BANCASSURANCE – THE WAY TO ENHANCE COMPETITIVENESS OF BANKS AND INSURANCE COMPANIES IN THE REALITY OF GLOBALISED FINANCIAL MARKETS

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Abstract

World’s financial markets, including the banking and insurance sectors, have undergone dynamic quantitative and qualitative changes since the beginning of the XXI century. In the times of sharpened competition and strengthened globalisation and integration processes, banking and insurance institutions operating on the market are seeking new channels to distribute their products to increase their market share and profits and to diversify the risk related to their operational activity. Bancassurance is such a solution. In line with the adopted strategy, companies that jointly implement the bancassurance concept create a mutually supplementary product offer, develop distribution channels, support one another in streamlining sale processes to provide clients with comprehensive financial solutions. This article discusses the bancassurance concept and presents risks and benefits for participants of business relations resulting from their cooperation under bancassurance.

Keywords: bancassurance, globalization, financial market, cooperation, risks,

1 INTRODUCTION

The turn of the XXI century marked the advancing globalization and integration processes in the area of global economy. In such circumstances and taking account of related liberalisation and deregulation of financial markets, national markets have depended to a great extent on external factors. These processes also concern all segments of the financial market, including banking and insurance. Having observed their development in the last decades, we need to note that under the influence of these processes, the tendency to establish capital groups that joined banks and insurance companies started to emerge on the global financial market towards the end of the XX century. International financial relations and resulting links between financial systems of particular countries determined the popularisation of this form of cooperation.
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However, relations between the banking sector and the insurance sector are special. The reason for it is a similar character of financial services offered and the need to respect requirements of the market both types of institutions operate on. Owing to this, these institutions enter into cooperation in many areas, which mostly consists in a comprehensive, mutual supplementing of services provided in relation to the subject of their operation and results in the establishment of new business relations aimed at a broader access to clients and obtaining additional revenues – bancassurance. These processes take place both at a national and an international level. Financial services offered by banks and insurance companies under bancassurance have covered an ever broader range and the cooperation between these entities has been very efficient, especially in the life insurances sector. Creating new solutions, diversification of products, introduction of innovative strategies and simplifying procedures play a key role here; they are all designed to arrive at a timely service provision, low costs and client satisfaction.

2 GLOBALISATION OF FINANCIAL MARKETS

What we observe everyday is an evident globalisation of the contemporary economy. It triggers new challenges and becomes ever-present. Unquestionably, globalisation mechanisms are accompanied by integration and liberalisation of economies. These processes accelerated at the turn of the XXI century, which must have been a consequence of a dynamic economic growth in developing countries and an intense technological development. It translated itself into visible changes in the export stream, where the departure from unprocessed raw materials and goods towards readymade products, manufactured on the basis of modern technological solutions has been observed. Growing interdependencies between economies, increasing liberalisation and integration of commercial markets, deregulation of capital flows and reduced transport and communication costs have changed the conditions for conducting business activities. Global economy actuates the globalisation of enterprises’ activity. This process is reflected in transferring labour-intensive production or business services to a given place on the globe that allows additional business benefits. Selection criteria concerning the location of business activity may vary, but they are mostly related to lower costs of production borne by entrepreneurs or access to a broader range of clients. Globalisation, accompanied by an ever sharper competition on the global markets, has resulted in a situation where relocation of production and, ever more often, provision of services, can be a method of enhancing enterprise’s productivity and efficiency, as well as strengthening its competitive position worldwide. It is worth emphasizing that one of the basic assumptions behind international globalisation is to gain a competitive advantage by companies operating on global markets. Such advantage is gained by means of foreign investments. This is due to the fact that investments bring about additional benefits to entrepreneurs – both material and non-material. In this context, international cooperation in the national and individual dimension is a very important, if not overriding, element which provides
better chances for improving living standards. Then, all countries or enterprises can utilise technical novelties and take part in making common political and economic assumptions without any limitations. We need to note that globalisation processes cover all segments of the economy, including the financial one. In this context we need to emphasize that the essence of the globalisation of financial markets certainly lies in the international scope of their operations. It is favoured by tightening international economic relations and higher degree of freedom when it comes to capital, goods and services flows. The particular proneness of financial markets to globalisation is triggered both by the object of turnover – cash and capital, represented by these markets’ instruments – as well as their operating systems\(^1\). These projects also cover all segments of the financial market – Figure 1.

