Chapter 1

Conceptual Framework

1.1 Introduction

The business of banking around the globe is changing due to development of new technologies, universalization of banking operations and diversification in non-banking financial activities. Due to all these movements, the boundaries that have kept various financial services separate from each other have vanished. The coming together of different financial services have provided synergies in operations and development of new concepts. One of these is bancassurance.

The term 'Bancassurance' itself conveys the meaning about the concept. It is a combination of the term 'Bank' and 'Insurance'.The word bancassurance is derived from two French words, Banque meaning Bank and Assurance which denotes insurance. It is the concept of selling the insurance plans along with a complete range of banking and investment products and services (Venugopal, 2011).The collaboration between banking and insurance is a worldwide phenomenon now-a-days. Bancassurance is a business model which refers to the selling of insurance policies through a bank's established distribution channels (Aggrawal, 2004; Rani, 2014). The synonyms used for bancassurance are such that 'Allfinanz' (in German), 'Integrated Financial Services' and 'Assurebanking' (Sethi, 2005).

Bancassurance portrays the blending of banking and insurance products and services offered by bank (Jennings, 1997). In this arrangement, insurance companies and banks undergo a tie-up, a system in which a bank has a corporate agency with an insurance company to sell its products. By selling insurance policies the bank earns revenue apart from interest. It is called as fee-based income. This income is purely risk free for the bank since the bank simply plays the role of an intermediary for sourcing business to the insurance company. Such an arrangement also benefits consumers with a “one-stop shopping” option (Wu, 2008).

1.2 Bancassurance: The Global Context

The first countries to experience the evolution of bancassurance were Spain and France.In France, in the early 70s, Assurances du CréditMutuel Vie et IARD (life and general insurance) were officially authorized to start operations, which was a watershed event in the history of insurance. Thus, they became the precursors of the concept “bancassurance”. In Spain, in the year 1980, BANCO DE BILBAO Group acquired a majority stake in EUROSEGUROS SA (originally LA VASCA ASEGURADORA SA). However, their control was initially only financial. This is because Spanish law prohibited banks from selling life insurance. This legal barrier was removed in 1991. Today, the top five Spanish bancassurance companies control one third of the market (Chevalier et al., 2005).

From a purely historical point of view the real pioneers were the British with the creation of Barclays Life in September 1965. But unfortunately this subsidiary was not a great success in the UK, and thus was not the concept of bancassurance.

In the US, the banks were earlier not allowed to sell insurance due to the restrictions imposed by Glass-Stegall Act of 1933, which acted as a wall between banking and insurance. As a result of this, life insurance was primarily sold through individual agents, who focused on wealthier individuals, leading to a majority of the American middle class households being under-insured. With the repealing of this Act in 1999, the doors were opened for banks to distribute insurance and cater to the large middle class segment (Padala,2009).

Coming to Asia, due to the growth expected in India and China, it has been estimated that bancassurance would contribute a major chunk of the premium in the Asian markets. However, in Middle-East, penetration of bancassurance products has probably the lowest due to the cultural and religious attitude of the regions pre-dominantly Muslim customers, for whom life insurance in its purely commercial form has been a taboo. But perceptions are beginning to change with the development of Shariah-Compliant Takaful products, and therefore wider acceptance of appropriately developed life products has begun (Padala, 2009).

1.3 Emergence of Bancassurance in India

Bancassurance is a new buzzword in India. It originated in India in the year 2000 when the Government issued notification under Banking Regulation Act which allowed Indian Banks to do insurance distribution. It started picking up after Insurance Regulatory and Development Authority (IRDA) passed a notification in October 2002 on 'Corporate Agency' regulations. As per the concept of Corporate Agency, banks can act as an agent of one life and one non-life insurer. Currently bancassurance accounts for a share of almost 25 to 30% of the premium income amongst the private players in India (Sarvanakumaret al., 2012).

The SBI entry into insurance business was the first for an Indian bank to enter the insurance market. On December 28, 2000, the State Bank of India (SBI) announced a joint venture partnership with Cardif SA (the insurance arm of BNP Paribas Bank), the third largest insurance company in France. The result is the formation of SBI *Life* in India. Ever since the entry of the SBI, a number of other insurance companies have declared their desired banking partners. In this process, both life and nonlife companies have tied up with banks (Sinha, 2005).

