

64

Working Paper



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Working Papers in Interdisciplinary Economics and Business Research

How Does Bancassurance Work in Financial Practice
Within the Financial Group Société Générale Group in
Selected Countries?

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June 2019

Working Papers in Interdisciplinary Economics and Business Research

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Citation

PŘEČKOVÁ, L., 2019. How Does Bancassurance Work in Financial Practice Within the Financial Group Société Générale Group in Selected Countries? *Working Paper in Interdisciplinary Economics and Business Research no. 64*. Silesian University in Opava, School of Business Administration in Karviná.

Abstract

Lenka Přečková: **How Does Bancassurance Work in Financial Practice Within the Financial Group Société Générale Group in Selected Countries?**

This paper shall evaluate the level of internal integration among bancassurance products and financial institutions belonging to the financial group Société Générale Group in selected countries of Europe. There shall be selected eight countries which are located in Central and Eastern Europe: the Czech Republic, Slovak Republic, Poland, Romania, Bulgaria, Croatia, Slovenia and Serbia. The research was conducted as of December 2017. This paper aims at determining whether similarities in how the financial group Société Générale Group is organized determine similarities in how bancassurance in the selected countries functions. In order to reach this aim, a critical analysis of bancassurance-related literature shall be performed and a hypothetical basis for the practical evaluation shall be formulated. Characteristics for evaluation of the level of integration inside the financial group, and also within the bancassurance product, shall also be set. In order to evaluate how bancassurance functions in practice, a qualitative research based on data available on web sites and also financial and annual reports shall be used. The qualitative research shall contain a detailed analysis, sorting and a comparison of the set characteristics. Finally, it will be determined which attributes are identical and which are different in the integration of financial groups and bancassurance products.

Key words

integrated bancassurance product, form of integration, strategic cooperation

JEL: G21, G22

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Acknowledgement

Publication of this paper was supported by the project IP/01/2019. The support is gratefully acknowledged.

Introduction

The most prevalent reasons for creation of bancassurance structures are yield growth, diversification of income streams and costs saving, which is determined not only by a higher efficiency of branches and employees, but also by the opportunity to use distributional canals of a partner institution. Some bancassurance structures have also begun to consistently use co-marketing which means that both companies present themselves as one subject taking advantage of one business name. (ČNB, 2004)

Opinions on what the term bancassurance actually refers to differ not only in the Czech Republic, but everywhere around the world. There is a rich history in European banks and insurance companies collaborating with one another (unlike the USA which, to a significant degree, legally limits this practice). However, not even in Europe is it always clear what the term bancassurance exactly means.

The theory of bancassurance is dealt with by many authors. When studying these theories, it is necessary to distinguish between those approaching bancassurance from the product perspective and those doing so from the perspective of operation (product sales). Both approaches have some aspects in common, however, and that is an internal integration from the perspective of the bank and insurance product and from the perspective of the bank and insurance operations. From the product perspective, bancassurance is often debated about with the term neither being unequivocally defined nor really accepted. Bancassurance from the operation perspective is related to how banks and insurance companies cooperate and how this cooperation develops; it is also related to the creation of variously integrated financial institutions. Authors offer different theoretical perspectives as well as different ways of sorting these kinds of integration.

For these reasons, it seems to be essential, before it is possible to proceed to conducting the research, to introduce a relevant theory of bancassurance and consequently set a theoretical base for the qualitative research evaluation of the financial practice. The crucial part of the qualitative research will be comparing theory and practice. The analysis of bancassurance functioning in practice requires that information and data is collected from the financial institutions which is extremely demanding and difficult. Neither banks nor insurance companies publish information about bancassurance, as a distribution channel, in an extent that might be anticipated supposing how much theory knows about this issue.

In this paper, it shall be determined whether similarities in how the financial group Société Générale Group is organized determine similarities in how bancassurance in the selected countries functions. This paper hopes to discover more about the level of integration of financial institutions (bank and insurance company) and also financial products (bank and insurance product). The research shall be conducted evaluating the financial group Société Générale Group (hereinafter referred to as SGG). The research is primarily focused on the region of Central and Eastern Europe (CEE). The research shall evaluate countries located in the CEE region in which the financial group SGG operates: the Czech Republic (CZ), Slovak Republic (SK), Poland (PL) Romania (RO), Bulgaria (BG), Croatia (HR), Slovenia (SI) and Serbia (RS).

The bancassurance phenomenon that is unquestionably one of the most important trends in the evolution of the European financial services industry can be considered as a consequence of the progressive deregulation of the regulatory barriers to financial conglomerates (Clipici and Bolovan, 2012). Daňhel, Ducháčková and Radová (2008) consider creation of financial groups in the Czech Republic as a trend which shall not be a bank-

insurance strategy in the pure form. Daňhel, Ducháčková and Radová (2007) point out that bancassurance is a significant factor stabilizing business risks of both sectors. On the other hand, they also mention that bancassurance is a very specific hinderer of further integration and further development of bancassurance products may be dependent on increasing numbers of wealthier clients who prefer more sophisticated products “made to measure”.

