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BANK AS A MODERN INSURANCE SALE CHANNEL

SYSTEMATIC SCIENTIFIC REVIEW

Abstract

This paper deals with one of the newest sale channels on foreign and especially on national insurance market. First of all modern insurance sale channels as a whole were researched so as the sale of insurance through companies not dealing with insurance was the focus of analysis, and the position of banks from that point of view. It was important to process basis for development of bancassurance. Of course, the most important thing is to assess market share of banks as sellers of insurance in certain countries. To that effect, data on bancassurance share in premium of life and non-life insurance in Europe and the North America were provided. Overview of the status of development of bancassurance in Serbia is of special importance. Existence of this business venture so far enabled consolidation of determinants of successful work both for banks and insurance companies, which was also given due care.

Keywords: *bancassurance, insurance sale, insurance sale channels, bancassurance in Serbia.*

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1. Insurance Sale Channels

Sale policy of an insurance company includes organisation, monitoring and development of the entire sale system starting with established current and developmental objectives of the company. To this effect, selection of sale channels and their harmonisation is one of the most important tasks. In the past thirty years a completely new sale channel appeared in insurance market – bancassurance. Unlike the pricing policy and types of offered services that were under minor or major state supervision, insurers can freely choose insurance sale channels.

Insurance sale channels can be divided into several ways. According to one division there are three types of sale channels: a) within an insurance company, economically and legally dependent (sellers employed in the headquarters and affiliates of the company, direct sale), b) connected to a company, economically dependent, legally independent (exclusive agents, agents of several companies, companies in ownership of one or more insurers), c) outside an insurance company, both economically and legally independent (brokers, sale through companies dealing with other business activities, companies whose owners are outside of insurance business).²

Mandatory classification of sale channels is on personal and direct sale.

Personal sale means that between the proposer and the person being offered there is a third party acting as a seller. In principle, connection of such third parties with insurance companies is irrelevant. Sale was dominant in the past; it is dominant now and shall be dominant in future. Insurance services are complex, and not only in the industry and other businesses but quite often in personal insurance lines. Personal sale of services can in detail describe and explain, and frequently stimulate, the need for insurance.³ An important determinant of this type of sale is personal connection between the seller and the buyer, which is present in banks as modern insurance sale channels. One-on-one conversation has advantages compared to mass address such as radio or TV advertisements, newspaper or computer advertisements. The reason is better acceptance of information on insurance service by a current or a future client and higher adaptability during exchange of information. Personal sale conversation purposefully directs attention of an insured person to a service that is being sold and the seller has the opportunity to answer all questions immediately.⁴

2 Köhne, T., Lange, M., *Marketing und Vertrieb von Versicherungs- und Finanzprodukten für Privatkunden*, Verlag Versicherungswirtschaft, Karlsruhe, 2015, S. 173.

3 Puschmann, K.-H., *Praxis des Versicherungsmarketings* (2., vollständig überarbeitete Auflage), Verlag Versicherungswirtschaft, Karlsruhe, 2003, S. 19, 158.

4 Prack, R.-P., Czerwionka, A., *Verkauf von Versicherungen und Finanzdienstleistungen ist (k)eine Magie* (2. Auflage), Springer Gabler, Wiesbaden, 2015, S. 2.

Direct sale means that insurance policies are sold from the headquarters of an insurance company, excluding any agents or brokers – between an insurer and an insured person there is no third party. This type of sale is not new (proposal of insurance by letters), but along with development of especially computer technologies, it obtained fresh stimulation with appearance of insurance sale through a telephone or a computer. Advantages of a direct sale are connected to reduction of costs, provided that it is limited to simpler and mass insurance lines.⁵

2. Insurance Sale through Companies Dealing with Other Business Activities and Position of Banks

Long time ago insurance companies, in order to increase sale, realised benefit of insurance sale through companies dealing with other business activities whose core activity was closely connected to certain insurance lines. This approach is attractive for users of services offered by these companies that have need for insurance cover or such insurance is prescribed by the law. Sale through other companies is not in principle deemed as insurance agency activities.