RBI & IRDA framed guidelines for the participating companies for entering into bancassurance business. RBI issued the guidelines on Insurance business for banks by following the issuance of Government of India notification dated August 3, 2000, specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1) (o) of The Banking Regulation Act, 1949. Apart from the guidelines issued by RBI, the Insurance Regulatory & Development Authority (IRDA) has also given certain guidelines for bancassurance business in India. These are given as follows:

1. **Chief Insurance Executive**: Each bank that sells insurance must have a chief Insurance Executive to handle all the insurance matters & activities.
2. **Mandatory Training:** All the people involved in selling the insurance should under-go mandatory training at an institute determined (authorized) by IRDA & pass the examination conducted by the authority.
3. **Corporate agents:** Commercial banks, including co-operative banks and RRBs may become corporate agents for one insurance company.

4. Banks cannot become insurance brokers.

Certain regulatory norms as stated above become barriers in the development of Bancassurance in India. Thus with a view to improve the scenario, the insurance (amendment) Act 2002 comes into play. Prior it was clearly an impractical necessity and had held up the implementation of Bancassurance in the country. The current legislation makes the following amendments in bancassurance business.

1. **Training and examination requirements:** upon the corporate insurance executive within the corporate agency, this barrier has effectively been removed.
2. **Specified person to satisfy the training & examination:** According to new regulation of IRDA only the specific persons have to satisfy the training & examination requirement as insurance agent.

1.4 Modes of Bancassurance Arrangement

There is no single way of entering into bancassurance. It cannot be said that one particular way is "best" for every insurer and every bank. A proper strategic plan drafted according to the company's internal and external environmental analysis and the objectives of the organization is necessary before any decision is taken. There are many ways of entering into bancassurance. Some of the arrangements are discussed as under:

1.4.1 Distribution agreement

Under this arrangement bank acts as an intermediary for an insurance company. The banks sell the insurance products in return for fee income (Davis, 2007). Countries like, USA, UK, Germany, Japan, and South Korea follow this mode of bancassurance arrangement (Chevalier et al., 2005).

In India also there are many banks which work as the distribution agent of Insurance companies. Like, Dena Bank and UCO bank acts as corporate agent of LIC, and Oriental insurance company for nonlife insurance (Anonymous, 2005). Similarly, Union Bank of India which has corporate agency of New India Assurance Co Ltd and Star Union Dia-ichi Life Insurance Company (Anonymous, 2003) and Aviva Life Insurance which have signed Corporate Agency Agreement with Punjab & Sind Bank follow this distribution agreement model of bancassurance.

Distribution agreement model can again split into two types of arrangement. One is Separate sales force in which one party's distribution channels gain access to the client base of the other party. Another is Hand in glove, in which a bank signs a distribution agreement with an insurance company, under which the bank will act as their appointed representative.

1.4.2 Joint Venture

Joint Venture mode of bancassurance leads to creation of a new company by an existing bank and an existing insurance company. In Indian case, ICICI bank and HDFC banks in private sector and State Bank of India in the public sector have already taken a lead in resorting to this type of bancassurance (Chevalier et al., 2005). For example State Bank of India in association with Cardiff life Insurance formed a company named SBI Life in India. Similarly ICICI Bank and Prudential Life Insurance Company have framed a joint venture called ICICI Prudential Life Insurance Company.

1.4.3 Mergers and Acquisition

Under this form of bancassurance arrangement, either a bank wholly or partially acquires an insurance company or the acquisition of a bank that is wholly or partially owned by an insurance company is also possible. Recently Punjab National Bank has acquired the 40% stake in the Met-Life Insurance Company. Here the main objective is to open the way for the insurance company to use the bank's retail banking branches and gain access to valuable client information as well as to corporate clients. This allows the insurance company to tap into the lucrative market for company’s insurance plans (Kumar, 2003).

The best way of entering bancassurance depends on the strengths and weaknesses of the organization and on the availability of a suitable partner if the organization decides to involve a partner. In India, the model of partnership depends upon the regulations of the IRDA, the insurance regulator.Whatever the form of ownership, a very important factor for the success of a bancassuranceventure is the synergy and an empowered liaison between the participating companies i. e. banks and insurers.