Bancassurance is a relatively new type of services and operations which will probably further develop in the future. From the clients’ vantage point, a big development in bancassurance may be a step backwards. The main disadvantages may be found in what looks like simplifying and unification of insurance products. Bancassurance is present in every developed economy and it opens up an immense space for a non-price competition among banks. (Čejková, Martinovičová and Nečas, 2011)

According to Ricci (2012) “It is not possible to identify an ideal form of bancassurance, because the success of cooperation between banks and insurance companies depends upon many factors, both market-based and strategic or operational. Bancassurance can experience alternate fortunes across time and countries, but remains a central current phenomenon of the modern financial service industry.”

The common denominator of all available definitions of bancassurance is the structured sale of combined financial products to targeted groups of clients. A very high effectiveness can be found in internally interconnected bancassurance products which represent an additional utility value for the end user of such products as they are made to measure determined by what this end user requires. (Daňhel, Ducháčková and Radová, 2007)

According to Řezáč (2009), bancassurance can be defined as “effective creation and distribution of bank and insurance products for the common group of clients”. When selling bancassurance products, the more the insurance products is rooted into the pillar product of a financial institution, the more it will become its organic part and the better sales it will achieve. (Lím, 2012)

Illetško (2003) also warns that the term of bancassurance is often defined and understood incorrectly. This author believes that bancassurance cannot be confused with what should be referred to as cross-selling. The sale channel of bancassurance can be understood as a channel of selling the financial product which is internally integrated with the financial product; it brings an addition utility value to the end client of the financial institution. The insurance product is sold as a collective policy. An insurance company and a financial institution conclude a collective policy agreement which directly specifies conditions of the policy including insurance conditions.

The conclusion (Stracia, 2012) about the actual areas of the bancassurance products is: “The actual areas concern the life insurance, the payment protection insurance and the home insurance whereas the new areas are represented by the car insurance, the travel insurance, the pet insurance and the health insurance.”

Integration of financial institutions may take the form of total integration, partial integration with a parent universal bank, integration with a banking or insurance parent company or a holding structure. Total integration is the highest form of integration. In this case, various financial services are integrated within one company. All activities are then financed using one capital. This form of integration is more or less constructed by theory. Partial integration with a parent universal bank leads to an organization of financial conglomerates in which the universal bank covers commercial and also investment banking. Utilizing daughter companies, this conglomerates offer other financial services including insurance policies. Integration with a banking or insurance parent company is a type of

organization in which the parent company owns, either completely or partially, its daughter companies and through these it provides clients with financial services (investment banking, insurance policies, other financial services). Finally, a holding structure is a type of organization in which an independent parent company owns all or most shares in independent daughter companies and each of them offers independent financial services. (Ducháčková and Daňhel, 2010)

1. Methodology and Data

The research problem originates from the area of bancassurance practice, particularly from the area of operation of bancassurance models and integrated bancassurance products. The research hopes to determine how bancassurance actually operates whilst comparing theory with practical conclusions. A theoretical basis, which is related to the defined problem, shall be set first, and it shall be compared with bancassurance practice. The evaluation of bancassurance practice shall be based on an analysis and comparison of information available in annual reports (2016) and current information found on websites of financial institutions (2017). The research works with non-numeric data, analyses practice and compares it with theoretical bases. The aim of this article and theoretical bases shall be used to form research questions. This is a standard procedure used in qualitative research. (Punch, 2008)

This paper aims at determining whether similarities in how the financial group Société Générale Group is organized determine similarities in how bancassurance in the selected countries functions. In order to do this, a qualitative research shall be performed and an effort will be made to answer the following research questions: What kind of integration can we find in each examined country? What kind of internal integration have the banking and insurance products achieved in the examined countries?

In order to be able to evaluate the integration of the financial group, the sorting method created by Ducháčková and Daňhel (2010) shall be applied. This paper shall focus on and evaluate bancassurance (not assurfinance) from the perspective of internal integration as defined by Illetško (2002). Internal integration (Illetško, 2002) is evaluated based on these characteristics: Is the insurance product an integral part of the banking product? Does arranging an insurance policy depend on arranging an insurance product? Is there a general contract for the bancassurance contract? Are there discounts on insurance products granted for clients of the bank? In order to answer these questions, the following shall be performed:

Firstly, the financial group SGG shall be introduced. Then, banks operating within the financial group in selected countries shall be described and characterized concentrating on ownership structure.

In the second part, an analysis and comparison conditioned by ownership structure of insurance companies cooperating with SGG shall be performed. Also, there shall be assessed what type the financial group's integration and whether there exists a strategic cooperation between an insurance company and a bank. All information was found on insurers' and banks' websites and annual reports as of 2016.