By offering insurance through other companies, insurers faced two opportunities – the first one is direct use of others' sale channels in order to offer own services, which is confirmed by examples of life assurance sale through banks or sale of various insurance lines through chain stores. The second opportunity is linking of auxiliary insurance services to services of others, which combines their offer and examples of such activities are bank or postal insurance.

Apart from bancassurance, sale of insurance policies, as an additional activity of companies dealing with various activities in the national market, is present in several areas:⁶

- sale of travel insurance through tourist agencies;
- sale of motor third party liability insurance through MOTs and agencies for registration of motor vehicles;
- sale of motor-hull insurance and motor third party liability insurance through rental companies;
- sale of insurance of production of plants and livestock through associations of farmers and agricultural cooperatives;
- sale of household insurance and accident insurance by public utility bills.

⁵ Žarković, N., *Pojmovnik osiguranja*, „Skonto“, Novi Sad, 2013, p. 194.

⁶ Žarković, N., *Savremeni prodajni putevi osiguranja i njihova razvijenost u Srbiji*, u: *Izazovi usklađivanja prava osiguranja Srbije sa evropskim (EU) pravom osiguranja*, ur. Slavnić J., Jovanović S., Udruženje za pravo osiguranja Srbije, Palić, 2012, p. 78.

Although it is sometimes deemed that opportunities for sale through companies dealing with other business activities in developed countries are mainly exploited and exhausted, it appears that that is not always the case. A research conducted in Germany showed that 72% of motor-hull insurance policies were sold by car dealers with full and not partial insurance cover. That is substantially above the performance of an agency, a bank or a computer sale network that far more sell partial motor-hull insurance. Since the research pointed to a circumstance that the travel insurance is easier to be sold on spot, when taking over a vehicle, it is up to insurers to stimulate greater use of car dealers as insurance sale channels.⁷

3. Basics of Development of Bancassurance

Modern bancassurance originated in France and its beginnings were connected to legal changes in 1984 which allowed banks to expand to insurance markets.⁸ The form of bancassurance or a bank insurance model spread with an extraordinary enthusiasm. A tendency for combining of financial services increased, at the beginning especially for division of banking activities to life assurance.

It is well known how banks generate income from difference between interest rate obtained to funds placed in the market and interest rate approved to clients. Increasing competition burdens banking income while credit hazard continuously presents a substantial difficulty. Therefore, banks have tried to supplement their original income out of awards and taxes obtained by sale of insurance policies. For some of them, bancassurance presents a step toward realisation of a special monetary merger in which all financial services would be combined in one place.

Strong competition stimulates banks to step out of regular business activities and increase and expand sources of income. These monetary institutions supplement the offer by trying to tie clients to them and to fully use the existing sale network through which sale of new services is done.⁹ Tendency to transfer from activities with low income rates to more profitable activities obviously directed banks into insurance industry.

According to a standard form of bancassurance, the other side of a joint venture are insurance companies. Even greater market competition when demand for life assurance in the western Europe is decreasing, since it

7 Versicherungsmagazin, Studie: Autohaus wird als Vertriebskanal unterschätzt, Wiesbaden, 8. 11. 2011, <http://www.versicherungsmagazin.de/Aktuell/Nachrichten/195/17682/Studie-Autohaus-wird-als-Vertriebskanal-unterschaezt.html>, 15. 1. 2012.

8 Klasić, K., Analiza tržišta bankoosiguranja u Hrvatskoj, *Svijet osiguranja*, 5, 2004, str. 53.

9 Köhne, T., Lange, M., *Marketing und Vertrieb von Versicherungs- und Finanzprodukten für Privatkunden*, Verlag Versicherungswirtschaft, Karlsruhe, 2015, S. 205.

is an exploited and a limited market, imposed the need for these companies to continuously seek for new channels for improvement of services and satisfaction of insured persons' needs.

It can be said with a high degree of probability that future development of insurance industry shall not depend so much on types of services – because they are more or less all the same with insurance companies in various countries – but on the approach to new sale channels and possibilities of computer and other advanced technologies.

It appears from the above stated that prospects offered by bancassurance are extremely attractive to insurers. Mandatory condition is that this mechanism is created and built in a proper manner in order to freshen up sale channels and expand insurance.

