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## A Review Report On the Distribution of Insurance in Bank

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**Abstract:** *This report deals with the review of empirical studies related to perceptions towards the distribution of insurance channels in banks. This review has been undertaken to observe the areas of distribution of insurance channels in banks which has been explored and which need further investigation in order to formulate objectives and undertake productive research. This review also has been undertaken to unveil the problem areas related to perceptions towards distribution channels as well as to study the current status of life insurers and challenges faced by them. Besides, studies would provide an insight into the various efforts directed towards better understanding of the complexities of framing distribution strategies of life insurance companies.*

**Keywords:** *Insurance in Bank.*

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### INTRODUCTION

A sound financial sector is the backbone of the healthy economy. On one hand, it is the banking sector which is highly competitive and on the other hand the insurance sector which has a lot of potential for growth. The combination of these two sectors results in an innovative concept of “BANCASSURANCE”. The Insurance Industry as a financial service is considered as one of the important segments of an economy for its growth and development. Insurance is a ‘business of solicitation’ unlike a typical banking service; it requires a great drive to market the insurance products.

### HISTORICAL BACKGROUND OF INSURANCE INDUSTRY

The Indian insurance industry is as old as it is in any other part of the world. The first insurance company was started in India in **1818** at **Kolkata**. We had a number of foreign and Indian insurers operating in the Indian market till the nationalization of the industry but there were unethical practices adopted by some of the players against the interest of the insurance consumers. The Government of India issued an Ordinance on 19 January 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The **Life Insurance Corporation (LIC)** absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. In 1972 with the General Insurance Business (Nationalisation) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1 January 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commences business on 1 January 1973. Nationalisation has lent the industry solidity, growth, and reaches which is unparalleled.

### CRITICAL EVALUATION

Those include the following:

- **Bergendahl, Goran (1995)** Developed principles for banks that want to evaluate the distribution of life insurance as well as non-life insurance products and identify key factors for profitability. Analysed the costs of training personnel, the costs of computers and communication, the fixed and variable sales costs, and the costs of administration including customer

service. These costs have to be covered by direct benefits in terms of commissions and indirect benefits in terms of more faithful bank customers and also identified five key factors: the number of branches; the number of specialists per branch; the number of customers to the bank; the cross-selling ratio; and the reduction over time in costs of selling and administration.

- **Karunagaran (2006)** attempted to explore the scope for bancassurance models as feasible source of sustainable income to banking sector by exploiting the synergy in the context of India & concludes that going by the present pace, bancassurance would turn out to be a norm rather than an exception in future in India and it would be a 'win-win situation' for all the parties involved - the customer, the insurance companies and the banks.
- **Artikis, Panayiotis G. et.al. (2008)** focused on the main empirical findings related to the bank-insurance model and to outline the market practices across the world and concluded an uneven success of the bancassurance phenomenon across the world. It is not clear whether re-regulation is the cause or response to globalization, and vice versa, which in turn both shape the bancassurance arena. A number of incentives for the formation of financial conglomerates are identified.
- **Fan, Chiang Ku and Cheng, Shu Wen (2009)** compared the efficiency of bancassurance, an indirect marketing channel formed through the creation of subsidiaries, with an insurer's own team, a direct marketing channel, in the Taiwan insurance sector. Major findings of the study are: the efficiency score of a direct marketing channel is significantly higher than that of a comparable indirect marketing channel. The efficiency relationship between the indirect marketing channel and the direct marketing channel is independent. A marketing efficiency evaluation, when divided into different marketing channels for evaluation, provides meaningful results for marketing decision-makers.
- **Maenpaa, Irinja, and Voutilainen, Raimo (2011)** investigated how financial service providers cross-sell combined bank and insurance service offerings in a business-to-business context with the aim of increasing understanding on the creation of corporate customer value through cross-selling. The results showed that financial service providers anticipate a shift from separate sales events towards one-stop shopping and from the unilateral provision of non-related products towards consideration of hybrid products in the SME segment.
- **Tiwari, Anshuja and Yadav, Babita (2012)** conducted a study with an objective to understand the role of bancassurance in Indian Life Insurance Industry and to measure customer awareness, satisfaction and perception towards buying life insurance products from banks and concluded that Bancassurance would accelerate the growth of life Insurance business, reduce cost, Low awareness of bancassurance among customers and second preferred distribution channel by customers. There are a tremendous scope and growth opportunity available for bancassurance in future in the Indian life Insurance market.

#### **OBJECTIVES OF THE STUDY**

- ❖ To assess the distribution channel of life insurance in banks.
- ❖ To through light on the status and growth of Indian insurance industry after liberalization and also presents future challenges and opportunities linked to the insurance.
- ❖ To evaluate the profitability structure & performance after merging with the banks
- ❖ To examine the present scenario of life insurance sector in India and issues relating to competition in this sector.
- ❖ To know the market share LIC in the insurance industry and the new marketing strategies adopted by it to increase business volume.
- ❖ To ascertain the factors which influenced the policyholders to select a policy, to measure the satisfaction of policyholders concerning LIC services and to offer valuable suggestions to improve the performance of LIC.

#### **FINDINGS FROM THE STUDY**

- The above reviews suggest that the Bancassurance architectural structure for financial firms does offer some benefits and thus may become more prominent in future years
- *It suggests* that how LIC is working with its policies, can it provide quality and variety of products to its customers? And lastly, is there any scope for private participation in coming few years?
- The above reviews suggest that the importance of distribution channel, not only remains on how many channels a company currently has but on how those channels work and interact with each other in a cost-effective manner giving a single view of the Organization and Unified experience to the customer.

- The basic existing problems faced by the channels in this market needs to be looked into first and then the question of technology, tools, training, and learning is to be taken up.
- It is found that is the only company i.e., LIC's providing best services to the customers by satisfying their needs, is running successfully by earning sufficient revenues and by providing extended services to the customers.
- The study examined that LIC is managing its customer base basically with agency channel. With the widespread workforce of LIC in every part of the country, the customers are provided with a variety of life insurance products at their doorsteps according to their requirements.
- It is found that after privatization how life insurers are changing their distribution network.
- The study concludes that all these players are actively introducing innovative products to meet the specific needs of the prospective customers

### **CONCLUSION**

From the above elaboration, we concluded that the study was of great help to the policyholders, as it was aimed at finding the awareness and satisfaction towards the services of LIC policyholders. Hence the prospective customers, who propose to buy the insurance products and avail the services of an insurance company for the first time, can get benefited if they select the best service provider that can provide all these factors in the most comprehensive way.

The result of all these studies appears to be similar though approaches were different due to the use of different statistical tools and techniques. The empirical evidence from the studies conducted in India has yielded to findings on the perception towards distribution channels. From the findings of literature review, it was noticed that most of the studies were conducted on privatization of life insurance industry whereas the performance of distribution channels has been analysed comparatively to a small extent. This indicated that additional studies need to be conducted to shed more light on, particularly the issue of distribution strategies, distribution of life insurance products and role of technology. Any study was hardly found which empirically tests the perception of intermediaries.

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