1.5 Bancassurance Products

The product of bancassurance includes by nature all life insurance products. Apart from the traditional insurance products, Bancasurers have developed special products in order to fulfill certain needs which emanate from banking transactions, or to improve certain products in order to make them more attractive and useful to the customer. These products can be broken down into two broad categories.

1.5.1 Stand-alone plans

In this case bancassurance involves marketing of the insurance products without mixing the insurance products with any of the banks' own products. Insurance is sold as one more item in the menu of products offered to the bank's customer. However, the products of banks and insurance will have their respective brands too, e.g., KarurVysya Bank Ltd selling life insurance products of Birla Sun Insurance or non-life insurance products of Bajaj Allianz General Insurance Company.

1.5.2 Blended With Bank Products

This strategy aims at blending of insurance products as a value addition while promoting its own products and to help consumers to manage their financial risks and plan for their financial security and well being. In most times, giving insurance cover at a nominal premium or sometimes without explicit premium does act as an added attraction to sell the bank's own products, for example credit card, housing loans, education loans, etc. Many banks in India, in recent years, have been aggressively marketing credit and debit card business, whereas the cardholders get the insurance cover for a nominal fee or free from explicit premium. Similarly the home loans, vehicle loans, etc. have also been packaged with the insurance cover as an additional incentive.

The objective of product development in most cases is to offer the widest possible range of products so as to enable sales people to select the most suitable plan for each customer's specific needs.

1.6 Bancassurance Distribution Channels

With new developments in consumers' behaviours, evolution of technology and deregulation, Bancasurers create a multi-channel distribution structure in order to exploit the potential of the customer information that can enable the identification of customer needs. Recently Bancasurers have been making use of various distribution channels. They are as follows:

a) **Special advisers**: They are highly trained employees usually belonging to the insurance partner, who distribute insurance products to the bank's corporate clients. Usually they are paid on a salary basis and they receive incentive compensation based on their sales.

b) **Salaried Agents**: They are an advantage for the Bancasurers because they are under the control and supervision of Bancasurers. These agents share the mission and objectives of the Bancasurers. Their remuneration is paid on a salary basis and they receive incentive compensation based on their sales.

c) **Platform Bankers / bank employees**: They spot the leads in the banks and gently suggest the customer to walk over and speak with appropriate representative within the bank. The platform banker may be a teller or a personal loan assistant. There is some restriction on the effectiveness of bank employees in generating insurance business. Firstly, they have a limited target market, i.e. those customers who actually visit the branch during the opening hours. And secondly the time which they can devote to insurance sales is limited, due to limited opening hours and to the need to perform other banking duties.

d) **Direct response**: In this channel no salesperson visits the customer to induce a sale and no face-to-face contact between consumer and seller occurs. The consumer purchases products directly from the Bancasurers by responding to the company's advertisement, mailing or telephone offers.

e) **E-commerce**: This channel is the fastest growing and most convenient way of purchasing insurance cover. Online sales of insurance policies can be encouraged by designing special term policies, which are easy to understand, and which do not warrant expert advice from trained advisors.

f) **Outside lead generating technique**: This method for developing bancassurance involves "outside" lead generating techniques, such as seminars, direct mail and statement inserts. In seminars the insurance counselor can make a presentation to a small group of business people (such as the local chamber of commerce), answer questions on the topic, collect business cards which results in an effective sale atmosphere.

Now-a-days, many Bancasurers are using multiple distribution channels so that they can offer services to a greater number of target markets. Multiple distribution channels also enable the company to offer customers' multiple options for access.

1.7 Bancassurance: The Gold Spots

Bancassurance is such an arrangement which is beneficial to bank, customer and insurer at a time. For banks, it is a source of additional fee-based income. For insurers, it is a tool of increasing their market penetration and premium turnover. For the customers, it is a bonanza in terms of easy purchase & service delivery, high quality & customized products. Thus the concept of bancassurance if implemented in its real form is a win-win situation for all the parties involved.

