, their activities are also highly scrutinized by market analysts & public. Hence, this is the perfect time for the insurance companies & banks to explore the viable options of strategic partnerships and think beyond mere distribution partnerships. Taking advantage of the vast reach and large customer base of the banks, the insurance companies have tied up with banks to increase their business growth along with meeting the IRDA regulations. In the last decade a considerable volume of new business has been generated for life insurance through this route and the present paper is an attempt to study the contribution of Bancassurance in the growth of life insurance industry for a period of ten years i.e. from 2001 to 2011.

Keywords: Bancassurance, All Finanz, Insurance Penetration, Insurance Density.

BANCASSURANCE IN INDIA

The success of bancassurance greatly hinges on banks ensuring excellent customers relationship therefore banks need to strive towards that direction. As pointed out by Low (2004), the changing mindset is cascading through the banking sector in India and this would be a right time for banks to resorting to bancassurance, especially in the context of proactive policy environment of regulatory authorities and the Government. The fact that the banking operations in India, unlike in other developed countries, are still branch oriented and manually operated vis-à-vis highly mechanized and automated banking channels. Banks have recognized the potential of bancassurance in India and will take equity stakes in insurance companies, in the long run. Going by the present pace, bancassurance would turn out to be a norm rather than an exception in future in India.

Bancassurance in its simplest form is “the distribution of insurance products through a bank’s distribution channels”. In concrete terms Bancassurance, which is also known as Allfinanz describes a package of financial services that can fulfill both banking and insurance needs at the same time. "Bancassurance" in French and "All Finanz" (Universal Banking) in German refers to a tie up arrangement of banks with insurance companies for selling the insurance products in life and non life segments as corporate agents for fee based income.

REVIEW OF LITERATURE

Ayem Perumal, S. (2010) in his article on “Impact of Economic Globalization and Consumer Expectation in Life Insurance” explains that the business environment for the insurance sector has been fast changing, bringing new opportunities and posing new challenges. **Jawaharlal, U. (2010)** in his article under vantage point on “Product Design and Development – Key to Long-Term Success” observes that the designing of new products is dependent on the regulatory environment prevailing in the industry. Looking at the importance of the issue, progressive improvements have been made regularly. **Sreesh, Ch. and Joseph, M.A. (2010)** in their article on “Bancassurance: A Case of SBI Life Insurance” express that the only matter of concern is how to adjust the existence of insurance players to the changing scenario of increased competition which is expected to further increase due to the entry of big players both from the banking and insurance sectors to capture the huge untapped market. **Nagaraja Rao, K. (2010)** in his article on “Challenges in Designing Need Based Products in Life Insurance for Inclusive Growth in India” analyses the challenges faced by the insurers in designing need-based products in insurance for inclusive growth and concludes that the policies of life insurance companies are still not rural-centric catering to the specific needs of the people. **Rajagopalan Krishnamurthy (2010)** in his article on “Reaching New Frontiers – India Bancassurance” reviews the key findings of the India Bancassurance Benchmarking Survey, 2010, a Research Study from Towers Watson. The survey reflects the views of a cross section of insurers and bank intermediaries. Some findings of the Survey are that the average tenure of tie up with private/foreign banks tended to be longer than the tie-up with the public sector banks. **Selvankumar, M. and Vimal Priyan, J. (2010)** in their article on “Indian Life Insurance Industry: Prospects of Private Sector” express that the Growth in Insurance Industry has been spurred by product innovation, vibrant distribution channels coupled with targeted publicity and promotional campaigns by the insurers. Innovations have come not only in the

form of the benefits attached to the products but also in the delivery mechanism through various marketing tie-ups within the realm of financial services inside and outside.

OBJECTIVES OF THE STUDY

The present study is based on the following objectives.

- To study the need for bancassurance business in India.
- To evaluate the performance of life insurance industry after economic reforms i.e. from 2001-02 to 2010-11.
- To study the bancassurance development in India.

RESEARCH METHODOLOGY

The study is mainly based on the secondary data collected from the annual reports of State Bank of India Life Insurance Company Limited from 2001 to 2011, Annual Reports of IRDA various issues, other publications of RBI and IRDA. The data is analyzed by using simple ratios and growth percentages.

