



**PHILIPPINE
LIFE INSURANCE
ASSOCIATION, INC.**

BANCASSURANCE FRAMEWORK

**2014 RBAP Symposium
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What is *bancassurance*?

- It is an arrangement between a bank and an insurance company where both enter into a partnership.
- Insurance company sells its insurance products inside bank's head office and/or its branches to the bank's client base.
- Profitable for both companies: insurance company expands its customer base; bank earns through bank fees for each insurance product sold.



Background:

- Bancassurance originated from and is popular in Europe. It started early 1990's.
- USA only allowed bancassurance in 1999 with the passage of Gramm-Leach-Bliley Act (GLB Act) also known as the Financial Services Modernization Act of 1999 and the repeal of the Glass-Steagal Act (GS Act of 1933).
- Previously, the Glass-Steagal Act restricted US financial institutions from acting as investment / security firm, commercial bank and insurance brokerage.



Background:

- In the Philippines, the enactment of the General Banking Law of 2000 paved the way for the introduction of bancassurance.
- Section 20 of the GBL allowed banks, subject to prior approval of the Monetary Board, **the use of any or all of its branches as outlets for the presentation and/or sale of financial products of its allied undertaking or of its investment house units.**
- In 2002, the BSP issued its circular implementing Section 20 of the GBL. However, it limited cross-selling to subsidiaries and affiliates of commercial banks and expanded commercial banks.



Member companies with formal bancassurance arrangements





Background (cont'd):

- On 15 August 2013, Republic Act No. 10607 was enacted amending the Insurance Code.
- RA No. 10607 formalized the conduct of bancassurance arrangements (Section 375). Additionally, Section 375 specifically provided that to engage in a bancassurance arrangement, a bank is not required to have equity ownership of the insurance company.
- On 27 June 2013, BSP issued Circular No. 801, liberalizing cross-selling to all bank classifications (i.e., no longer limited to commercial banks and expanded commercial banks).



Background (cont'd):

- However, BSP Circular 801 still retained the requirement that cross-selling be limited to financial product providers belonging to same financial conglomerate.
- Additionally, BSP Circular 801 limited the cross-selling inside bank branches only to retail financial products which do not create exposure to investment risks (e.g., term insurance, traditional / whole life / endowment, non-life insurance and other related insurance products).
- On 11 August 2014, BSP issued Circular 844 governing the cross-selling of Collective Investment Scheme type products and amending BSP Circular 801.



Background (cont'd):

- BSP Circular 844 now allowed (i) the selling of “*simple insurance products*” without need of financial entities belonging to the same financial conglomerate; and (ii) the selling of CIS products subject to additional governance requirements.
- However, BSP still restricted selling of CIS type products to financial entities belonging to the same financial conglomerate.
- BSP has indicated it will move to Phase III of the Revisions on the Cross-Selling Framework which will eventually take out the equity requirement / allied undertaking / belonging to the same financial conglomerate concept soon.

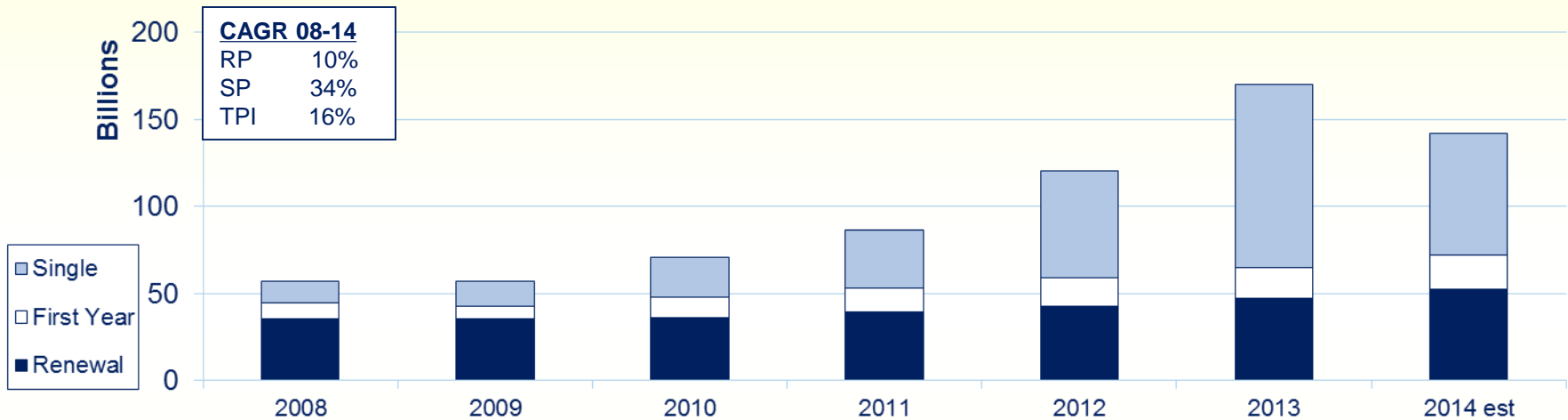


Developments after BSP Circulars 801 and 844





Since 2008, the Life Insurance industry developed rapidly led by Single Premium business mainly through banks.



* Source: AXA Business Intelligence

Key Market Developments	Impact on Market
<ul style="list-style-type: none"> Low interest rate environment and launch of investment linked products Banks enter as distributors in search of Fee income Growing market awareness of the need to manage cash flows over life time Emerging and Growing Middle class (BPO) 	<ul style="list-style-type: none"> Fast Growth of Single Premium Unit Linked sales, mainly through banks Diversification in Investment offers based on off-shore funds and structured notes Growing need for professional advice and Financial Planning Emergence of new market segment of young income earners



THANK YOU!