![Figure 1 Global financial market](source: Own research)

The binding of money, capital and forex markets in particular countries that has been observed in recent decades is aimed at creating one big, international financial market through the use of relevant organisational processes. Mutual pervasion of financial markets leading to their globalisation makes them lose their separateness within

particular countries. Undoubtedly, this process facilitates the global financial exchange and the more efficient use of resources as part of local investments that bring about relatively highest benefits for investors. Along with intensified globalisation processes, the competitiveness of entities operating on the market is growing. Preferences of consumers also change as they gain access to more refined and individualized financial products by using new technologies. A competitive market consists in motivating companies to introduce brand new solutions or streamlining the existing ones. Owing to this, the costs of providing services become lower, the quality improves and both an entrepreneur and a consumer benefit from it. Globalisation processes influence the reduction of employment among business entities using obsolete technologies. Modernisation of such enterprises and technological processes they set in motion has had a positive impact on reducing costs, enhancing productivity and thus, profitability of an enterprise. These processes have been observed in all segments of the economy. They have not left out banking and insurance institutions that are crucial for the financial market. These institutions have more frequently channelled their potential to undertake common actions aimed at their development under bancassurance.

3 THE IDEA OF BANCASSURANCE

The development of financial services in the world leads to structural changes in the sector of financial institutions and in consequence, to create new models of distribution in order to increase sale of detailed products, their profitability as well as acquire new clients. Such a solution is the bancassurance. We can find different notions of this idea. However, it must be stressed that there is not one generally accepted definition which would be generally accepted by representatives of the science and financial sector. The notion of bancassurance may be presented in two layers: subject and object. In the subject layer bancassurance is presented as an idea of functioning bank – insurance groups, which means “a stable joint of banking intuitions with an insurance company in order to offer banking and insurance products within existing banking structures”. In another wider term these are all forms of cooperation of a bank with an insurance company. “The use of banking branches and services, the experience of life insurance services” is the presentation of bancassurance on the level of the object level. In this case the banking structures are treated as distribution channels of insurance offered by an insurance company (most often life insurance ones) directed mainly to an individual client. Sometimes it is accepted that

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5 M. Sliperski, Zwiazki bankow komercyjnych z firmami ubezpieczeniowymi, Fundacja WARTA, Warsaw, 2002, p.11.
bancassurance, apart from giving banking-insurance services, also means working on new financial services for both bank and insurance clients. At the same time, in order to define joining banking and insurance activities the notion allfinanz is applied, which is connected with crediting or financial services made in one branch as well as quality increasing of service offered in banks. Bancassurance model functioning on the Polish insurance market is presented on the figure number 2 below.

Figure 2 Bancassurance model functioning in the Polish financial sector

The cooperation of an insurance company with a bank is, therefore, is directed to their mutual interests directed to maximize benefits resulting from using their client databases as well as sale structures, which creates additional possibilities of a detailed need analysis of each client. This cooperation also gives a chance to reach new sources of income by bancassurance alliances in the situation when bank interest margins become smaller while insurance companies have problems with acquiring new clients for their products. In this context the development of bank-insurance groups initiates a dynamic sale of financial products.

4 BANCASSURANCE AIMS
Bancassurance is not a homogenous phenomenon. It evolves taking various forms: from an agreement between a bank and an insurance company concerning a mutual distribution and promotion of products to holding structures. This is a strategy
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applied by banks and insurance companies whose aim is to offer integral services to individual clients. Bancassurance is also an answer of the market to processes noticed in recent years in the financial sector aimed at:
  - development of direct distribution channels of financial products,
  - adjusting structures of financial institutions to products and services offered,
  - entering non-banking institutions on the banking market,
  - aspiring to offering complementary financial services by one institution.

Undoubtedly such actions raise competition on the market and contribute to optimize costs in order to achieve satisfactory profits by active companies. This optimizing is the effect, first of all, of margin lowering from activities held, therefore, the broadening of services offered contributes to income increasing.

We can distinguish two kinds of financial product distribution within bancassurance:
  - integral, which assumes that an insurance offer appears in a bank distribution,
  - specialized which relies of the identification of clients’ needs by bank employees and directing a profiled insurance offer to clients by insurance sellers.

It must be stressed that bancassurance is an answer to the phenomenon of so called demand synergy, which a situation in which demand for one type of a financial service creates a demand to buy other, often complementary products or services.