There are plenty theoretical considerations on bancassurance, i.e. a bank insurance model, and more or less several successful realisations of bancassurance in practice. Theorists interpret bancassurance in different ways. However, we can say that what is generally meant under this term is insurance sale through bank branches.¹⁰

Bancassurance in the market can be realised in various ways where it is not often easy to determine the best way for a certain insurance company, i.e. a bank. Response to that question is obtained by determination of strategic objectives and analysis of own position in the concerned business environment.

According to some, possibilities to conduct a bancassurance can be divided as follows:¹¹

- Sale channel of a business partner is used independently with a database of another partner. This is the simplest way of arranging bancassurance that assumes the tightest link between two parties in order for the venture to be successful. However, this approach, as a rule, does not generate any significant profitability rate. Therefore it is upgraded by a special contract concluded between a bank and an insurance company under which contracting parties are directly referred to clients. Success of this approach is possible only with a full cooperation. Advantages are low acquisition costs.
- A bank concludes a sale contract with an insurance company as its authorised agent. It can sell insurance under own brand. This offers opportunity to provide good performance for both parties with low investment costs.
- Various other types of cooperation, i.e. associations: bank with an insurer or a bank that establishes a completely new insurance company; a bank takes over an existing insurance company; insurer creates or

¹⁰ Purvis, K., *English insurance texts*, Verlag Versicherungswirtschaft, Karlsruhe, 2010, p 198.

¹¹ Mašić, N., *Bankoosiguranje, Osiguranje*, 4, 2003, str. 18-19.

takes over a bank without selling its market share to bancassurance providers.

According to another point of view, three basic forms of bancassurance sale are developed:¹²

- **Standard form.** All bank employees sell all insurance lines. This form requires comprehensive training of all bank employees.
- **Expert's form.** Insurance lines in bank branches are sold by experts who are as a rule tied to an insurance company. Role of a bank employee is to recognise a potential buyer and refer a client to an insurance expert. Minor training is necessary for this form, but also more motivation is necessary for tellers. Disadvantage is the length of the process due to existence of two sale steps.
- **Combined form.** Bank employees sell simpler insurance lines and insurance experts sell more complex services.

Each of the stated approaches in sale is efficient in certain circumstances. Secret of successful implementation of bancassurance lies in their recognition. Key determinant is defining whether the form fits in the most important objectives of the other party in bancassurance activities.

4. Developmental Features of Bancassurance in Areas, i.e. Countries

Associations of banks and insurers in joint venture of insurance services' sale through a widely spread network of bank branches resulted, in some countries, with a very good performance, while in other countries the market penetration was significantly lower. Factors from economy, legal and demographic environment influence these differences.¹³

The bancassurance form is the most used one in the Western Europe – in some countries over one half of life assurance premium is realised by this sale channel. Contrary to that, in the North America penetration of bancassurance is quite poor, and as one of important reasons for that is a long-term limitation of regulations.

Bancassurance in Japan developed slowly for years due to legal limitations.¹⁴ They were later eliminated, which certainly meant better options for development. Contrary to that, in the same part of the world, in Australia, the bancassurance is at a high position. In Australia many insurance companies

¹² Prednosti i mane bankoosiguranja, *Svijet osiguranja*, 2, 2006, str. 65.

¹³ Cummins, J.D., Venard, B., International Insurance Markets, in: Cummins, J.D., Venard, B. (Editors), *Handbook of International Insurance*, Springer, New York, 2007, p. 2, Schweizer Rück, Allfinanz: Trends, Chancen und Herausforderungen, *Sigma*, 5, 2007, S. 11-12.

¹⁴ Yamori, N., Okada, T., The Japanese Insurance Market and Companies, in: Cummins, J.D., Venard, B. (Editors), *Handbook of International Insurance*, Springer, New York, 2007, p. 185.

were taken over by banks long time ago. Similarly, as in most countries, operations of banks in Asian-Pacific area also are primarily characterised by offer of life assurance policies.¹⁵

As could be expected, in the developing countries penetration of a bank insurance model, as a specific and proportionally new sale channel varies, which is affected by:¹⁶

- legal and supervisory framework;
- scope of presence of providers from developed countries;
- social and cultural factors.

