

Bancassurance an essential development tool in achieving an inclusive insurance market

Risk is an aspect faced by all families and households, the impact of which is most often hardest felt by lower income groups. While insurance makes the world of difference by protecting people against the financial ramifications of an insurable event, it's still largely taken up by higher income groups. There is still work to be done in delivering an inclusive insurance market that supports the economic growth of marginalised groups in South Africa, and in turn boosts the entire economy.

This is according to Trent Lockstone, Chief Commercial Officer of O'Keeffe and Swartz, a leading outsourced call centre specialising in the outbound sale of simple insurance products and whose clients include the major banks and insurance companies in South Africa.

"An area that is growing rapidly in terms of making insurance products available to lower income markets is that of bancassurance – insurance products sold through banks. It's an area that O'Keeffe & Swartz specialises in for their bank clients in terms of outbound sales to existing client and affinity databases.

"South Africa has a highly diverse population, and there is a burgeoning emerging market of consumers steadily making their way to middle class status. These consumers require insurance for various risks as an important means of achieving financial stability, and especially to secure their changing lifestyles so they don't slip back into poverty as a result of an uninsured risk event occurring," he adds.

However, the need for insurance is not always as readily understood as the need for banking in developing markets. It's one of the reasons why bancassurance, despite being a relatively new player in the insurance space, is growing rapidly.

"By using telesales to leverage the existing client relationship of trust and familiarity, we're able to address the issue of 'you don't know what you don't know', by introducing consumers to and educating them on the range of bancassurance products available to secure their financial well-being. Banking as a concept is better understood and it also tends to penetrate further outside of urban areas than insurance does, which is why it has become an essential channel to opening up access to cost effective life and non-life products to South African consumers," says Trent.

At the same time, South Africa has a sophisticated and maturing regulatory environment which has increased financial literacy and consumer protection. While the industry and regulators work towards broadening access to insurance products for lower income groups, there is an equal focus on ensuring the appropriate level of policyholder protection.

From O'Keeffe & Swartz's own sales statistics, the most widely taken up products taken up through bancassurance are funeral policies, debt protection, hospital plans and personal accident and disability benefits. Beyond funeral plans which are the most prevalent form of insurance in South Africa with more than 6 million lives covered under formal and informal schemes, there is a growing demand for healthcare and disability benefits.

"In terms of funeral policies, it stands to reason that with our somewhat unique extended and large family structures as well as the cultural aspects of being able to give a deceased family member a worthy send-off that this remains the top selling insurance product in SA. In terms of the growth in healthcare benefits such as hospital plans, I believe this can be attributed to an aspirant emerging middle class now wanting access to private healthcare, driven by the poor state of affairs in public health facilities. There is also the growing

realisation in this market of the impact of an accident on one's ability to earn an income, and hence consumers are moving to protect their new improved lifestyles with personal accident and disability benefits. All this points to a healthy growth not only in the economic status of previously marginalised communities, but also in financial literacy," explains Trent.

During 2014, O'Keeffe & Swartz generated over R407 million in annualised premium income for its clients which amounts to more than R51 billion in insurance cover sold to almost 2 million South Africans.

"These figures are for simple insurance products sold on behalf of banks to their existing client databases, with an average premium of between R100-R200 per month. For many consumers, this is their very first step onto the insurance ladder and their first exposure to the concept of financial planning. For many there will be a natural evolution to more sophisticated products, and a greater propensity for them to seek financial advice as the complexity of their financial portfolios grows. The role of bancassurance to act as a feeder into the rest of the industry, including driving consumers to seek advice on more sophisticated products as their needs grow should not be underestimated," adds Trent.

In a policy research paper by the World Bank on Bancassurance – A valuable Tool for Developing Insurance in Emerging Markets – the authors conclude that there can be little doubt as to the potential for Bancassurance to assist in the development of the use of insurance, both Life and non-Life. A wide range of regulatory challenges are faced as well, not least those relating to consumer protection. And while it should not be assumed that Bancassurance is a panacea to solve all problems in reaching into emerging markets, it remains a dynamically potent force in the future well-being of all communities across the globe.

"Our own experience echoes these views as we see on a daily basis the impact of simple insurance solutions on the lives of South Africans working towards carving out more financially secure lives for themselves and their families," concludes Trent.