NEED FOR BANCASSURANCE IN INDIA

Researches and present day statistics speak about the need of a well-equipped financial structure for a country that helps it to grow economically. No when we talk of statistics, we have to check out the *Insurance density* and *Insurance penetration*.

International comparison of insurance density

Countries	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Developed Countries</i>										
US	1602.0	1662.6	1657.5	1692.5	1753.2	1789.5	1922.0	1900.6	1602.6	1498.3
UK	2567.9	2679.4	2617.1	3190.4	3287.1	5139.6	5730.5	5582.1	3527.6	3025.7
France	1268.2	1349.5	1767.9	2150.2	2474.6	2922.5	2728.3	2791.9	2979.8	3251.9
Germany	674.3	736.7	930.4	1021.3	1042.1	1136.1	1234.1	1346.5	1359.7	1390.5
South Korea	763.4	821.9	873.6	1006.8	1210.6	1480.0	1656.6	1347.7	1180.6	1080.7
Japan	2806.4	2783.9	3002.9	3044.0	2956.3	2829.3	2583.9	2869.5	3138.7	3865.8
<i>Developing Countries</i>										
Brazil	10.8	27.2	35.8	45.9	56.8	72.5	95.3	115.4	127.9	139.4
Russia	33.2	23.1	33.9	24.8	6.3	4.0	6.1	5.4	4.50	4.30
Malaysia	129.5	118.7	139.8	167.3	188.0	189.2	221.5	225.9	206.9	198.2
India	9.1	11.7	12.9	15.7	18.30	33.2	40.4	41.2	47.7	52.2
China	12.2	19.2	25.1	27.3	30.5	34.1	41.2	71.7	81.1	93.6
South Africa	377.2	360.5	476.5	545.5	558.3	695.6	719.0	707.0	574.2	498.2
Australia	1040.3	1010.4	1129.3	1285.1	1366.7	1389.0	1674.1	2038.0	1524.8	1328.6

Insurance density is measured as ratio of premium (in US Dollar) to total population

Source: IRDA Annual Reports various issues from 2001-02 to 2010-11

One would clearly observe that the average density is much lesser in comparison to that of developing countries leave aside developed nations.

Table 2, International comparison of insurance Penetration

Countries	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Developed Countries</i>										
US	1.40	1.60	1.38	1.22	1.14	1.00	1.20	1.10	1.50	1.10
UK	10.73	10.19	8.62	8.92	8.90	13.10	12.60	12.80	10.00	9.20
France	5.73	5.61	5.99	6.38	7.08	7.90	7.30	6.20	7.20	8.40
Germany	3.00	3.00	3.17	3.11	3.06	3.10	3.10	3.00	3.30	3.50
South Korea	8.69	8.23	6.77	6.75	7.27	7.90	8.20	8.00	6.50	6.20
Japan	8.85	8.64	8.61	8.25	8.32	8.30	7.50	7.50	7.80	8.10
<i>Developing Countries</i>										
Brazil	0.36	1.05	1.28	1.36	1.33	1.30	1.40	1.40	1.60	1.62
Russia	1.55	0.96	1.12	0.61	0.12	0.10	0.10	0.00	0.00	0.00
Malaysia	3.38	2.94	3.29	3.52	3.60	3.20	3.10	2.80	2.90	3.10
India	2.15	2.59	2.26	2.53	2.53	4.10	4.00	4.00	4.60	4.90
China	1.34	2.03	2.30	2.21	1.78	1.75	1.80	2.20	2.30	2.60
South Africa	15.19	15.92	12.96	11.43	10.84	13.00	12.50	12.50	10.00	9.10
Australia	5.70	5.02	4.42	4.17	3.51	3.80	3.80	4.40	3.40	3.10

Insurance penetration is measured as ratio (in per cent) of premium (in US Dollars) to GDP (in USD)

Source: IRDA Annual Reports various issues from 2001-02 to 2010-11

Table 3 Number of Private Life Insurance Companies and their foreign participants

Sl. No.	Insurers	Foreign Partners	Regn. No.	Date of Registration	Year of Operation
1	Life Insurance Corporation of India		512	01.09.1956	1956-57
2	HDFC Standard	Standard Life Assurance, UK	101	23.10.2000	2000-01
3	Max New York	New York Life, USA	101	15.11.2000	2000-01
4	ICICI Prudential	Prudential Plc, UK	106	24.11.2000	2000-01
5	Kotak Mahindra Old Mutual	Old Mutual, South Africa	107	10.01.2001	2001-02
6	Birla Sun Life	Sun Life, Canada	100	31.01.2001	2000-01
7	TATAAIG	American International Assurance Co., USA	110	12.02.2001	2001-02
8	SBI Life	BNP Paribas Assurance SA, France	111	20.03.2001	2001-02
9	ING Vysya	ING Insurance International B.V, Netherlands	114	02.08.2001	2001-02
10	Bajaj Allianz	Allianz, Germany	116	03.08.2001	2001-02
11	Metlife	MetLife International Holdings Ltd., USA	117	06.08.2001	2001-02
12	Reliance		121	03.01.2002	2001-02
13	Airtel	Airtel International Holdings, Ltd., UK	122	14.05.2002	2002-03
14	Sahara		124	06.02.2004	2004-05
15	Shriram	Santam, South Africa	120	17.11.2005	2005-06
16	Bharti AXA	AXA Holdings, France	130	14.07.2006	2006-07
17	Future Generali	Generali, Italy	133	04.09.2007	2007-08
18	IFFI Federal	Agreos, Europe	135	19.12.2007	2007-08
19	Canara HSBC OBCI	HSBC, UK	136	00.05.2008	2008-09
20	Aegion Religare	Aegion, Netherlands	130	27.06.2008	2008-09
21	DLF Pramerica	Prudential of America, USA	140	27.08.2008	2008-09
22	Star Union Dai-ichi	Dai-ichi Mutual Life Insurance, Japan	142	26.12.2008	2008-09
23	IndiaFirst	Legal & General Middle East Limited, UK	143	05.11.2009	2009-10
24	Edelweiss Tokio	Tokio Marine Holding Inc, Japan	147	12.08.2011	2011-12

* as on 31st December, 2011.

Table 4 Number of Life Insurance offices

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Sector	2186	2190	2191	2196	2197	2220	2301	2522	3030	3250	3371
Private Sector	13	116	254	416	804	1645	3072	6391	8785	8768	8175
Total	2199	2306	2445	2612	3001	3865	5373	8913	11815	12018	11546

Source: Computed from IRDA Annual Reports various issues from 2001-02 to 2010-11

Number of New policies Issued: It is another important indicator of growth and performance of the insurance companies. It is a pointer towards the spread of message of insurance among those people who have never availed of the benefits of life insurance as well as the existing policyholders. The following table shows the number of new policies issued by life insurance industry during the study period. However, the number of insurance policies issued by the private sector shows highest growth rate as compared to the public sector. This indicates the growth rate of private sector companies in the industry.

Table 5, Life Insurers: Number of New Policies Issued

INSURERS	(in Lakhs)									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	
LIC	370.38 (-4.70)	388.63 (8.21)	359.13 (-4.52)	376.13 (-1.61)	382.29 (21.01)	315.91 (31.75)	239.78 (-11.09)	269.68 (9.87)	245.46 (96.75)	
Private Sector	111.14 (-22.61)	143.62 (-4.32)	150.11 (13.19)	132.62 (67.40)	79.22 (104.64)	38.71 (73.37)	22.33 (34.62)	16.59 (101.05)	8.25 (3.25)	
Total	481.52 (-9.53)	532.25 (4.52)	509.23 (0.10)	508.74 (10.23)	461.52 (30.14)	354.62 (35.29)	262.11 (-8.44)	286.27 (12.83)	253.71	

Note: Figure in bracket indicates the growth over the previous year in per cent.