We can emphasize that providers of bancassurance services are mostly deep in Asian markets (above all in non-life insurance lines). Success in sale was recorded also in the Central and Eastern Europe and Latin America.

4. 1. Western Europe and the North America

Banks are dominant sale channel of life assurance in the following Western European countries:¹⁷

- Portugal 74.1%
- Italy 71.9%
- Spain 71.4%
- France 63.0%
- Belgium 47.4% and
- Austria 45.0%.

Contrary to that, their importance is substantially lower in the following countries:

- Luxembourg 25.0%
- Germany 18.0% and
- Sweden 10.0%.

In some Western Europe countries, life assurance is not even sold through banks:

- Great Britain
- Ireland and
- the Netherlands.

It is important to stress that in almost all stated countries between 1985 and 2000 bancassurance share increased significantly, but since 2000 it was stable or slightly increased.¹⁸

¹⁵Kolhagen, J., *Bancassurance: Wichtiger Vertriebskanal für Lebensversicherer*, <http://versicherungswirtschaft-heute.de/maerkte/wichtiger-vertriebskanal-fur-lebensversicherungen/>, 8. 1. 2015.

¹⁶Schweizer Rück, *Allfinanz: Trends, Chancen und Herausforderungen*, *Sigma*, 5, 2007, S. 11.

¹⁷Insurance Europe, Table 22, *Breakdown of life insurance premiums by distribution channel – 2012*, <http://www.insuranceeurope.eu/uploads/Modules/Publications/statisticsn°50europeaninsuranceinfoguresdataset.xls>, 3. 8. 2015.

¹⁸Bankvertrieb holt auf, *Versicherungsvertrieb*, 3, 2005, S. 3.

Banks in the Western Europe sell a substantial number of life assurance policies especially when policies are simple and unified and fit well with the existing bank operations. Life assurance lines with capitalisation are best sold products because they are replacement for common bank deposits with interest rates. For example, out of concluded life assurance lines connected with investment funds in Italy 76% refer to banks, and life assurance lines connected with investment funds with one-off premium payment in France account for 66%.¹⁹

Satisfactory success of bancassurance is also recorded in sale of services related to hazard of death (term-life insurance), since they can be easily combined with bank services (mortgage life assurance or credit life insurance).

Contrary to that, sale of complex services (e.g. in the area of old-age insurance) bancassurance is less successful. For example, in Great Britain individual old-age insurance lines sold through a bank participate with only 7.5% in total turnover of this service type.

Regarding non-life insurance, the dominant sale channel in the Western European markets is still through agents and brokers. However, bancassurance also recorded growth and in eight countries its share exceeded 5%:²⁰

- Portugal 15.3%
- France 12.0%
- Spain 10.2%
- Belgium 7.4%
- Great Britain 7.4%
- Finland 7.3%
- Germany 6.9% and
- Austria 5.7%.

It is not difficult to conclude that countries leading in sale of life assurance through this sale channel are on top of the list. Obviously, bancassurance share, as a non-life insurance sale channel, in several Western European countries recorded growth since 2000. Insurance lines connected to regular bank services are best sold, such as mortgage loans, when buying property or consumer loans.²¹ It is also interesting that life assurance in Great Britain are not sold through banks, while it is completely different situation with non-life insurance.

In most Western European countries, the most important non-life insurance sold through bancassurance is a household insurance. So, share of

19 Schweizer Rück, Allfinanz: Trends, Chancen und Herausforderungen, *Sigma*, 5, 2007, S. 13.

20 Insurance Europe, Table 23, *Breakdown of non-life insurance premiums by distribution channel – 2012*, <http://www.insuranceeurope.eu/uploads/Modules/Publications/statisticsn%50europeaninsurancefiguresdataset.xls>, 3. 8. 2015.

21 Klinge, U., Ernest, P., Schadenversicherungen am Bankschalter, *Versicherungswirtschaft*, 5, 2006, S. 375.

bancassurance in total premium of household insurance is 32% in Spain and 26% in Great Britain. Contents insurance is in most parts of the Western Europe a very profitable business and banks see in it a good addition to their mortgage operations.

We can also conclude that individual insurance of motor vehicles through bancassurance is still recording a very low share. Share limit of 5%, taking into account premium through all sale channels, is exceeded only in two countries, France 7.0% and Belgium 5.5%. In those countries as well as in Great Britain and Spain, since 2000, stable but moderate growth of sale of these policies through banks is recorded.²²

Motor insurance can present an entry for other insurance lines sold through banks, especially when insurance lines are sold with loans. However, in certain cases, growing complexity and need for consulting role means that it is not always simple to sell motor insurance through banks.

Increase of sale of private health insurance is expected, but with inevitable pre-condition that simple and unified products are developed and sold through bancassurance. We state Portugal as an example where bancassurance share in sale of private health insurance reached nearly 30%.

Regarding the North American market, its legislation strictly separated banks from insurance companies for a long time. In the beginning of the nineties banks experienced a great increase, both in types and number of services and types of users and number of areas where they operated.²³

The law from 1999 in the USA enabled creation of new universal financial organisations whose scope of operations is greater than the one in banks. These powerful institutions are able to influence or even define economic and political trends in that area, but also outside that area.²⁴

However, in comparison with Europe or Asia, bancassurance in the USA and Canada is not widely spread. Reasons for that are multiple:

- supervisory and legal obstacles;
- unfavourable image of bancassurance in public;
- poor tendency of clients toward this sale channel;
- cultural gap between banks and insurance companies;
- banks' assessment on reduction in profitability of insurance policies sale.

²² CEA Insurers of Europe, CEA Statistics N°39, Insurance Distribution Channels in Europe, March 2010, p. 10, <http://www.insuranceurope.eu/uploads/Modules/Publications/cea-statistics-nr-39---distribution.pdf>, 4. 8. 2015.

²³ Santomero, A., *Banking and Insurance: A Banking Industry Perspective*, in: *Financial Management of Life Insurance Companies*, Cummins, J.D., Lamm-Tenant, J. (ed.), Kluwer Academic Publishers, Boston, 1993, pp. 21-22.

²⁴ Babić-Hodović, V., *Konkurencija ili kooperacija bankarstva i osiguranja, Svijet osiguranja*, 3, 2003, str. 59-63.

Although legal limits in the USA are eliminated, this sale channel is still not developing fast enough. It is necessary to keep in mind that banks and insurance companies in the North America have been developing separately in the North America for a long time. In the meantime, banks in the USA have begun selling insurance services such as voluntary pension insurance and credit insurance. Their presence in non-life insurance is still limited.

In Canada, in the middle of nineties, there has been a mitigation of limits in financial operations, but one of the key limits still remained – banks were not allowed to sell insurance. However, banks were allowed to buy or establish insurance companies and vice versa. Although bancassurance is discussed very often, it is assumed that in near future the basis for monetary market in this country would be the so called two pillars, separate banks and insurers.²⁵

4. 2. Central and Eastern Europe

In the countries of the Central and Eastern Europe, sale through bancassurance mainly covered life assurance policies. This sale channel accounts for the following portion of total life assurance premium:²⁶

- Poland 38.9%
- Croatia 20.1%
- Romania 13.6% and
- Slovenia 8.3%.

Data is available for six countries, but in Bulgaria and Slovakia life assurance is not sold through banks.

Significant factor of growing penetration of bancassurance in many of these countries present foreign banks and insurers that contributed to transfer of a corresponding form from the Western Europe. Also, development of a bank insurance model is facilitated by accession of some countries to the European Union. In those countries, for example, guideline for provision of services is applied, which enables conclusion of an insurance contract with an insurer that did not establish a daughter company or an affiliate in the concerned country.²⁷

Regarding non-life insurance, experience is substantially poor, which is confirmed by data on insignificant share of bancassurance as a sale channel:²⁸

25 Bernier, G., Nathan, A., A Descriptive Analysis of Canadian Insurance Markets, in: Cummins, J.D., Venard, B. (Editors), *Handbook of International Insurance*, Springer, New York, 2007, p. 445.

26 Insurance Europe, Table 22, *Breakdown of life insurance premiums by distribution channel – 2012*, <http://www.insuranceeurope.eu/uploads/Modules/Publications/statisticsn°50europeaninsurancefiguresdataset.xls>, 3. 8. 2015.

27 Schweizer Rück, Allfinanz: Trends, Chancen und Herausforderungen, *Sigma*, 5, 2007, S. 17.

28 Insurance Europe, Table 23, *Breakdown of non-life insurance premiums by distribution channel – 2012*, <http://www.insuranceeurope.eu/uploads/Modules/Publications/statisticsn°50europeaninsurancefiguresdataset.xls>, 3. 8. 2015.

- Croatia 3.1%
- Poland 2.3%
- Slovenia 0.5% and
- Romania 0.2%.

Non-life insurance policies are not issued in Bulgaria and Slovakia.

Further stimulation for development of bancassurance in the Central and Eastern Europe will present increase of bank loans, above all mortgage and consumer loans. This growth lead to, due to more strict risk management, greater requirements by banks for collateral for loans, which is done by concluding an insurance contract. Also, in that part of Europe tax system is undergoing changes so that different savings' products will be equal, which would make competition harsher and erase boundaries between certain monetary services. The stated circumstance can only incite growth of bancassurance.

Life assurance sale in Russia and other members of the Commonwealth of Independent States already greatly relied on bancassurance. Upgrade in insurance activities, which includes sale channels, in those countries still has to be built. Banks already have their position in sale so that in Russia they cover around 30% of life assurance premium.²⁹

4. 3. Serbia

National insurance market, regardless of numerous shifts, can still be deemed insufficiently developed. Development of bancassurance can surely contribute to its promotion as a new service, i.e. new sale channel.

The Law on Banks of the Republic of Serbia, adopted in the end of 2005, stipulates that one of activities a bank can perform are insurance activities. According to provisions of the law, a bank can perform such activities only with prior approval of the National Bank of Serbia.³⁰

According to a special Decision, a business bank can perform insurance activities under the following conditions:

- to ensure performance of such activities by authorised insurance agents;
- to regulate agency activities by internal acts and business plan of a bank;
- to have human resources and technical expertise for performance of insurance agency activities and
- to conclude a contract on agency activities with an insurance company.³¹

²⁹ Schweizer Rück, Allfinanz: Trends, Chancen und Herausforderungen, *Sigma*, 5, 2007, S. 17.

³⁰ The Law on Banks, the Official Gazette of the Republic of Serbia, 107, 2005, 91, 2010 and 14, 2015, Article 4.

³¹ Decision on Implementing Provisions of the Insurance Law Relating to Insurance Brokerage and Agency Activities, the Official Gazette of the Republic of Serbia, 55, 2015.

Currently 19 banks have a licence by the National Bank of Serbia to perform agency activities.³² Much more important data would be the actual number of policies sold and acquired premium amounts by these agents. Unfortunately, such data are still not officially recorded in the entire country. Using data obtained from some of the most important insurance companies involved in bancassurance, assessment on share of this sale channel was conducted in Serbia and the results were that 2-3% accounted for life assurance premium and around 2% for non-life insurance premium.³³

Extensive changes in monetary system, legal novelties, arrival of foreign investors in insurance companies and banks, higher living standard are important assumptions for future development of the bancassurance in our country as well. It is obvious that this form in Serbia is still not completely functional, but it certainly presents one of paths for development of our insurance market.

5. Determinants of Successful Bancassurance Operations

Various attempts have been made to establish bancassurance, i.e. various successful and unsuccessful examples from practice, with existence of this decision, enabled consolidation of determinants in banks and insurance companies required for successful operations of this monetary merger. Unity and compliance must exist among these determinants.³⁴

5. 1. Requirements by Banks

In order to start sale of various insurance lines and build a sale culture with employees (tellers and advisors of clients) a bank must fulfil several pre-conditions:

- transformation of a bank employee into an insurance sale agent. Usually a bank employee, above all, deals with current activities, apart from advising of clients and selling of services. Bank employee should in future, within bancassurance, focus more on sale. As support for that an employee is provided with: training for sale of insurance policies, procedures for stimulation of sale and IT network, detailed

³² The National Bank of Serbia, Insurance Market Participants, http://www.nbs.rs/internet/cirilica/60/60_1/index.html, 5.7.2016.