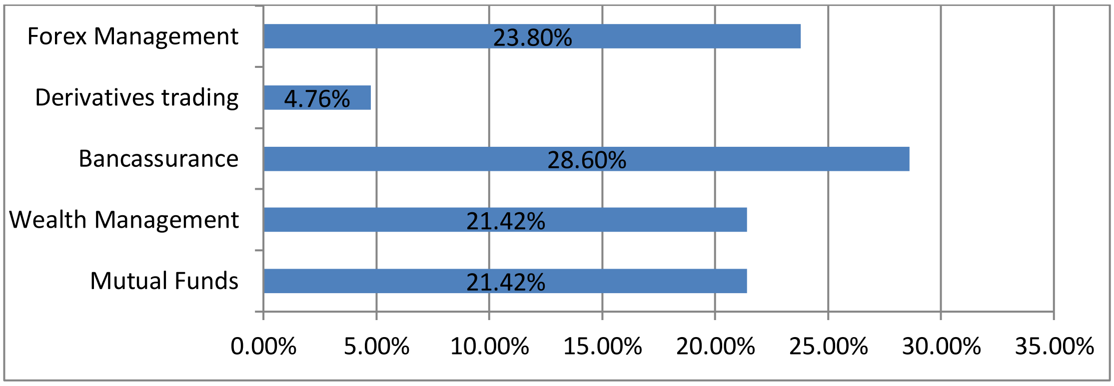
1.7.1Advantages to Banks

The benefits accrued to the banks from the bancassurance arrangement can be summarized under the following heading:

i. **New source of revenue for the banks**: Banks see bancassurance as a way of creating a new revenue flow anddiversifying its business activities. It helps the banks in increasing their income in the form of commissions from the insurance business. For instance, Axis Bank had a three-year bancassurance agreement with Met Life. The bank was a key distributor for Met Life, and brought in close to Rs 1,100 crore of new business premiums. It also earned total distribution revenue of little over Rs 400 crore over the three years agreement with Met Life (Kumar, 2010).

   Contribution of income from bancassurance into banking business has been a significant one. This has led the Reserve Bank of India to issue a circular to the all banks vide circular no. DBOD.BP.BC No. 16 /21.04.018/2011-12 dated July 1, 2011. It is stated under Para 5.7 of the said circular that Banks should disclose from the year ending March 31, 2010, the details of fees/remuneration received in respect of the bancassurance business undertaken by them.

Fig1.1: **Most Profitable Non-Interest income opportunities for Banks**



Source: FICCI Survey, 2010

Thus, Figure 1.1 shows the prospective of bancassurance in terms of earning revenue for the banks.

ii. **Bringing Customer Loyalty**: The bank becomes a kind of "supermarket" or a "one-stop shop" for financial services, where all customers' needs, whether financial or insurance-related can be met. The broadening of its product range makes the bank more attractive and can reinforce customer satisfaction and therefore customer loyalty (Chevalier et al., 2005).

iii. **Optimum use of banks network**: The distribution costs of insurance for the bank are marginal. This is because in most cases, it is the bank's existing employees who sell the insurance products. This model optimizes the use of the bank's network and increases the profitability of the existing branch network (Chevalier et al., 2005).

iv. **Risk free source of income for the banks**: Due to the increased competition among the banks, the profits are declining in the traditional banking. In such a scenario, banks need additional non-interest income for their survival (Popli and Rao, 2009). By selling the insurance products, banks tend to gain additional income in the form of fees. By product diversificationinto insurance, the banks get an additional sourceof income. A typical commercial bank has the potential of maximizing fee income from Bancassurance up to 50% of their total fee income from all sourcescombined (Kamath, 2011).

v. **Significant brand awareness for banks:** Banks also enjoy significant brand awareness within their geographic regions. It gives them a lower per-lead cost when advertising through print, radio and/or television (Aggrawal, 2004).

vi. **Increased productivity of bank staff:** It gives the banks an opportunity to increase the productivity of their staff. This is because they have the chance to offer a wider range of services to clients (Anonymous, 2001).

1.7.2 Advantages to Insurance companies

Insurance companies are attracted to bancassurance due to the following benefits:

i. **Extended customer base:** Through this distribution network, the insurance company significantly extends their customer base and enjoys access to customers who were previously difficult to reach. It is itself enough to convince an insurance company to ally itself with a bank (Elena, 2001).

ii. **Reduced dependency on traditional agents**: Insurance companies reduce their reliance on traditional agents by making use of the various channels owned by banks. Insurers have been tuning into different modes of distribution because of the high cost of the agencies services provided by the insurance companies. These costs became too much of a burden for many insurers compared to the returns they generate from the business. Hence there was a need felt for a Cost-Effective Distribution channel. This gave rise to bancassurance as a channel for distribution of the insurance products (Davis, 2007).

iii. **Easy access of to banking services**: Banks provide its customers with an ATM card that can be used to gain access to any ATM and request information such as cash values, unit price, policy status, next premium due date, loan accounts, surrender values, etc. Internet can be considered as an additional customer service channel since the customer can gain access to information regarding his bank accounts and insurance policies through this network as well (Anonymous, 2001). For example, customer can use the ATM and other facilities of Corporation bank to pay the premium of Life Insurance Corporation of India (Dwivedi andDwivedi, 2008).

iv. **New products development**: Insurance companies can develop new financial products more efficiently in collaboration with their bank partners. Insurance company can use customer database like customers' financial standing, spending habits, investment and purchase capability to customize products and sell accordingly (Neelamegam and Veni, 2008).

v. **Increased business**: By collaborating with the banks, the insurance company can increase their business through the banking distribution channels because the banks have so many customers. Insurers can exploit the banks' wide network of branches for distribution of products. The penetration of banks' branches into the rural areas can be utilized to sell products in those areas (Neelamegam and Veni, 2008).

vi. **Benefits from bank's image**: The insurance company often benefits from the trustworthy image and reliability that people are more likely to attribute to banks. Customers have more faith in banks and would readily take the advice of a banker whom they have been visiting in the past, rather than trusting a new insurance agent (Chevalier et al., 2005).

vii. **Classification of potential clients**: Insurance Company can make use of the wide reach of bank customers to categorize potential clients in detail according to their needs and values (Chevalier et al., 2005).

1.7.3Advantages to Customers

For customers, bancassurance offers convenience and a one-stop financial super market. The customer has the satisfaction of the brand strength of the bank, his/her existing relationship and trust on the bank. The products sold through bancassurance can give better value and offer cheaper premiums due to lower distribution costs (Aggrawal, 2004).In addition, premium payment methods are simplified,since premiums are collected directly from bank accounts **(**Chevalier et al, 2005). Impacts of bancassurance on consumers are unequivocal. These can be summed up as:

i. **Lower premium rates**: Bancassurance helps to lower the distribution costs of insurers. A study by Tillinghast, Towers and Perrin (2002) in the UK shows that the cost of selling insurance through direct sales force is approximately twice as high as the cost of selling through bancassurance. Selling insurance to existing mass market banking customers is far less expensive than selling to a group of unknown customers. This benefit could go to the insured in the form of lower premiums. Part of the lowering of distribution costs will be passed on to clients in the form of lower premium rates (Sinha, 2005).

ii. **Customized products**: It is likely that new products will be developed to better suit client needs, which otherwise may not be available if banks and insurers worked independently. Examples include insurance covers sold in conjunction with existing bank services (Momeni and Ramesha, 1998).

iii. **Ease of operation**: There is convenience in payment of insurance premiums. For instance, when it is possible to pay premium as well as to withdraw and repay cash loans backed by life insurance policies through bank's ATMs (Momeni, andRamesha, 1998),easy & automatic renewals(Dwivedi and Dwivedi, 2008).

1.8 Bancassurance: A SWOT Analysis

1.8.1 Strengths

Bancassurance has some inbuilt strengths which includes**:**

A. Vast untapped potential waiting for life insurance products as the penetration of the insurance sector in the rural and semi-urban areas is low in India (Padala, 2009).

B. Rise of industries like the IT sector, the hospitality sector, the healthcare portfolio, the education sector, BPOs and the call centers, R & D etc, has created a huge pool of professionals to be targeted for their insurance needs (Venugopal, 2011).

C. Wide network of Bank branches, even in the remotest areas aids in the task of selling insurance on a large and massive scale (Bhatt and Dixit, 2005).

D. Regular interaction with customers helps the bankers in guessing the attitude and diverse needs of the customers for providing them the suitable policy (Rao, 2004).

1.8.2 Weaknesses

Apart from the strengths mentioned above, the channel has some inherent weaknesses that can be summed up as**:**

A. In spite of growing emphasis on total branch mechanism and full computerization of bank branches, the IT culture is not up to the mark in the rural and semi-urban banks (Padala, 2009).

B. The customer who visits the bank for simple transaction like deposit or withdrawal may be too busy to discuss about a long-term durable purchase like insurance across the counter (Padala, 2009).

C. ATM's and e-banking culture is reducing customer's visits in urban or metro branches (Padala, 2009).

D. In India, the middle class customers constitute the bulk of this huge market for insurance policies (Momeni and Ramesha, 1998). But inflationary pressures are reducing their ability to save and to invest in future security (Padala, 2009).

1.8.3 Opportunities

Opportunities for the growth of bancassurance revolve around the following points:

A. Enormous database and good IT infrastructure help banks to identify various potential customers and positioning the bancassurance products appropriately (Venugopal, 2011).

B. Along with the salary disbursement and loan facilities bank can provide insurance cover to the employees of corporate clients (Padala, 2009).

C. Bank branches handling Government pensions and other payments can become an attractive spot for more and more insurance business (Venugopal, 2011).

1.8.4 Threats

The following points may act as impediments in the growth of bancassurance.

A. The work force of bank at every level is so much surrounded by their classical way of working that any change from one work to a different kind of work or addition of different kind of work to their existing nature of work results in resistance change (Padala, 2009).

B. Sometimes the knowledge level of the bank staff on insurance matters is so low that the bank employee simply becomes a medium in transferring the problems of the client to the insurance company. The same problem can occur in case of other servicing aspects like the policy revivals or claims which lead to disappointment and discomfiture of the client (Bhatt and Dixit, 2005).

C. "Conflict of interest" may arise between bank personal and insurers regarding the sale of insurance products. Bank personnel may fear that the bank's savings may be diverted to the insurance companies (Lohiya, 2012).

D. The life style of consumerism is another great threat to bancassurance. In today's world, the term 'competitor' engulfs consumer item like the jewels, textiles, vehicles or any such 'tempting sale' coming in the way of the insurance sale and putting down his hands first on the wallet of the customer (Venugopal, 2011).

1.9 Bancassurance: The Black Spots

Bancassurance is a win-win model for insurance companies and banks. Insurance companies, with their relatively limited infrastructure, are able to sell their products throughout the country by using the distribution channel of bank branches. At the same time, banks, without investing in additional resources or infrastructure, are able to earn a fee-based income, to supplement their core lending activities. However there are some challenges that have come up in this model. These challenges include:

A. There is a great deal of difference in the approaches of selling of insurance products and the usual banking services. Insurance is a business of solicitation unlike a typical banking service and it requires great drive to market the insurance products. This difference in working style and culture of the banks and insurance sector needs greater appreciation and mindset of bank regarding insurance selling should be changed (Momeni and Ramesha, 1998).

B. Moreover, in India majority of the public sector banks are widely criticized for the lethargic attitude of employees and poor quality of customer service. This blemished image needs to be revamped. Thorough understanding of the insurance products by the bank staff coupled with extra devotion of time on each customer explaining in detail each product's intricacies is a prerequisite for selling insurance. Moreover, insurance products have become increasingly complex over a period of time, due to improvisation over the existing products as well as due to constant innovation of new products, emanating from the excessive competition adding to even more difficulties in comprehension of the products and marketing by the bank staff. All these can result in resistance to change and the bancassurance would be difficult to succeed in these banks (Sarvanakumar et al., 2012).

C. There are also glitches in the form of conflict of interests, as some of the products offered by the banks, viz., term deposits and other products are mainly aimed at long term savings and/or investments. This can be very similar to that of the insurance products (Bhatt and Dixit, 2005). Therefore banks may fear the possible effect of substitution between its own products and insurance products and more so, as a number of insurance products in India come with an added attraction of tax incentives. Bankers in India are inexperienced in insurance products as there were no occasions in the past for the bankers to deal in insuranceproducts. Therefore they require strong motivation of both monetary and non monetary incentives (Kumar, 2011). The entry of a number of foreign insurance companies with vast experience in the developed countries' framework has aggravated the scenario with a rapid pace. Considering all these issues, the challenging task of reorientation of bank staffs to be less bureaucratic and more customers friendlier albeit is a prerequisite for the success of bancassurance. The technological revolution embracing the financial system has results in a great deal of flexibility in the mind set of people to accept change. The above outlined problems need not, however, deter the banking sector to embark on bancassurance as any form of resistance could be tackled by devising an appropriate strategy commensurate with intensive training of bank staffs.