The third part of the research shall analyse bancassurance products offered by SGG. Their range and most importantly the level of their internal integration shall be evaluated. Data available on each insurer's website shall be used. There is no relevant data to be found in annual reports of these insurers. Finally, all ascertained results will be analysed and the research questions shall be answered.

2. Results and Discussion

2.1. Characteristic of SGG and bank belonging to the financial group SGG

SGG was founded by a group of entrepreneurs in 1864. As of 2016, the group SGG can be characterized by these numbers:

- 143,300 employees in 67 countries;
- 30 million customers (individual, professional, business customers and financial institutions);
- 23.6 billion Euros in net banking income.

SGG's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- Retail banking in France with the Société Générale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multichannel financial services on the leading edge of digital innovation;
- International retail banking, financial services and insurance with a presence in emerging economies and leading specialised businesses; and
- Corporate and investment banking, private banking, asset management and securities services.

Table 1 presents banks operating within the SGG in selected countries. Table 1 shows majority shareholders of banks and how large their shares are, if this information was available on websites or in annual reports. Table 1 also shows in what years banks became part of SGG.

Tab. 1: Shareholder structure of bank in 2017

Country	Name of bank	Shareholder structure	Became part of SGG in
CZ	Komerční banka (KB CZ)	60.35 % SGG	2001
SK	Komerční banka Bratislava (KB SK)	Information given below	1995
PL	Euro Bank (EB PL)	SGG	1992
BG	Société Générale Expressbank (SGB BG)	99.74 % SGG	2005
RO	BRD-Groupe Société Générale (BRD RO)	60.17 % SGG	2004
HR	Splitska Banka (SB HR)	SGG until 2016 Information given below	2006 Sold in 2016
SI	SKB Bank (SKB SI)	97.58 % SGG	2001
RS	Société Générale Bank (SGB RS)	100.00 % SGG	1991

Source: Own work based on website (2017) and annual report of financial institutes (2016)

KB Bratislava was founded as a natural step in the expansion of business and financial activities between the Czech and Slovak Republics. KB SK is Komerční banka's sole foreign branch. It operates in Slovakia on the basis of a single banking license issued by the CNB. KB SK is cultivating its co-operation with top corporations within Slovakia, as well as with those clients of KB and SG groups operating there.

On 2 May 2017, OTP banka Hrvatska announced the completion of acquisition of 100% shareholding in Splitska banka, and in this way Splitska banka became a member of OTP Group.

As of 2017, in all selected financial group SGG countries (except for SK and HR), there is one bank operating within the financial group, whose majority owner is the financial group SGG.

2.2. Integration of the financial group SGG

Société Générale Insurance (SGI) is a major bancassurance player in France. Société Générale Insurance is the Insurance business line of Société Générale Group worldwide. The companies of Société Générale Insurance (in France - Sogecap in life & personal protection insurance and Sogessur in property & casualty insurance) provide bank's networks with a complete range of insurance products and services responding to the needs of their individual clients, professionals and corporates in terms of savings, retirement pensions, personal protection and property insurance. It has more than 30 years of international experience, with presence in 12 different countries around the world. As of 2016, SGI can be characterized by these numbers:

- 2,200 employees worldwide;
- 11.3 billion Euros premium income;
- 19.9 million contracts.

Tab. 2: Insurance companies cooperating with SGG and their shareholders structure

Country	Bank	Insurance company and shareholders	
CZ	Komerční banka (KB CZ)	Komerční pojišťovna (KP CZ)	SOGECAP (51%) KB CZ (49 %)
PL	Euro Bank (EB PL)	Société Générale Insurance (SGI PL): SOGECAP PL SOGESSUR PL	SGG
BG	Société Générale Expressbank (SGB BG)	Sogelife Bulgaria (SL BG)	SGI
RO	BRD-Groupe Société Générale (BRD RO)	BRD Asigurari de Viata (BRDA RO)	SOGECAP (51%) BRD RO (49 %)
SI	SKB Bank (SKB SI)	Generali insurance (GP SI)	Generali CEE Holding (100 %)
RS	Société Générale Bank (SGB RS)	Société Générale Insurance (SGI RS)	SOGECAP (51%) SGB RS (49 %)

Source: Own work based on website (2017) and annual and activity report of financial institutes (2016)

Within the financial group SGG, insurance is arranged by SGI. Table 2 shows names of insurance companies as well as the majority owner. In all countries except for Slovenia, the majority owner is the financial group SGG. Insurance companies are owned by SGI (SOGECAP) or a bank belonging to the SGG financial group. In Slovenia, insurance is offered by the insurance company Generali. SGI does not operate in this country. There is a strategic cooperation agreement between SKB (SI) and GP (SI).