³³ Žarković, N., Savremeni prodajni putevi osiguranja i njihova razvijenost u Srbiji, u: Izazovi usklađivanja prava osiguranja Srbije sa evropskim (EU) pravom osiguranja, ur. Slavnić J., Jovanović S., Udruženje za pravo osiguranja Srbije, Palić, 2012, str. 83-84.

³⁴ Kern, H., *Bancassurance – Modell der Zukunft?*, Verlag Versicherungswirtschaft, Karlsruhe, 1999, S. 107.

instructions, i.e. sale manual. Due to changed market circumstances, which do not influence only introduction of insurance services in sale, it is also necessary to change policy for hiring new bank employees.³⁵

- stimulation of tellers and advisors of clients based on established sale objectives. Determination of objectives would be based on: adequate funds for running and managing of operations, realisation of long-term and current sale objectives, stimulation and expertise of associates, employing and keeping them in the company, increased awareness of managers. The best stimulation should be built by introduction and development of award system for employees.
- continuous and live addressing of buyers of insurance services. Here we include special offers for sale of certain services, assistance when answering questions of potential policyholders, monitoring competition, making stimulative advertisements, appearance before certain target groups, mass delivery of advertising brochures and implementation of marketing based on use of database on banks' clients.
- consistent separation of sale and general operations in bank branches. Bank employees often perform numerous administrative tasks. According to some researches, that group of activities requires around one half of working hours.³⁶ Therefore, it is necessary to clearly separate the actual tasks of a bank branch – insurance sale – from accompanying administrative operations. One part of administrative operations can successfully, in that case, be completed in one place, let's assume, for a certain part of a country.
- equal access to bank and insurance services. Only by equalisation of position of both types of services and actual deletion of boundaries between various companies can a success in insurance sale be achieved.³⁷ If insurance sale is not stimulated sufficiently, success of all financial operations is not guaranteed. These issues refer not only to compensation of costs to a bank seller as a commission, but also to support to sale – even when status of commission is regular, inadequate support measures can make insurance sale difficult.
- a single IT support. Factors such as personal computers, computer networks, main computers and the like are of extreme importance for an insurance company to become part of a bank's IT upgrade without

35 Roland Berger & Partner, *Vertrieb, Kunden- und vertriebsorientiert im Vertrieb*, Interne Studie, München, 1998, S. 43.

36 Roland Berger & Partner, *Vertrieb, Kunden- und vertriebsorientiert im Vertrieb*, Interne Studie, München, 1998, S. 82.

37 Trapp, J., Helm, F., *Bancassurance: Ein schlafender Riese*, *Versicherungswirtschaft*, 14, 2005, S. 1055.

greater obstacles. Thus, acceptance of specificities of insurance activities is ensured by bank tellers.

5. 2. Requirements by Insurance Companies

Starting with key requirements for a bank, an insurance company must also contribute to a successful bancassurance. Thus, cooperation covering all significant pre-conditions for continuous work of bancassurance will be complete. Complete adjustment of an insurer to its bank partner is based on the following pre-conditions:

- creation of simple, understandable and adequate insurance services for banks. Essentially, there are two methods for creation of types and manners for insurance sale. According to one, an insurer can sell all of its services in an unchanged form through all sale channels. Other possibility means creation of a special set of services for each type of sale. In case of sale through a bank, only the second option should be taken into account because operations of a bancassurance mean such privileges that cannot be met with any other type of insurance sale.
- focus on bank's sale channels. In modern conditions, even when sale of bank services is the only business activity, there are sub-channels for such operations – internet, telephone or special points of sale, all of which can be called direct sale. All these sale channels could offer insurance policies. However, at this moment that is perhaps more theoretical consideration since insurance sale through banks, i.e. regular channels, is still burdened with certain limits and difficulties. Division on all types of sale is obviously useless and should be avoided.
- training of tellers. Training of bank employees – associates for insurance sale is necessary, since they sell various types of monetary services. It is understood that training programme is designed and prepared by an insurance company, and it is conducted by a bank. So far, experience has showed that, in most cases, it is necessary to conduct certain trainings in order to increase competence of tellers regarding insurance sale.³⁸
- creation of a special sale awareness. Building of such sale climate and culture must be initiated not only by a bank, but by an insurance company as well. A teller is considered as the first client, from the point of view of an insurance company. Satisfied and stimulated teller, starting with own good experience with insurance services (relation between insurance price and compensation, scope of services), offers

³⁸ Chang, P.-R., Peng, J.-L., Fan, C.K., A Comparison of Bancassurance and Traditional Insurance Sales Channels, *The Geneva Papers on Risk and Insurance*, 36 (1), 2011, p. 93.

them to banks' clients as own services thus achieving double sale performance. Insurance companies that introduced this approach achieved much bigger scope of sale through bancassurance compared to other companies.³⁹

- marketing. One of decisive factors for acceptance of an insurance service offered through banks is the name under which it is sold, i.e. the brand. In principle, here we can consider three options for market appearance: under the name of an insurer, under the name of a bank or under a completely new name. Market practice so far indicates that the most part of building of bancassurance is based on approach "under the name of a bank", where insurer's characteristics are in the background, merged with a bank starting with advertisements to purchase of insurance, which means that it is subject to success of a joint venture.
- service centre adjusted to bank's clients. Banks in modern conditions manage call centres that provide assistance and information. Owing to that it is not necessary for a client to come personally to a bank in order to get assistance, but can count on telephone or computer assistants. In the same manner service centres for insurance services offered through banks are organised. It is important that call centres are continuously (even after working hours) available to insured persons in order to quickly address their needs, i.e. requests.

6. Conclusion

Experiences lasting over thirty years in most cases point to a conclusion that expectations from introduction of a bancassurance were met. However, many of these ventures took several years until bancassurance started to be operational as expected. World monetary disturbances in 2007 / 2008 also affected cooperation between banks and insurance companies by even opening some new options.⁴⁰

It is certain that the idea of a bancassurance has a future. One of questions remains on the form that would be dominant. According to findings of a study, which included over five hundred banks in Belgium, France, Germany, Italy, the Netherlands, Spain and Great Britain, in the first place is cooperation only with one external partner, an insurer. In the second place are daughter insurance companies owned by a bank. With exception of Belgium and Great Britain in all other countries there are also joint ventures.⁴¹

39 Warth, W. P., Altersvorsorge ist die treibende Kraft, *Versicherungswirtschaft*, 5, 2003, S. 308.

40 Dressi, A., Schneider, M.C., Bancassurance and Scale Economies: Evidence from Italy, *The Geneva Papers on Risk and Insurance*, 40 (1), 2014, pp. 106-107.

41 *Partnership opportunities with European banks: mutual funds, life insurance and retirement savings*, Finaccord, London, 2002, pp. 11-18.

In order to achieve success in future construction of bancassurance it is mandatory that both bank and insurance company have the same visions. Both parties should recognise buyers' needs, precisely determine, i.e. prepare sale process when introducing the bancassurance, and be ready for overcoming of resistance not only from clients but their employees as well.

Good prospects for life assurance sale through banks are especially assessed. Many market participants believe that it would be the most profitable insurance sale channel in future. In any case, on one hand, the existing cooperation between banking business and insurance activities will be upgraded and strengthened, while, on the other hand, competition between these activities will be also strengthened. Both industries must take advantages of comparative benefits in order to offer services adjusted to needs of clients.⁴²

All the above stated can be applied on development of bancassurance in Serbia. As findings of this research showed, although this modern sale channel was introduced for the first time in our country about ten years ago, its share in premium is still symbolic. We can assume that it will grow in future, first of all within life assurance. That will contribute that our market gradually assumes features of greater development.

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⁴² Hauser, H., Banken und Versicherungen – Freund und Feind?, *Versicherungswirtschaft*, 9, 2007, S. 653.

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