Source: Computed from IRDA Annual Reports various issues from 2001-02 to 2010-11

It has been revealed out from the above table that the performance of LIC in terms of new policies business has deteriorated and those of private players have been improved tremendously. In 2001-02, the number of policies of LIC was only 232.75476 lakhs which increased to 269.68069 lakhs in 2003-04. But in 2004-05, instead of increase, there is fall in the no. of policies to 240.27393 lakhs. Further, the no. of policies increased to 388.637 lakhs in the year 2009-10. Whereas in the case of private players, in the year 2002-03 the no. of policies was only 836.621 lakhs and it further dropped down to 165.884 and 223.307 crores in the year 2003-04 and 2004-05 respectively.

Table 6 Total Life Insurance Premium

INSURER	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
LIC	70313.00 (23.32)	100112.31 (18.20)	167210.04 (5.91)	249389.94 (17.10)	374027.14 (46.73)	507922.22 (23.83)	657222.29 (18.25)	835332.43 (15.39)	1012411.19 (21.65)	1342712.1 (42.73)	188292.6
Aegon Religare	388.51	125.55	21.21	-	-	-	-	-	-	-	-
Aditya	2145.17	2379.0	1852.05	891.70	1477.73	603.27	253.42	11.50	13.47	-	-
Bajaj Allianz	9609.35	473.71	6624.57	5726.31	5545.74	2333.52	1227.52	223.80	60.17	7.14	-
Health AXA	192.32	659.73	360.71	170.41	7.75	-	-	-	-	-	-
Life Sun Life	5977.07	6505.89	4671.80	3272.19	1778.71	1290.58	675.47	587.54	143.32	29.29	0.32
Canara BFC	331.35	142.45	265.41	-	-	-	-	-	-	-	-
UL - Paragana	96.37	39.41	3.31	-	-	-	-	-	-	-	-
Life General	526.73	647.51	732.80	2.49	-	-	-	-	-	-	-
- DFC Standard	9004.17	7005.10	9564.66	4898.20	2552.53	569.01	625.13	201.76	148.38	33.43	0.002
ICICI Fidelity	7100.05	10521.75	16358.25	13671.06	6817.98	1261.04	2381.72	889.26	477.52	115.07	5.94
LICI Federal	371.00	577.12	312.50	11.30	-	-	-	-	-	-	-
India First	790.75	207.53	-	-	-	-	-	-	-	-	-
ICICI Vijaya	708.35	642.55	1442.26	1798.37	707.22	426.38	333.59	88.51	21.19	4.12	-
Global Myntra	2976.51	2891.05	2343.19	1697.17	871.51	621.45	465.15	160.72	111.37	7.17	-
Max New York	3872.55	4820.54	3827.30	2714.50	1600.25	788.15	473.43	215.28	96.59	29.65	0.10
Nat'l G	2500.17	2535.01	1855.64	138.54	457.71	205.99	67.53	20.73	7.3	2.45	-
Telera	6671.77	6624.83	4822.54	3226.44	1024.56	224.21	26.55	31.06	6.47	2.25	-
Sahara	273.71	250.59	206.77	13.49	61.09	21.55	7.71	-	-	-	-
SBI Life	12517.34	10704.03	7912.10	6222.14	2928.49	1076.32	607.12	226.67	72.39	14.69	-
Shikhar	207.52	617.27	435.17	350.35	184.17	13.37	-	-	-	-	-
Sarathi Financial	933.51	533.37	80.18	-	-	-	-	-	-	-	-
TA AAG	7905.24	1453.73	2747.50	2076.35	7397.13	1000.19	457.24	251.55	111.27	21.74	-
Private Total	38131.80 (11.04)	79369.94 (23.00)	64497.43 (25.06)	51761.42 (18.50)	28253.00 (37.30)	12085.54 (95.19)	7727.51 (14.75)	3126.33 (17.03)	1116.05 (31.58)	272.55 (124.30)	6.45
Industry total	237606.00 (8.33)	286447.25 (19.69)	227789.41 (10.13)	207131.11 (42.07)	138296.81 (41.11)	103876.26 (42.73)	82491.80 (21.50)	66865.15 (19.36)	4671.59 (11.20)	20094.46 (43.31)	18988.10

* Figures in the company has not set of their position
Note - figure in bracket indicates the growth over the previous year in percent

Source: Computed from IRDA Annual Reports various issues from 2001-02 to 2010-11

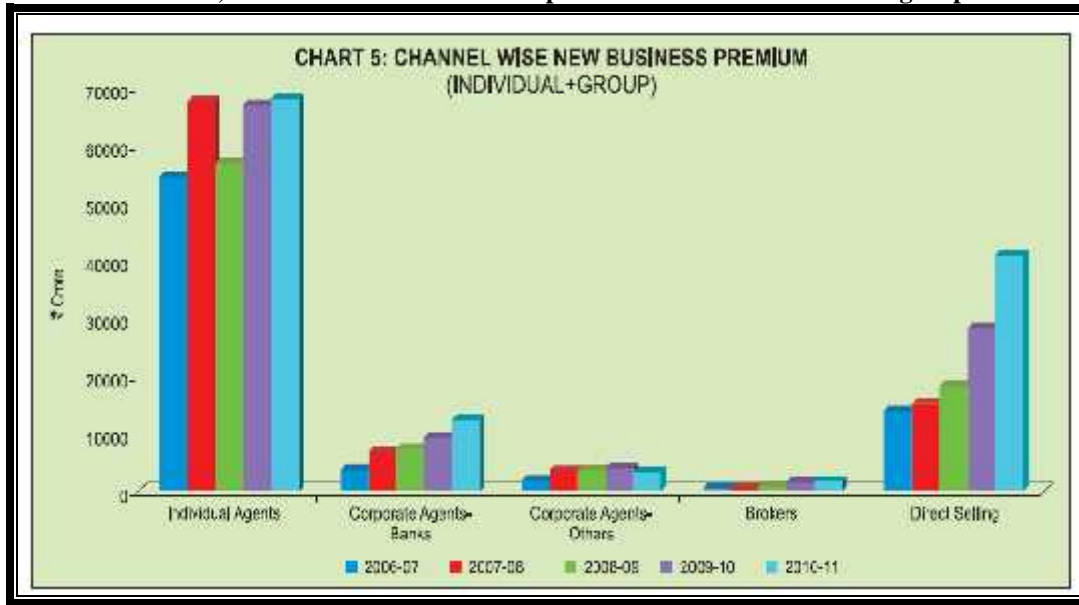
It has been clearly pointed out from the above table that the total premium income of LIC and private players during 2000-01 was Rs. 34892.02 crores and Rs. 6.45 crores respectively. There has been a constant increase in the total premium income of LIC being Rs. 202889.28 crores in 2011-12 and in private sector it was 84182.83 crores in 2011-12.

Table 7, Channel wise new business performance of in individual and group policies segment

Particulars	Remarks	Unit	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Channel Wise-New Business (Amount of Premium)-Individual plus Group													
Individual agents	IV	₹ Crore)							54571	67671	55264	66906	60254
Corporate agents-Banks	IV	₹ Crore)							3662	5822	7307	6786	12357
Corporate agents-Others	IV	₹ Crore)							1829	3003	3571	3972	3277
Directors	IV	₹ Crore)							363	573	887	1476	1296
Directors org	IV	₹ Crore)							1387	1514	1373	2826	1086
Total	IV	₹ Crore)							7587	9763	6603	10645	7633
Referrals	IV	₹ Crore)							1269	2547	2731	2670	976
Channel Wise-New Business (No. of Lives Covered)-Individual plus Group													
Individual agents	IV	* Lakhs							12325	19563	16265	54033	45077
Corporate agents-Banks	IV	* Lakhs							2905	3462	4143	3206	3528
Corporate agents-Others	IV	* Lakhs							1763	3274	3335	1986	8727
Directors	IV	* Lakhs							751	949	1413	5366	5739
Directors org	IV	* Lakhs							17497	27723	18082	80664	84870
Total	IV	* Lakhs							36215	36395	100765	120600	127339
Referrals	IV	* Lakhs							779	1362	1947	1286	858

Source: Computed from IRDA Annual Reports various issues from 2001-02 to 2010-11

Chart 1, Channel-wise new business performance of individual and group



Interpretation: It is revealed out from the above table no. 5.4, that the share of individual agents, corporate agents-banks, others, brokers and direct selling has been referred in the above table. The above table clearly shows the growing importance of Bancassurance as a channel for sale of life policies. It has been increasing steadily as indicated by total premium collected in the individual segment as well as the total number of lives covered.

INDIVIDUAL AND GROUP NEW BUSINESS PERFORMANCE AND BANC ASSURANCE:

Different insurance company have tie-up within or the another bank through joint-venture. In banc assurance, banks are selling insurance products to the customers against some fixed percentage of fee or commission which adds profit to the earnings of bank.

Table 8 Channel wise Life Insurance business over the years in the individuals segment

(Premium in ₹ Crm)

Particulars	Number of Policies Issued					Amount of Premium				
	2006-07	2008-10	2008-09	2007-08	2006-07	2006-07	2008-10	2008-09	2007-08	2006-07
Individual Agents	41591811 (86.44)	45036064 (85.44)	43400680 (85.38)	44762011 (86.01)	42301907 (83.15)	66665.62 (78.95)	66286.25 (79.64)	55327.64 (79.67)	65916.48 (82.75)	54605.30 (80.46)
Corporate Agents-Banks	1936562 (4.02)	2064643 (3.96)	1896457 (3.73)	1693670 (3.33)	1426016 (2.74)	11652.63 (13.80)	8686.68 (10.60)	6727.38 (9.66)	6329.22 (7.97)	3603.17 (5.57)
Corporate Agents- Others*	2986481 (6.21)	3819243 (7.18)	2758776 (5.36)	2600726 (5.01)	1284786 (2.48)	2057.75 (2.46)	3470.75 (4.26)	3386.54 (4.86)	3467.81 (4.36)	1826.89 (2.76)
Brokers	571308 (1.16)	498285 (0.95)	306242 (0.59)	227906 (0.45)	258777 (0.50)	1471.00 (1.72)	17916.00 (21.38)	7262 (1.11)	472.75 (0.60)	331.68 (0.50)
Direct Selling	1080426 (2.25)	1804611 (3.43)	2445777 (4.70)	1573044 (3.00)	139677 (0.27)	2015.37 (2.42)	5289.05 (6.41)	3370.33 (4.75)	2647.71 (3.33)	235.42 (0.36)
TOTAL	48136668 (100.00)	53195191 (110.50)	50908771 (105.90)	50847190 (105.80)	46411802 (96.43)	83174.00 (100.00)	82677.05 (100.00)	68529.41 (82.80)	78422.97 (94.00)	60361.32 (72.58)
Referrals	548272 (1.14)	1232779 (2.32)	1952107 (3.83)	1248398 (2.45)	715933 (1.54)	827.91 (1.00)	2567.61 (3.12)	2714.81 (3.83)	2345.62 (2.95)	1259.61 (1.92)

* Any entity other than banks but licensed as a corporate agent.
Note: 1) The loans obtained through referrals arrangements have been included in the respective channels.
2) New business premium includes first year premium and single premium.
3) Figures in bracket show percentage to total individual new business premium through respective channels.

Source: Computed from IRDA Annual Reports various issues from 2006-07 to 2010-11

Table 9, Channel wise Life Insurance business over the years in the Group segment

(Premium - ₹ Crore)

