



Bancassurance

Past and current trends

Bancassurance - quo vadis?
IVth Bancassurance Congress,
Warsaw, October 25th 2012

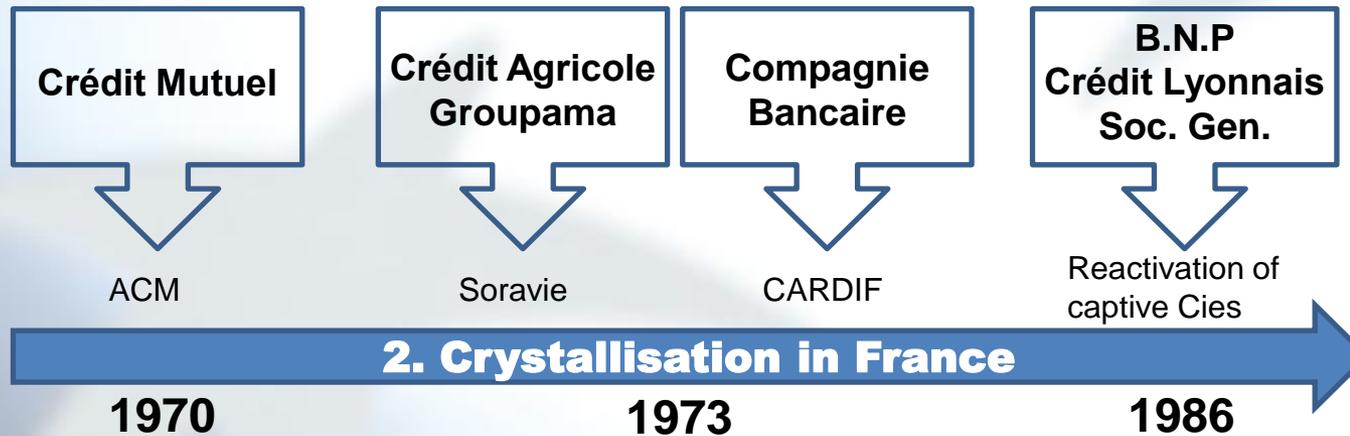
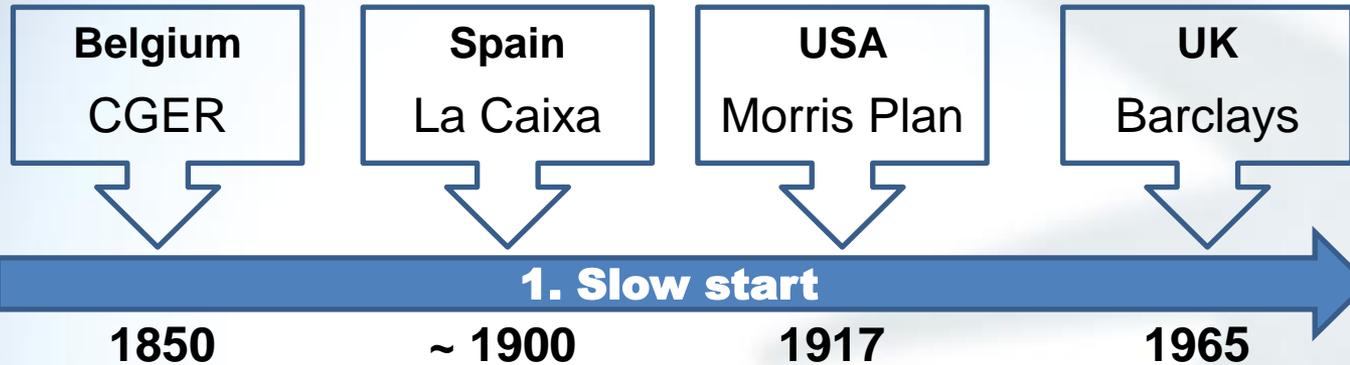
G rard Binet



BNP PARIBAS
CARDIF

| Insurance for a changing world

The beginning



Reasons for the success

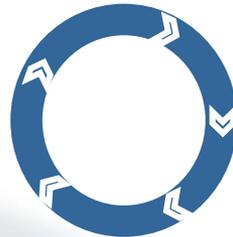
A strong convergence of interests for the stakeholders

CLIENT

- Convenience
- Legitimacy of banks
- Increased access to insurance
- Competitive price

BANK

- Cross selling
 - Increased return
 - Reduced cost of risk
 - Additional profit centre
 - Recurring revenues
-
- Shareholder revenues
 - Decorrelation of risk profiles
 - Complementarity of the economic cycles



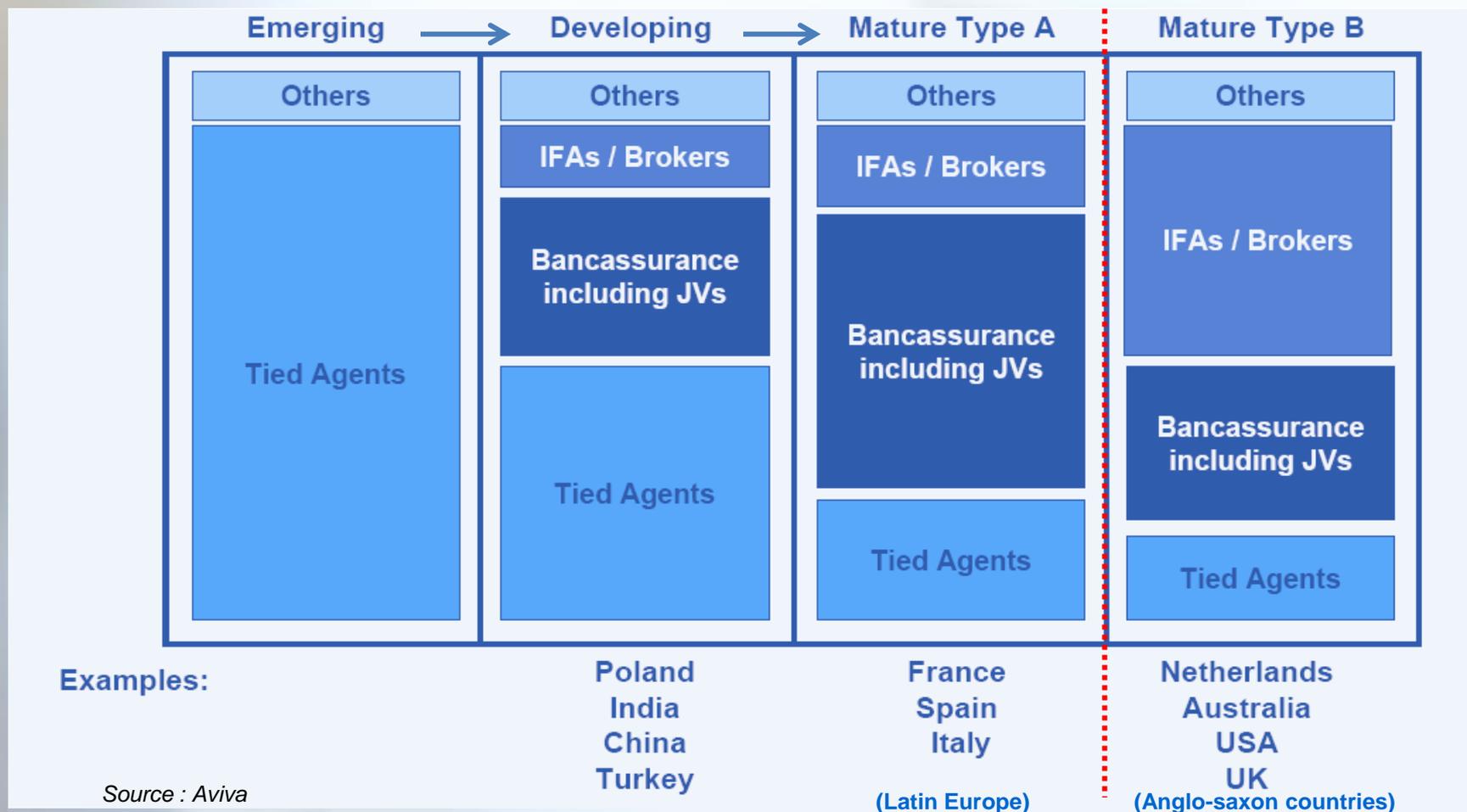
INSURANCE COMPANY

- New distribution channel
- Additional client base
- Economies of scale
- Facilitated risk pricing
- Risk diversification
- Increased margins

STATE

- Increased market size
 - Funding of the economy (savings)
 - Growth
 - Softening of systemic risk
-
- Unified supervision (FSA)

Development rules within life markets



The bancassurance market share represents a lower percentage when a strong insurance density (premium per capita) preexists, which is the case in the Anglo-saxon countries, or when the long term savings market is preempted by pension funds (Poland, Latin America...).