Taking these arguments into consideration, we can state that by joining bank activity with an insurance one can achieve the following aims in order to:
  - achieve synergy effect,
  - diversify income sources,
  - obtain new distribution channels,
  - use specialists in a better way (a possible moving them with the demand for services within a bank – insurance group),
  - offer a service package and shorten time to work on new products,
  - raise capital profitability,
  - acquire new clients and strengthen competition position.

The synergy effect, in which we can differentiate three levels, is an important element in bancassurance:

1. The operational level, whose characteristic is a greater sale of products within stable operational costs and stable distribution costs (so called alfinanz idea – all services in one office).
2. The tactical level, within which we can differentiate:
   - mutual advertisement campaigns,
   - easier reaching to a clients,

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• integrated monitoring of a client’s financial situation,
• optimizing profit with a cooperation with a client.

3. The strategic level, which includes:
• cooperation within coordinated capital – money management,
• a market cooperation by joining bank and insurance company potential and dependent companies,
• integrated policy towards a client.

Therefore, in a complex dimension bancassurance is a chance for banks to diversify their offer and earn extra income and for insurance companies this a tool to increase the level of market penetration as well as to increase an income from premiums. Bancassurance may mean a reduction of charges, an increased quality of financial services and an availability to numerous products on the financial and capital market in one place and time by clients.

5 COOPERATION BETWEEN A BANK AND AN INSURANCE COMPANY

Cooperation under bancassurance offers new development perspectives for banks and insurance companies and gives a chance for benefits that surpass the expenditure. The basis of profits obtained by cooperating partners under banking and insurance alliance is for sure a synergy effect, owing to which the cooperation between a number of entities allows better results than the ones achieved by each entity acting alone. Synergy results concern the following platforms:
• operational, which is related to the reduction of costs incurred by each entity, which is undoubtedly caused by the scale effect; this effect takes place mainly as regards the optimisation of asset management under the entities' operational and billing activity and it can also accompany the increase in co-operator's revenues, which leads to the reduction of unit fixed costs,
• financial, as part of which the reduction of costs related to complementariness and better use of resources in stock takes place, which is linked to the possibility of a common use of technical infrastructure, client databases and human resources. It is also linked to increased assets and liabilities of cooperating entities, which allows the expansion of an investment and better credit possibilities.
• market, which allows the increased market share as a consequence of the possibility to present a broad range of the group’s financial services.

As part of the implementation of the common strategy, the cooperation between entities under bancassurance can feature various models and degrees of involved capital, Figure 3.
The easiest form of cooperation between a bank and an insurance company is the distribution agreement, which can be:

- unilateral, under which an insurance company sells insurance products under its own label at the bank’s local offices and the bank receives remuneration (most often in the form of a commission) from providing access to its local offices,
- bilateral, under which a mutual distribution of partner’s products takes place in the framework of own sale networks, upon agreed terms and conditions and remuneration.

The main reason for choosing this type of cooperation is low costs and low risk. It is preferred by small and medium-sized financial institutions. A more advanced form of cooperation is a strategic alliance, under which we can also distinguish unilateral and bilateral agreements. The main aim of this type of mechanisms is to tighten the links that are customarily not durable due to a different organisational culture of banking and insurance institutions. This tightening of links could limit the risk of cooperation breakdown and increase mutual benefits. Establishment of a joint venture is certainly a decision that binds cooperating entities for long. Under this model, a bank and an
insurance company establish a common entity that assumes certain obligations executed by its founders. The newly established entity is fully independent financially and institutionally. The intention of partners in this regard is to combine both institutions’ experiences and undertake necessary actions allowing the new entity to generate profits that would not be possible in the case of independent operation of each shareholder. Most commonly, the newly established entity uses its shareholders’ infrastructure, disseminating common or individual financial products offered by cooperating entities. In the model of shareholders' contribution, joint venture is classified as a short-term cooperation. Institutions deciding on the establishment of a company gain new experiences and know-how that can be later used at implementing other business projects. In the framework of a joint venture, the mutual exchange of bank and insurance company’s stocks is a more advanced form of cooperation. In this case the development of a banking and insurance alliance takes place. Its positive aspects include limitation of the operational risk, long term cooperation and minimisation of bancassurance operating costs. A subsidiary company is an even more advanced structure in the framework of bancassurance. It can take place as a result of a merger or a takeover or starting a new structure from scratch. Both mechanisms have their own specific features. When it comes to takeovers, high costs that are inadequate to expected final effects, as well as problems with integrating operating systems of both entities and boosting employees’ motivation, can pose a threat. A short time needed to create a bancassurance structure is a doubtless asset. In the case of establishing a new entity, chances for success are high, since there is a need to adapt the organisational structure and technical infrastructure to client services and modern sale and service solutions. In such case it is an owner who fully determines the entity's development strategy. However, we should bear in mind that this process can be time-consumming and costly. We need to note though, that the newly established entity in the framework of a banking and insurance group is prone to an increased risk – Figure 4.
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Figure 4 Risks faced by banking and insurance groups
Source: Own research

This is related to an ongoing operational activity of an entity in the framework of conducting business activities, as well as additional risks characteristic for sectors in which a company operates:

- banking; the risk results from the nature of a bank’s activity and is related to savings and loan activity conducted by it on the basis of the use of foreign funds to execute own objectives; the main risk in this area is the risk of losing financial liquidity,
- insurance; in this area the risk is taken over from clients to provide insurance protection; in this case the risk of losing financial liquidity is the main one as well,
- bancassurance, which is based on the execution of (principally) sale and service tasks delegated within the group; apart from the risk of losing financial liquidity, the conflict of interests that can arise between an insurance company and a bank is a great risk.

Within the framework of bancassurance we can obviously distinguish various hybrid structures as well. Their structure may be very complicated but in all cases the main aim is to make use of the potential of cooperating entities in order to gain additional benefits by attracting new clients and, consequently, drawing revenues.
6 BENEFITS AND RISKS OF BANCASSURANCE

The decision to apply the bancassurance strategy by given entities is linked to a number of operating actions and changes in the previous functioning of both entities. At selecting the model of cooperation, future partners should take account of their organisational culture, their client base and factors determining their market position. Making a wrong decision concerning bancassurance operating mechanisms on the outset can worsen the results of both entities and trigger substantial image losses. It is indispensable to overcome differences between banking and insurance operations, since they can constitute a significant barrier for the development of the activity. Despite the synergy effect cooperating institutions meet a number of problems in their mutual cooperation – vide the figure number 5 below.

Figure 5 Benefits and costs of cooperation between an insurance company and a bank


As this can be seen, bancassurance charges an insurance company to a greater degree, which, among others, by lowering the product profitability sold in this bank distribution channel. An insurance company must take extra activities and bear costs directed to optimize financial effectiveness of products. An underwriting aspect connected with making an insurance agreement as well as post-sale policy service may
also be another problem. Conducting a comprehensive assessment of risks and benefits resulting from the cooperation, it is worth tracing its significance to all participants.

6.1 Banks

Banks play a key role in the bancassurance cooperation model. They are a main carrier of business relations, based on which the operational activity of cooperating entities is conducted. Most frequently, due to the perception of banks as trustworthy institutions, they are also carriers of clients’ trust in new financial products, which is immensely important in the case of cooperating with an unknown insurance company. Loss of image is the main threat for a bank under bancassurance. The list of benefits and risks for banks under bancassurance cooperation model has been presented in the table 1 below.

Table 1 Benefits and risks for banks

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional remuneration from insurance distribution (in the case of non-capital cooperation)</td>
<td>Risk of image loss among clients due to linking the bank's fate with the insurance company's fate</td>
</tr>
<tr>
<td>New image of a bank as a dynamic provider of diversified financial services, taking care of client's comfort</td>
<td></td>
</tr>
<tr>
<td>Possibility of managing large amounts of free capital, including a long-term one</td>
<td></td>
</tr>
<tr>
<td>Partial security against clients' insolvency</td>
<td></td>
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<tr>
<td>Streamlining risk assessment processes, limitation of a credit risk by transferring its part to an insurance company</td>
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Obviously, cooperation also means a number of benefits, among which limitation of risk and increasing revenues are most important. We need to stress that the decision to establish bancassurance means the beginning of long-term and labour-intensive changes for a bank. All decisions and actions should be preceded by an in-depth analysis of an entity’s potential, organisational infrastructure and potential benefits obtained from the launching of a new market operation model. At creating various banking and insurance alliances one needs to bear in mind that the more complex the structure of the newly established entity, the less transparent and harder to manage it is. One also needs to take account of a market reactions to the entrance of banking structures into bancassurance. They can result in losing clients who expect a clear-cut definition of a new entity and its role and imply a possibly forceful reaction of competitors who will try to take advantage of the bank’s temporary problems.
6.2 Insurance companies

In the framework of bancassurance relations insurance companies are usually chief beneficiaries, who obtain measurable benefits from using an additional product distribution channel, namely the banking sector. Unfortunately, making use of the possibilities offered by cooperation with the bank implies the main risk for an insurer, that is, becoming dependent on the bank’s strategy and an attempt to subject its operation to the bank’s particular interests. The list of insurance companies’ risks and benefits coming from the cooperation under bancassurance has been presented in the table 2 below.