2.3. Integration of bancassurance products

In the Czech Republic, insurance products are offered by the bank KB CZ. KP CZ is the insurer. Products which are offered are divided by category – subjects (citizens, students, entrepreneurs by size, public sector, foreigners). There are various offers of insurance products available for each category. Insurance for citizens is divided into risk life insurance, capital life insurance, travel insurance, property and credit card insurance. Entrepreneurs can arrange risk life insurance and credit card insurance. Offer of products is structured in form of individual insurance products. In case of risk life insurance, entrepreneurs are usually recommended that they arrange mortgage insurance together with their mortgage loans; however, this type of insurance is offered together with other loans, current accounts and credit cards. Clients of the bank are often offered premium discounts and/or better conditions (rates) when taking a loan from the bank. An integrated bancassurance products (general one) is offered in form of credit card insurance.

In Poland, insurance is offered by the bank EB PL as well as the insurer SGI PL. The only difference is in the structure of products which are offered. SGI PL offer products structured as follows: „Credit and my family insurance“ and „Personal belongings insurance“. Within the „Credit and my family insurance“, these products are available: cash credit insurance, credit card insurance, mortgage insurance and loan installments insurance. „Personal belongings insurance“ insures loss of credit cards, money, keys, phones, tablets. Within the loan installments insurance, inability to repay is insured (death, disability, illness, loss of job, inability to work). EB PL offers insurance in this structure: cash loan insurance, credit card insurance, mortgage insurance and loan insurance. All products are arranged via the bank EB PL. All insurance products are intended for bank clients. SOGECAP or SOGESSUR are the insurers. Insurance products are part of the bank products; they can be considered integrated bancassurance products.

In Bulgaria, SGB BG offers only one integrated bancassurance product: bank card insurance. This product is arranged by the insurer KP CZ. Then there are individual insurance products. SL BG is the insurer. It is emphasized that the bank offers insurance for its clients.

In Romania, the bank BRD RO offers insurance products linked with bank products. Integrated bancassurance products are available for various types of credits; they insure inability to repay loans (death, disability, illness, loss of job, inability to work). Travel insurance is available with some kinds of credit cards. The bank also offers two independent insurance products: investment life insurance and commercial life insurance. Whether these insurance products are linked with bank products or not is not clear. The website does not present any benefits nor further information about the extent of the insurance which is offered. The insurer in case of all products is SL BG.

In Slovenia, the bank SKB SI offers insurance of GP SI, which is not part of SGG. The bank offers very many bank products: integrated bank products as well as independent insurance products for the clients of the bank. The bank also offers special packages which primarily cover bank products; there are various optional insurance products available.

In Serbia, the bank SGB RS offers these independent products: life insurance, travel insurance, property insurance, unemployment insurance and commercial health insurance. The bank also offers integrated bancassurance products: loan insurance, credit card insurance. Credit card holders are offered travel insurance. SGI RS is the insurer.

Tables 3 and 4 compare offers of insurance products. The banks belonging to the financial group SGG offer not only integrated bancassurance products but also independent insurance

products; for this reason, Table 3 compares integrated products and Table 4 compares independent insurance products.

Tab. 3: Bancassurance products offered by financial group SGG – integrated bancassurance products

Country	Cash loans insurance	Mortgage insurance	Credit card insurance	Credit card insurance incl. personal property
CZ			YES	
PL	YES	YES	YES	YES
BG				YES
RO	YES	YES	YES	YES
SI	YES	YES	YES	
RS	YES	YES	YES	

Source: Summarized by authors based on website of financial institutions

Having compared data in Table 3, which shows bancassurance products offered by a bank within the particular country, it is possible to conclude that the widest range of integrated bancassurance products is present in PL, RO, RS and SI (note that the insurance company in SI is not part of SGG); these countries are followed by CZ and BG.

Tab. 4: Bancassurance products offered by financial group SGG – independent insurance products

Country	Risk Life insur.	Capital Life insur.	Investment Life insur.	Travel insur.	Property insur.	Motor Vehicle insur.	Health insur.
CZ	YES	YES	YES	YES	YES		
PL							
BG	YES	YES	YES	YES			
RO			YES				YES
SI	YES	YES		YES	YES	YES	YES
RS	YES	YES		YES	YES		YES

Source: Summarized by authors based on website of financial institutions

Table 4 compares independent insurance products within the financial group SGG. The products are offered by a bank in the particular country. In case of all countries except for RS, linkage with a bank product is emphasized (life insurance, travel insurance). The widest offer is present in SI (note that the insurance company in SI is not part of SGG), followed by RS, CZ, BG and RO.

Conclusions

This paper aimed at determining whether similarities in how the financial group SGG is organized determine similarities in how bancassurance in the selected countries functions. Eight countries which are located in the Central and Eastern European region were selected: the Czech Republic, Slovak Republic, Poland, