



A COMPARATIVE STUDY OF INDIVIDUAL AGENTS AND BANCASSURANCE IN PRIVATE SECTOR LIFE INSURANCE COMPANIES

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Abstracts:

In the current era the nature of doing business has changed drastically. Several challenges have been posed before businesses. After COVID-19, distribution of products and services has been unprecedentedly changed. Many online and direct channels have come up. Insurance is also such a business where distribution has an important role to play.

This particular study focuses on performance of individual agents and the bancassurance channel of the private sector life insurance industry. Every company explores those distribution channels which will give maximum sales with minimum cost. Study will help to understand which channel is growing and which one is facing challenges.

Key Words: *Insurance, individual agents, bancassurance, distribution channels.*

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Introduction:

Distribution play's crucial role in the insurance business. Different channels are used to sell products and services. There are certain businesses where traditional channels are still contributing a substantial share in total selling. All insurance companies are also using traditional channels and at the same time several newly emerged channels like bancassurance. Due to the opportunities and challenges of the market, the insurance industry has also started giving much emphasis on new channels.

Number agents working for private life insurance companies were 1080651 in the year 2011-12 and as on 31st March 2021, private life insurance companies have a total 1101269 agents. It means the number of individual agents has increased. Insurance companies have also increased their tie-ups with several banks (bancassurance) to increase the scale of business.

Channels in insurance in India includes, individual agents, corporate agents including bancassurance, brokers, direct selling, micro insurance agents, common service centers, web aggregators, insurance marketing firm, online, point of sales.

This particular study is throwing light on the performance of popular traditional channel-'individual agents' and



newly emerged channel-'bancassurance' in the private sector of life insurance.

Advantages of Insurance:

- 1) **Financial Protection**-The purpose of insurance is to protect financially to policyholders from uncertain events or contingencies. Premium is to be paid regularly for such financial protection. In life insurance, financial protection is provided to the nominee of the insured. Loss of property due to damage, theft, fire is also compensated in general insurance. Medical expenses are reimbursed in case of health insurance.
- 2) **Maintain standard of living**- Premature death of a bread earner or damage of property is a financial loss to family or individual. In absence of any financial provision, the person may find it difficult to maintain their earlier standard of living. Insurance gives an opportunity to policyholders or nominees to live again around the same standard of living.
- 3) **Sharing of risk**- Risk of uncertainty is impossible to avoid. By way of a small amount of premium, policyholders can reduce or share their losses amongst other policyholders. As a cooperative device, insurance works on risk sharing principle.
- 4) **Encourage Saving** Though insurance is a financial protection, but it is also one of the instruments of investments too. Insured pays the premium as stated in the agreement. Policyholders pay the premium by avoiding or reducing all other expenses. Hence, insurance helps to develop the habit of saving among general public.
- 5) **Loan Facility**- Insured can avail the facility of loan by mortgaging policy bond in the same insurance company or in any financial institution. Such provision of loan is available in case of urgent need of funds to policyholders. Insurance companies, banks or any other financial institution provide secured loans against policy bonds as a collateral asset.
- 6) **Tax benefit** -Premium paid to insurance companies for purchasing life insurance is eligible for tax deduction maximum up to 1.5lakh under section 80C of Indian Income Tax Act. A tax benefit is also available in health insurance under section 80D. Large number of salary earner employees purchased life insurance in the month of February just to save income tax.
- 7) **Generate employment opportunities** -As on date, 24 life and more than 34 non-life insurance companies are operating in India. As a highly populated country, we need a large number of companies who will provide employment to youngsters. Insurance companies are giving direct as well as indirect jobs to many people. Lacs of financial advisors and brokers are working for insurance companies and reaching customers to sell insurance policies.
- 8) **Support to develop economy**- Premium collected through life and non-life insurance policies is invested in various projects of the government and private sector. Sometimes the government uses LIC money as a bailout package for loss making units to revive the business. By doing so, trade and industry is taking monetary help from insurance companies to grow their business and which will help to develop the economy of the country.

Limitations of the study:

Study covers the period from 2011-12 to 2020-21. It focuses on life insurance companies of the private sector. In secondary data, only individual new business performance has been considered. Group life insurance has not been considered for the study.

**Objectives of the study.**

1. To study the advantages of insurance to various stakeholders.
2. To compare the performance of individual agents and bancassurance channel in private sector life insurance companies.

Data collected from secondary sources:

As far as distribution channels are concerned, individual agents are a very traditional channel which contributes a major share in the collection of total premium. There are very few channels which have such weightage and importance in the business of insurance. The second largest premium contribution channel is bancassurance. With the help of the following table, will try to understand the performance of individual agents and bancassurance in private sector life insurance companies. The premium of individual new business of private life insurance companies have been considered for the study. Researcher has not taken into account the premium of group business for this particular study. Secondly,

INDIVIDUAL NEW BUSINESS PERFORMANCE OF PRIVATE LIFE INSURERS

(Percentage indicates the share of individual agents and bancassurance from the total premium collected through all distribution channels)

Year	Performance of Individual Agents (Premium in %)	Performance of Bancassurance (Premium in %)
2011-12	44.05	39.01
2012-13	39.68	43.08
2013-14	40.08	43.62
2014-15	35.73	47.37
2015-16	31.90	51.70
2016-17	30.09	53.50
2017-18	27.87	54.15
2018-19	25.58	53.8
2019-20	24.63	52.70
2020-21	23	54.55

Source-Annual reports of IRDA

Figure in the above table shows data of 10 years, from 2011-12 to 2020-21. Above table clearly indicates that performance of bancassurance is growing and on the contrary the performance of individual agents is reducing year by year. The year 2011-12 shows that the individual agents were contributing 44.05% premium in the total premium generated by all channels and the contribution has been reduced to 23% in 2020-21, which is almost reduced by fifty percent over a period of ten years. It is an alarming signal for individual agent channel of private



sector life insurance companies.

As far as the bancassurance channel is concerned, it has been growing rapidly every year. The data of 10 years shown in the above table indicates that the share of premium collection of bancassurance was 39.01% in 2011-12 and it grew up to 54.55 percent in the financial year 2020-21. It is a positive signal to bancassurance channel in private sector life insurance companies. It also signifies that bancassurance has wide scope and opportunities to expand further and reach out to maximum potential customers.

Conclusion:

In COVID 19, all have seen that several e-retailers started delivering products at home at competitive prices. It shows that emphasis on distribution is increasing and businesses are putting their all efforts to reach out to potential customers. Many traditional channels are facing difficulties to sustain before newly emerged channels. In life insurance, individual agents were having a monopoly in selling insurance policies to Indian customers. Lakhs of agents are working in the field of insurance; some are full time and some are part time. Insurance companies have also made tie-ups with many private and public sector banks to increase sell.

In this comparative study, the table clearly shows that performance of individual agents has been reduced significantly and the performance of bancassurance has increased substantially over a period of last ten years.

Individual agents must undergo proper training and should have product knowledge to sell suitable products which will match the customers' requirements.

Customers who have bank accounts in the banks have good relations with bank executives and also have good faith in banks. Banks are also making efforts to approach their customers to sell insurance policies. As far as cost is considered, banks have their own infrastructure and clientele and due to which cost is comparatively less to banks while selling insurance.

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