1.10 Bancassurance: The Ethical Dimension

Apart from the above hindrances, there are a few ethical issues in the bancassurance channel which can be worth mentioning. For instance, the bank customer may look at the bank manager as a storehouse of financial knowledge and pay attention to the financial solutions offered by him. But, there remains a possibility of the customer getting pressurized to accept the insurance proposal from the bank manager since the customer derives certain benefits from the bank like the overdraft facility, loan sanction etc. Although this cannot be strictly called high pressure selling, still there is an element of compulsion in this selling which cannot be totally denied. This marks it as an ethical issue. Sometimes the bank manager can be bias towards a particular customer or group of customer. For example, at the time of any early death claim of a policy procured from a high net worth customer of the bank, there is a possibility of the bank manager trying to impress up on the insurance company to settle the claim waiving a few formalities or trying to decline the probable rejection of the claim as any denial of the claim may bring bad publicity to the bank and loss of worthy customer. This kind of manipulation makes it an ethical issue again (Venugopal, 2011).

In bancassurance, banks sell insurance product to its customer.In life insurance selling especially, ethics is very important in building relationship with clients and dealing with the customers. It helps to establish reliability and reputation of the seller with its clients. Insurance business by its nature is exposed to criticism of ethics. Insurance is all about managing risk and its products are intangible. The only thing a customer receives, after paying the premium, is peace of mind and a legal document which is often difficult to understand. The result of such complexity is that the customer relies heavily on the salesperson for a suitable insurance policy. Consequently, the customers often do not understand that they are being victimized. Hence it is easy to deceive customers in insurance industry. Therefore there is need for ethics in the conduct of insurance business.

Various unethical practices prevailing in insurance business involves bluffing, deception, lying, misstatements or concealments of facts by salespersons to persuade customers to purchase the product (Hansen and Riggle, 2009; Legace et al., 1991; Roman and Ruiz, 2005;Cooper and Garry, 1991).Inaccurate calculation of premium, misrepresentation of policy, unethical practice in claim settlement, rate cutting, hiding basic facts that policy holder should know from them, commission rebating etc. are also matter of unethical practices(Ericson and Doyle, 2006; Cooper and Garry, 1991; Sadri and Tara, 2012). All these lead to many of the ethical dilemmas of insurance business.

Insurance as a product and as a business has a significant impact on society. Hence the need to pay attention to ethical behavior of salesperson is of utmost importance. Ethical issues encountered in selling insurance service should be considered seriously before making any business decision.

1.11The Road ahead

Given the strong development of bancassurance around the world, the future will entail a positive and further growth of this distribution channel. Changing customer preferences are reshaping the financial industry (Sarvanakumar et al., 2012). Mortality rate is decreasing, more customers live longer. They know that they need to safe enough to enjoy retirement. Moreover in the absence of state providing retirement provision, private individuals will need to consider insurance based solution. There is a paradigm shift in life insurance sector from traditional to investment linked products. All these factors together with the continuing liberalization, deregulation and inflow of foreign insurance companies will likely to contribute in the strong growth of bancassurance (Teunissan, 2008).

The Reserve Bank of India (RBI) on 15th January 2015 vide circular no. DBR.No.FSD.BC.62/24.01.018/2014-15 issued the much-awaited final guidelines permitting banks to act as insurance brokers in the aftermath of similar guidelines issued by the Insurance Regulatory and Development Authority (IRDA).On November 29th, 2013 vide circular no. DBOD.No.FSD./24.01.018/2013-14, IRDA has formulated and notified the *IRDA (Licensing of Banks as Insurance Brokers)* Regulations, 2013 to enable banks to take up the business of insurance broking and act as insurance brokers. Earlier, under the bancassurance model, banks were allowed to act as corporate agent of only one Life Insurance Company and one General Insurance Company. The new rules allow banks to choose between corporate agency and insurance broking. If they opt for a broking license, banks are allowed to sell insurance policies of nine companies.This new regulation will allow each bank to tie up withup to three life, non-life and health insurance companies. Thus this new guideline permitting banks to sell products of more than one life insurance company will boost the penetration of life insurance in small cities and rural areas and customers will get better serviceand more option in choosing insurance policies.