Table 2 Risks and benefits for insurance companies

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of new, efficient distribution channels that are cheaper than using a network of agents</td>
<td>Possibility of exerting pressure by banks and pushing through their ideas</td>
</tr>
<tr>
<td>Possibility of earlier contact with a client to initiate sale</td>
<td></td>
</tr>
<tr>
<td>Access to well-developed personal databases managed by banks</td>
<td></td>
</tr>
<tr>
<td>Facilitation of loss settlement procedures (payments made by partner banks)</td>
<td></td>
</tr>
<tr>
<td>Possibility to use a bank’s repute to popularize own label</td>
<td></td>
</tr>
<tr>
<td>Expanding the society’s knowledge on insurance products and magnifying individuals’ eagerness to buy them</td>
<td></td>
</tr>
<tr>
<td>Acquisition of a strong financial partner with great expertise in investing funds it has been entrusted with</td>
<td></td>
</tr>
<tr>
<td>Reduction of a negative risk selection by adding insurances to banking products</td>
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However, we should not miss the fact, that by gaining access to banks’ clients insurance companies simultaneously gain a unique chance to offer them a broad range of their products. Oftentimes, these products are very innovative and tailored to clients’ needs. An important positive aspect of cooperation under bancassurance is also a diversification of risk onto a greater amount of insured persons, which simplifies insurance agreement procedures and allows a flexible management of the portfolio of insured persons to limit the loss ratio. Benefits for an insurer not only relate to its product range, but are also evident in the area of managing funds from insurance.
benefits. By cooperating with an experienced partner, that is, a bank, an insurance company can more broadly use its expertise in managing financial assets and gain preferential conditions of cooperation, which can bring about additional financial benefits for an insurer. The effect of scale is no less important, as common management of funds allows a better use of investment conditions within the framework of financial instruments available on the market.

6.3 Bancassurance cooperation

Cooperation between a bank and an insurance company under bancassurance generates multiple benefits but also creates a number of risks. This is mostly related to the specificity of partners’ operation on the market, as well as a different approach to mechanisms of managing funds they have been entrusted with. It is burdened with a number of risks, both in the phase of making a decision to enter into bancassurance cooperation (improper selection of a form of bancassurance cooperation) and as regards managing the established structure (if too complicated, it can procure lots of management problems). A possible insolvency of an entity operating within the bancassurance structure is a great risk for partners, since it affects both of them and can worsen their financial results or, in the extreme case, may lead to a bankruptcy of one of them. The list of risks and benefits for bancassurance has been presented in the table 3 below.

Table 3 Risks and benefits for bancassurance cooperation

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergy effect and related factors:</td>
<td>Improper selection of the bancassurance cooperation form can lead to considerable costs or even the loss of market position or bankruptcy</td>
</tr>
<tr>
<td>- reduction of operating activity costs,</td>
<td></td>
</tr>
<tr>
<td>- increase in the number of potential recipients,</td>
<td></td>
</tr>
<tr>
<td>- common use of technical infrastructure and client information,</td>
<td></td>
</tr>
<tr>
<td>Better use of resources and skills in stock</td>
<td>Short-term increase in costs</td>
</tr>
<tr>
<td>Possibility of selecting the best team</td>
<td>The domino effect</td>
</tr>
<tr>
<td>Common expenditure on promotional activity</td>
<td>Risk of double capital calculation</td>
</tr>
<tr>
<td>Increase of assets and liabilities (in the capital form)</td>
<td>Risk of rejection of the new type of services provided by the bank by bank employees</td>
</tr>
<tr>
<td>Possibility of presenting a comprehensive offer to a client and related improvement of services quality</td>
<td>Too complicated a structure may lead to problems with bancassurance management</td>
</tr>
<tr>
<td>Better market penetration and access to more information about clients and their financial standing</td>
<td>Risk of a loss of confused clients in the case of an obscure message concerning changes in the institution</td>
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</tbody>
</table>
Beyond doubt, the cooperation under bancassurance brings about numerous benefits, notwithstanding the risks. Among the most important benefits, we can name, among others, better use of potential and resources by partners, possibility of developing a better offer and increasing assets and liabilities in the case of an entity operating as a separate capital entity. All these elements translate into the overall bancassurance potential, which can certainly favour the competitive advantage of cooperating entities. Undoubtedly, it is also a certain platform for exchanging experiences and cumulating shareholders’ potential to flexibly react to clients’ market needs and to strengthen activities aimed at enhancing own financial security. This is an important aspect since flexible and early reaction to changes that destabilise work in a world of dynamically changing external conditions and temporary economic crises allows the protection of own assets against risks and the maintenance of the market position.