Beyond life, this also applies for P&C bancassurance, in France for instance, where its market share is limited to 10 - 15%, according to the products.

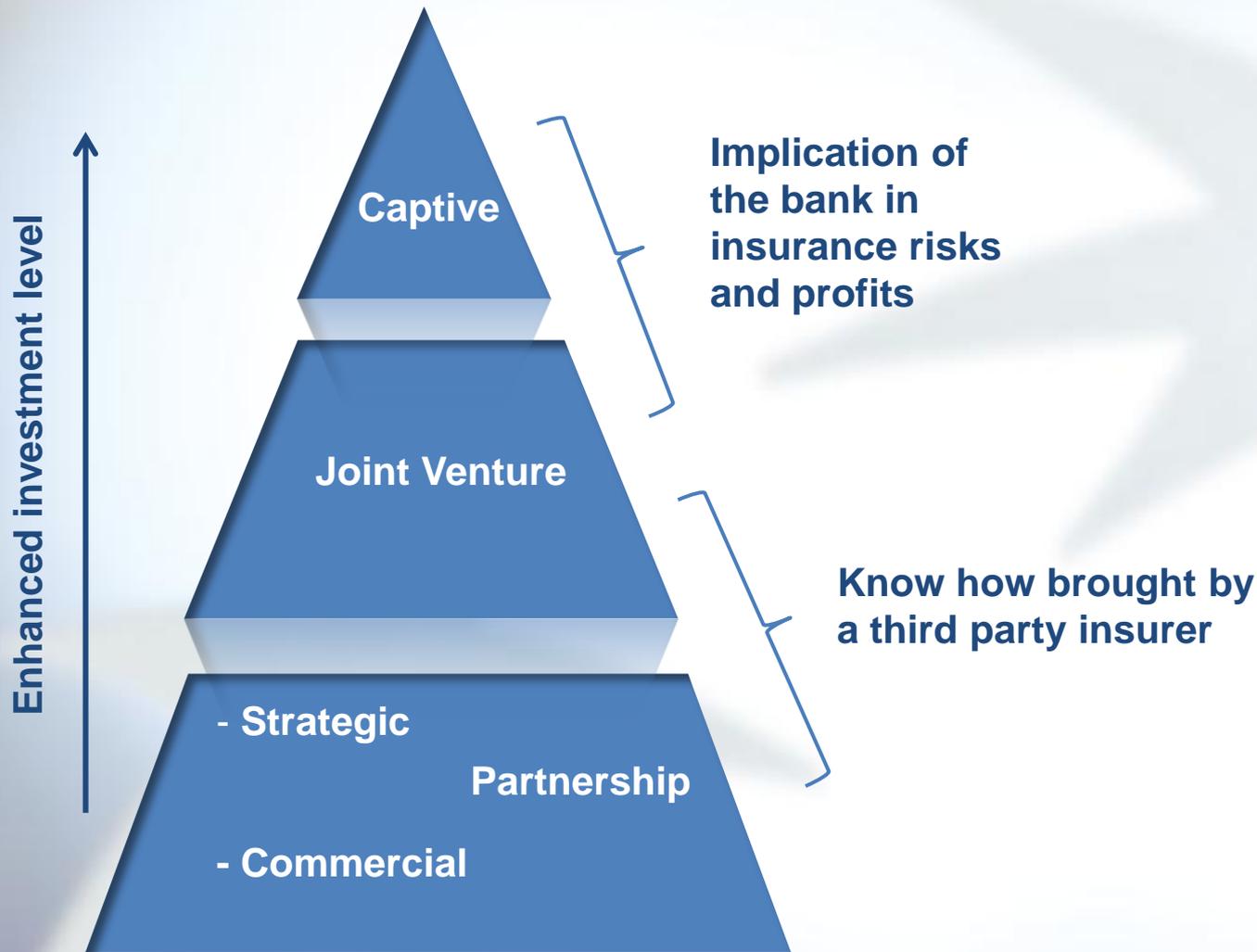
Key external factors for the take off

- ❑ Regulatory framework
 - ✓ Presentation of the products
 - ✓ Remuneration of banks
 - ✓ Insurance shareholding of banks
- } Insurance Mediation
Directive
- ❑ Product regulation
 - ❑ Tax system
 - ❑ Market characteristics
 - ✓ Equipment vs equipped market



A very favourable combination of these factors has led to the real take off and success, in France, of bancassurance. The French generic word has been adopted by the English language.

Three levels of vertical integration



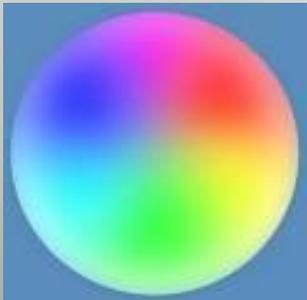
➤ Failure of the « bank / insurance » conglomerate model. e.g. ING or Allianz - Dresdner.

France, a very strong and successful model

- ❑ Largest bancassurance market worldwide (premiums), for over 30 years
- ❑ The vertical integration chosen by all banks has highly contributed
- ❑ Protection takes over from savings: e.g. equivalent revenue levels for BNP Paribas, in protection products and in life savings
- ❑ Leadership also for non life (P&C) bancassurance
 - ✓ Real success of the 2 banks who chose to create a captive company
 - ✓ Market shares are constantly increasing but remain limited

Barriers to development for P&C bancassurance

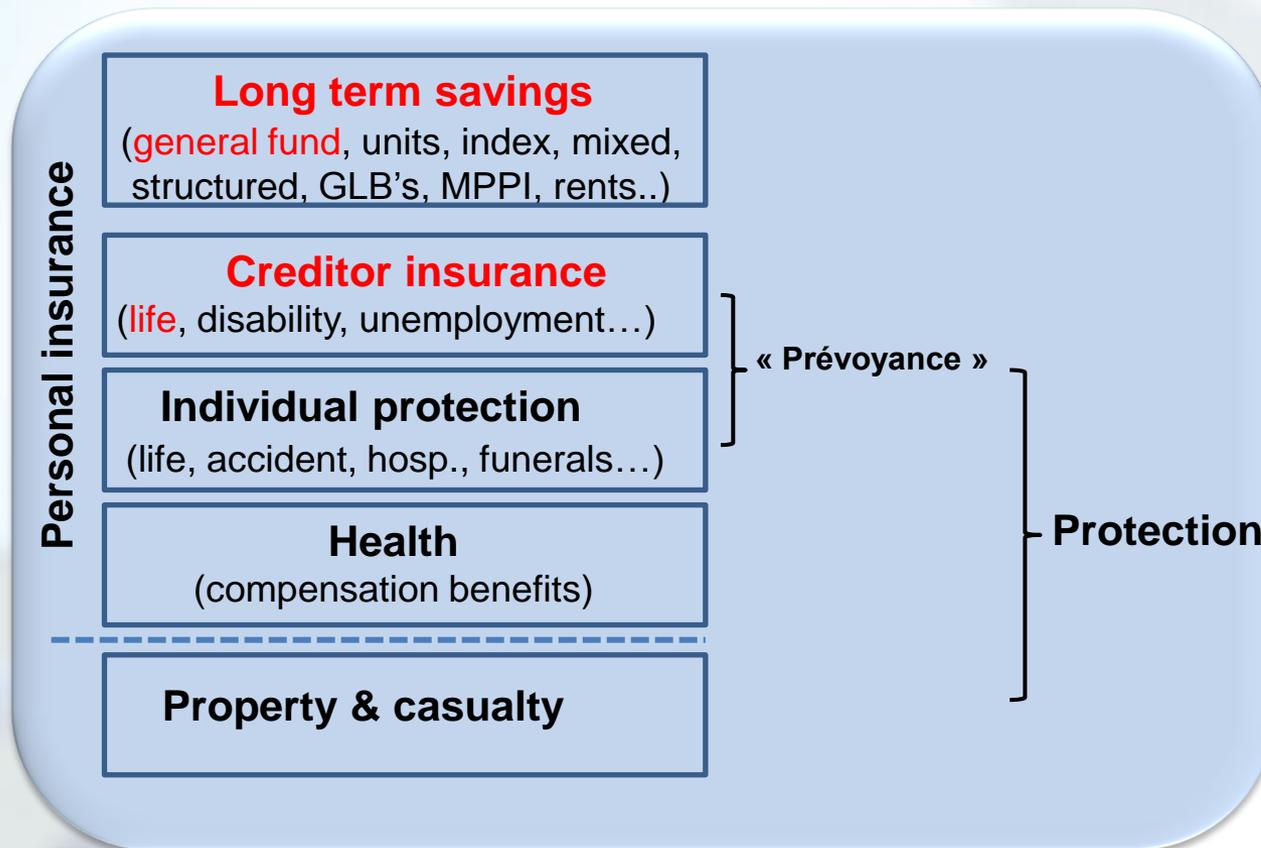
- **Equipped market**
- **Risks**
- **Image (claims) -> operational excellence requested**
- **Level of investment / strategic will**



The bancassurance product range

Start up of bancassurance

Increased complexity of back office



Growth potential

small

average

strong

strong

strong in equipment markets

- Start up with simple products, which can be sold massively.
- The extension of the product range implies a higher complexity of back office platforms
- Protection bancassurance will progressively take over from traditional (savings) bancassurance in a large number of markets.

Key success factors



A combination of often simple conditions,...

- Common **vision**
- Strong **commitment**
- **Non simultaneous** launch of **products**, targeting fast **strong penetration levels**
- **Simple products**, with an adapted **positioning**
- Shared assessment of the **potentials**
- **Training**: 2 levels
- Network **animation**
- **Motivation** : commission + incentive
- **Steering** meetings (profit centre)
- **Exchange of data**

Later (mature markets)

- **Segmentation + advice**
- **Client journey**
- **Multichannel** offer
- Workflow / **Process** / CRM
- **Interfacing** platform (**web**)

An emerging topic: client satisfaction

- **Quality**: underwriting and claims management
- **TCF** : Treating Customers Fairly and **Customer Centricity**

...better carried out within a more pronounced vertical integration

A flexible and efficient model: (multi-country) multi-partnership (1/2)

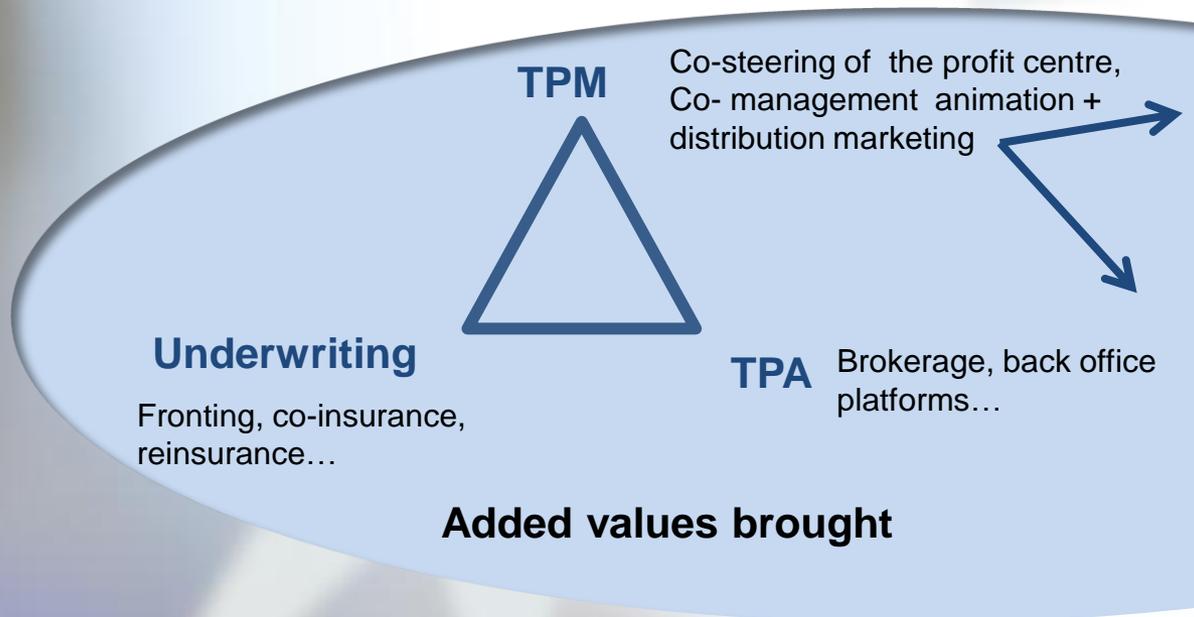


- ❑ Concentration on a niche product (innovation / development of a new market)
 - ❑ Deployment can be potentially rapid
 - ❑ Light and flexible. Complexity increases with the multiplicity of products and partners.
e.g. **Cardif**, worldwide leader of creditor insurance: 470 partners incl. 250 banks, franchises in 39 countries.
 - ❑ Targets : banks (incl. small and middle-sized banks) and adjacent markets
 - ✓ Finance houses
 - ✓ Car manufacturers (credit captives)
 - ✓ Retail industry (cf Latam)
 - ✓ Utilities (electricity, water, gas...)
 - ✓ Telecoms
- } Potential global partners

A flexible and efficient model: (multi-country) multi-partnership (2/2)



- Main added values can be partially subcontracted



Products

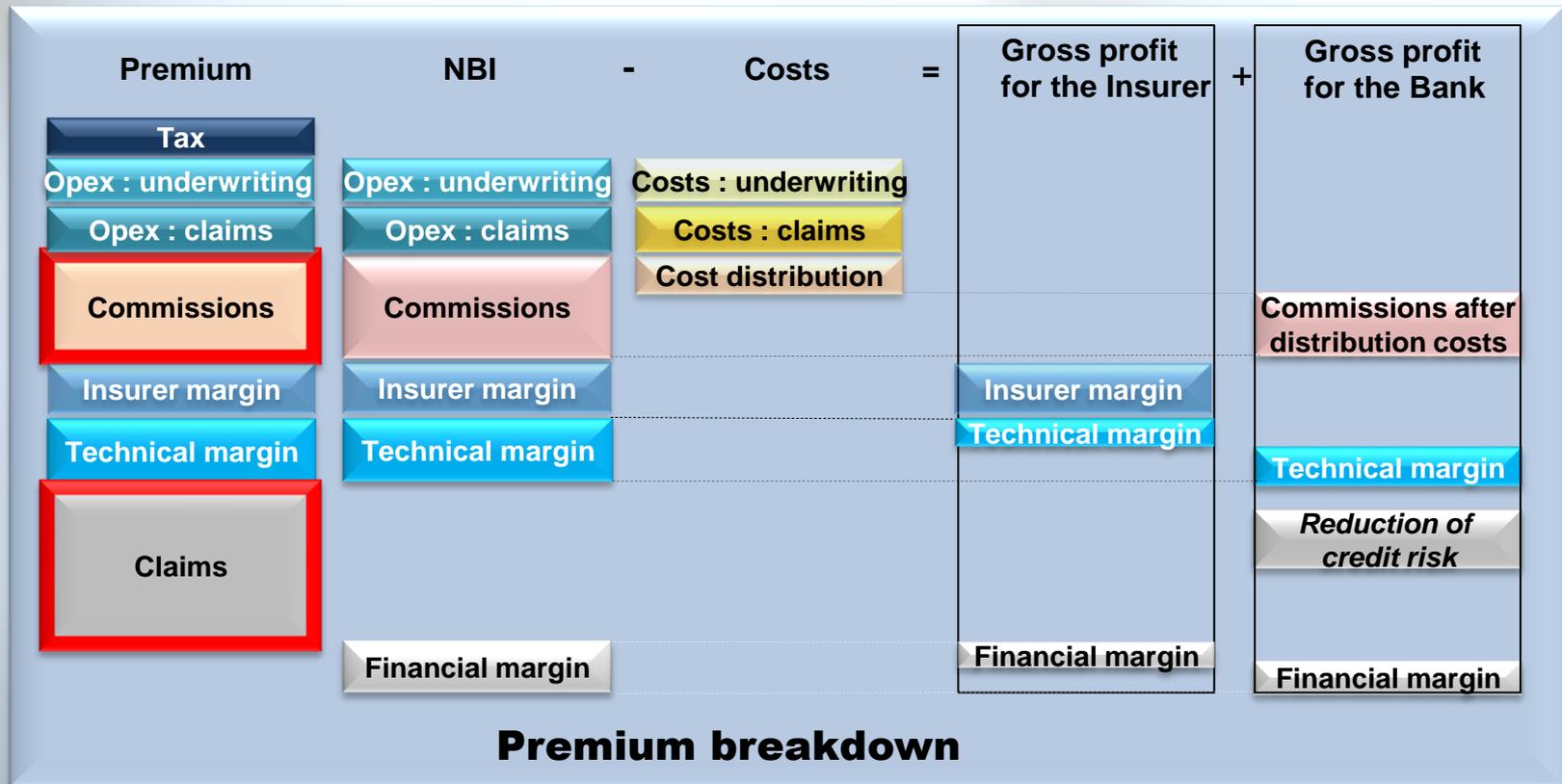
- Life, disability, unemployment, critical illness covers ...for loans / cards
- Bill protection
- Family budget protection
- Individual protection (A & H)
- Payment instrument protection
- Extended warranties
- Automotive gap
- Car insurance
- Homeowners insurance
- Assistance...

Channels

- Face to face
- Mailing
- Telemarketing
- On-line (partner)

Creditor Insurance (CPI)

A specific product for bancassurance, currently under scrutiny



- Important revenues for banks. Estimated worldwide market: € 55 billion.
- Too dominant position of lenders vis-à-vis borrowers.
- Drastic regulatory evolutions which imply deep modifications.
- The *Cardif - Sofres* 2008 survey in 11 countries confirms the need for cover of the borrowers
- Credit is the privileged triggering event for the sale of protection products

Creditor insurance Good Practices in France

1. Freedom of choice



Rules applicable in France:

- ❑ Mortgage loan: credit protection insurance (CPI) is *mandatory*
 - ✓ Since January 2008, possibility given to the borrower to subscribe the cover from any insurer (not related company)
 - Written statement of the possibility should be present in the credit offer
 - ✓ Strengthening of this rule, in September 2010 (loi Lagarde on consumer credit)
 - A bank must accept the CPI contract of any non related insurer as long as it provides the same guarantees as its own proposal
 - Any rejection must be duly motivated and only based on a difference of guarantee

- ❑ Consumer loan: CPI is *optional*
 - ✓ Freedom for the customer to buy or not a CPI offered by **any** insurer

Creditor insurance Good Practices in France

2. Information rights



Enhanced information + comparability of insurance products to be provided to borrowers

❑ Consumer loan

- Following the transposition of the Consumer Credit Directive, French distributors have committed to display CPI prices (optional CPI) in a standardized form (€/month), since July 2010.

❑ Mortgage loan

- The rules apply since July 2009, to allow the comparison of various offers.
- In July 2009, introduction of a standardised format to inform and advise the borrowers:
 - characteristics of the credit, guarantees offered, monthly costs
 - since July 2010, the cost section must allow customers to compare guarantees and prices according to their personal situation
- Proposal by the European Commission for a new Mortgage Credit Directive

Cardif's approach: the Customer Centric Programme (CCP)

In a context of { a damaged image of financial institutions
an increasing demand for ethics and quality among consumers

TOPICS

GOALS

ORGANIZATION

A CCP Organization :

- Commitment** of the top
- Compliance** integrated in all decisions
- Customer satisfaction** measured and customer needs taken into account in internal processes
- Regular exchanges** with institutional actors, associations, stakeholders...

PRODUCTS

A CCP Product :

- Simple**
- Clearly explained** to customers
- Validated by customers** from its conception
- Brings real **added value to clients**



SERVICES

A CCP Service :

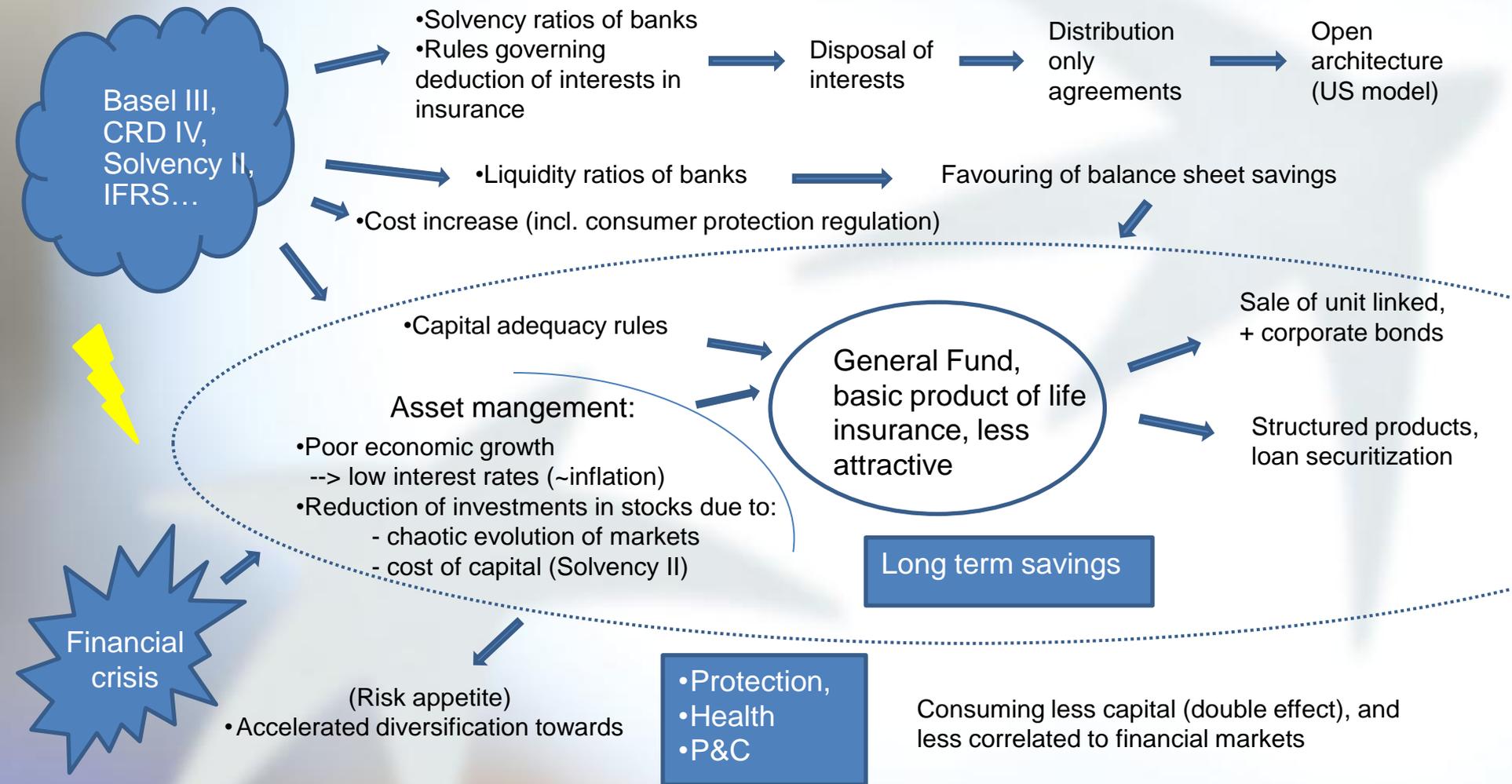
- Meets customers **expectations**
- Simplifies** the customer journey
- Facilitates **access** of the client to information and services
- Treats customers with **empathy**

SALES & DISTRIBUTION

A CCP Sale :

- Provides advanced sales teams **training programs** to guarantee an “ethic” sale
- Creates a **close relationship** with customers to understand their needs
- Uses clear **guidelines**, methods and tools to guarantee a customer centric sales process
- Gets a clear **acceptance** from customers

Unprecedented increase in regulation, added to the financial crisis, may lead to deep reshaping



- The European bancassurance model, as the banking model, could converge towards the US model (open architecture)
- Questioning of new regulations, considered as having excessive pro-cyclic effects ?

Conclusion

- ❑ For over 30 years bancassurance has been a strong growth driver in insurance. It is now loosing some of its power in its root markets (geography and products)
- ❑ It has been structured in an heterogeneous and disparate way
- ❑ Simple measures allow today in France to put the customer back at the centre of bancassurance
- ❑ The demand from banks and their customers for bancassurance products will remain strong regardless of regulatory developments



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