Particulars	Number of Schemes					Number of Lives Covered					Amount of Premium				
	2010-11	2009-10	2008-09	2007-08	2006-07	2010-11	2009-10	2008-09	2007-08	2006-07	2010-11	2009-10	2008-09	2007-08	2006-07
Individual Agents	512 (16.7%)	3636 (12.59)	2362 (15.66)	4202 (11.42)	43 (0.16)	3435632 (1.13)	3636396 (11.9)	2501103 (6.33)	5235699 (15.18)	27384 (0.13)	242833 (6.67)	161712 (5.81)	36675 (0.96)	136525 (17.67)	563 (0.04)
Corporate Agents-Banks	134 (0.63)	444 (1.56)	1363 (9.46)	765 (2.06)	275 (1.0)	4561620 (6.63)	1181364 (1.46)	2344435 (6.24)	1767953 (5.12)	1429225 (7.46)	132861 (3.67)	36953 (1.3)	6919 (0.26)	48269 (6.47)	32896 (4.3)
Corporate Agents- Others*	171 (0.13)	167 (0.5)	17 (0.12)	713 (1.92)	31 (0.12)	632504 (0.03)	523974 (0.16)	53169 (0.01)	64617 (0.19)	45763 (0.34)	31057 (0.74)	4017 (0.14)	13174 (0.75)	400 (0.27)	313 (0.02)
Brokers	166 (0.14)	1032 (3.74)	541 (3.71)	462 (1.24)	26 (0.1)	456717 (6.67)	452693 (5.11)	54149 (1.23)	79316 (2.3)	48244 (2.46)	2134 (0.57)	34793 (1.24)	1572 (0.46)	9855 (13.1)	3101 (0.27)
Direct Selling	2113 (70.97)	21612 (75.42)	16361 (96.12)	1927 (7.52)	2507 (9.56)	5375202 (76.67)	5904932 (13.16)	4654323 (8.23)	25149636 (75.69)	1396313 (57.36)	3585875 (76.67)	2487205 (89.34)	156299 (35.63)	1253147 (167.87)	131113 (17.39)
TOTAL	3066 (100.00)	2855 (100.00)	2474 (100.00)	2453 (100.00)	231 (100.00)	33232016 (100.00)	40683235 (100.00)	5218160 (100.00)	3464816 (100.00)	18421904 (100.00)	4515421 (100.00)	2743837 (100.00)	1737032 (100.00)	1425983 (100.00)	1367841 (100.00)
Retereals	7 (0.01)	13 (0.5)	-	7 (0.01)	2 (0.01)	31399 (0.23)	5374602 (12.7)	4771 (0.01)	2135 (0.01)	52913 (0.31)	5825 (0.02)	4239 (0.15)	1583 (0.06)	164 (0.01)	152 (0.01)

*Any entity other than banks but licensed as a corporate agent.

Note: 1) The cases obtained through reforma arrangements have been included in the respect to channels.

2) New business premium includes first year premium and single premium.

3) Figures in brackets show percentage to total individual new business procured through respective channels.

Source: Computed from IRDA Annual Reports various issues from 2006-07 to 2010-11

Interpretation: It is revealed from the Table no.5.6 indicates, total no. of policies sold and premium income accumulated through banc assurance are increasing year by year. All the insurance players have shown positive growth in terms of no. of policies sold and premium income obtained from banks.

BANC ASSURANCE DEVELOPMENT IN INDIA

- Currently the middle class population is overburdened with inflationary pressures, growing expenses of education & living standard and tax rates.
- Excepting for the private banks, all banks have not developed the necessary IT infrastructure to make the best of Bancassurance. The channel will work best only when we have all Regional Rural Banks, cooperative banks and all public sector banks develop the requisite IT structure to monitor premium renewals, premium lapses, premium sourced, policies taken, persistency if any et al.
- The figures based on which these assumptions, projections and presumptions are being made are everything other than the authentic data provided by the bancassurance companies and partners.
- According to **World Economic Forums' Financial Development Report 2012**, India tops all the countries in terms of life insurance density. It is followed by China, Japan, US & UK.
- Banks have been allowed to sell insurance products of more than one company.
- Banks' database is strong and very large. If properly dissected, it can lead to generation of huge amounts of leads for being targeted for life and non-life insurance products.

CONCLUSION

The insurance penetration ratio in the country has started improving thereby ensuring that the benefit of insurance reaches down to the grass-root level of the nation and more and more people come under the cover of the insurance umbrella. The growth in the life insurance industry has been spurred by vibrant distribution channels coupled with product innovation. Innovation has come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups with banks and other financial services. Thus, Bancassurance as an alternate distribution channel has contributed to the growth of insurance business by leveraging the benefits to customers, bankers and insurance. But the



future depends on how well the banks and insurance companies are able to overcome the operational challenges that are being constantly thrown at them.

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