### 6.4 Clients

Presenting mechanisms of cooperation under bancassurance, we should not miss the key participant of these relations, namely the client. It is the client, who plays a key role in a sharpening market struggle. Their satisfaction and entrusting partners with their funds is one of the measures of partners' efficiency and effectiveness when it comes to the sale of financial products. That is why partners try to provide the best possible conditions of cooperation. The key risk in this case can be insufficient information provided to clients about conditions of insurances sold by banks, which can lead to problems with obtaining a compensation. This is an important aspect since most consumers usually fail to read the documents they have signed, relying only on oral assurances of a trader. In the case of a bank, this effect can be even stronger, since
the client’s perception of a bank as a public trust institution is usually related with their subjective expectations, which is not always beneficial for them. The list of client risks and benefits coming from the cooperation under bancassurance has been presented in the table 4 below.

**Table 4 Risks and benefits for clients**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive banking and insurance services in one place</td>
<td>Loss of opportunity to choose an insurance offer from the pool of offers available on the financial market</td>
</tr>
<tr>
<td>Saving time otherwise spent on seeking and purchasing insurance products from an external insurance company</td>
<td>Possibility of providing insufficient information to clients about the conditions of insurances sold by banks and exemptions that effectively hamper payments from insurance policies</td>
</tr>
<tr>
<td>Possibility to obtain an insurance product at a lower price compared to the traditional insurance company</td>
<td></td>
</tr>
<tr>
<td>Simplification of payment methods - insurance benefits can be collected directly from the client's banking account</td>
<td></td>
</tr>
<tr>
<td>Innovative, attractive financial products at a favourable price, better adapted to individual needs</td>
<td></td>
</tr>
<tr>
<td>Limiting formalities at purchasing an insurance (e.g. lack of obligation to submit doctor's certificate)</td>
<td></td>
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<tr>
<td>Higher profits from funds invested in a better way</td>
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</tbody>
</table>


Obviously, cooperation brings about a range of benefits, among others, comprehensive client services and innovativeness of products offered at attractive prices. In this model a client is also the link between the structure and the market, allowing rapid reactions to changes and expectations. It provides an opportunity to shape clients’ behaviour, who become attached to the bank or the insurer and thus, enable them to obtain higher financial profits. We need to emphasize that in recent years the number of bancassurance products offered in this distribution channel has dynamically grown. Usually, the banking and insurance offer covers the sale of traditional products at banks’ offices or creating mixed products by combining banking products with complementary insurance products. Such cooperation yields best effects in the field of life insurances. Therefore, this might mean reduced fees, improved quality of financial services and access to numerous products of the financial and capital market in one place and time.
7 CONCLUSION

The development of banking and insurance services we have observed for last decades marks a visible structural change taking place on the majority of the world’s financial markets. This process has been triggered by increasing competition which forces banks and insurance companies to undertake actions aimed at increasing profitability and thus, to diversify their product range to attract the highest number of clients possible. The bancassurance process, under which integrated financial services are distributed and offered, has many limitations, among which the most important ones are legal restrictions in the field of combining banking and insurance activities within the framework of one organisation. Another important fact is that a number of risks related to, for example, a different character of selling banking and insurance services and expansion of organisational structures, occur in the process of bancassurance establishment. Combined banking and insurance structures can also be oversensitive to temporary shifts in economic trends in a global and national dimension. We should also bear in mind that possible problems with liquidity of one financial institution can trigger similar problems among other bancassurance participants. Despite risks, cooperation within this model gives a chance to obtain various benefits by all involved financial market participants:

- clients – by providing comprehensive services at one location, better adjustment of the product range to client needs and potential reduction of the product price,
- insurance companies – by increasing turnover and reducing sale and distribution costs and lowering overall costs compared to a traditional network of agents,
- banks – by increasing client loyalty and reducing credit risk by means of an insurance policy that guarantees the loan repayment and by forming an additional source of income.

All these aspects are certainly a positive impulse for a further dynamic development of bancassurance on global financial markets.

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