

Bancassurance in China: Life, Non-Life and Creditor Insurance

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The value of China's insurance market has risen rapidly in recent years, from USD 239.2 billion in premium income in 2010 to USD 328.7 billion in 2014. Within this market, the role of bancassurance as a distribution channel is developing through both the range of products on offer and closer relationships between banks and insurers, including the creation of some joint venture underwriters.

Finaccord's new report *Bancassurance in China: Life, Non-Life and Creditor Insurance* analyses this market in detail, looking at the size of the market, the insurance products available and the operating models used by banks. It examines the provision of 13 different classes of insurance by 108 banking institutions in China, and finds that the Agricultural Bank of China, Bank of Dongguan, Ping An Bank and Qingdao Bank boast the most diverse range of bancassurance policies, as each of them offer 11 out of these 13 product types. Four other banks (Bank of China, China Resource Bank, Fudian Bank and Industrial Bank) were found to be marketing ten types of policy, with critical illness insurance, investment-related life insurance, retirement savings and risk life insurance on offer most frequently across all banks considered (as shown in the chart on the final page of the press release).

The development of bancassurance in recent years can clearly be measured by comparing the average number of insurance types offered across all 108 organisations, which stood at 2.94 in 2014 compared to an average of 1.88 recorded in a previous study by Finaccord in 2012 (i.e. an expansion of over 60%). However, at 54 out of the 108 researched, exactly one half of the banks investigated still did not offer any of the insurance types researched, the largest of which were Bank of Jilin (with around 9.76 million retail customers) and Wuhan Rural Commercial Bank (with 5.76 million customers).

Bancassurance has been an important insurance distribution channel in China in recent years with well over 50% of all life insurance premiums collected through it, comments Yapei Zhang, a Consultant at Finaccord. Nonetheless, the bancassurance market as a whole remains somewhat under-developed in terms of both bank participation and product diversification, with a great majority of bancassurance sales tilted towards life insurance rather than health or non-life cover. In addition, regulations continue to limit the products that can be sold and the regions in which they can be marketed.

Finaccord's research also classifies bancassurance partnerships according to whether they are set up as joint ventures, strategic long-term relationships or ad hoc distribution partnerships. In contrast to many other Asian countries (and some in Europe), a distinguishing characteristic of the Chinese bancassurance landscape is that banks and insurers have traditionally not worked closely together. As a consequence, some partnerships between banks and insurers have run for only short periods of time and, for this reason, regulations have been introduced governing the minimum duration of bancassurance agreements. Partly as a result of these guidelines, there has been a gradual shift in recent years among major banking groups in China from working with multiple external insurance providers to establishing captive or joint venture underwriters.

It is evident from our research that the predominant operating model used by Chinese banks to offer insurance remains that of collaborating with one or more external underwriters, continues Zhang. However, there has also been an increase in the number of joint venture underwriters co-owned by banks and insurance companies, such as that of ICBC with AXA, and there is also a rising number of underwriters acting in a captive capacity, such as ABC Life, BOC Insurance and CCB Life. Overall, many of China's retail banks are expanding their co-operation with insurance companies and this is creating opportunities for both new product initiatives and brand new partnerships.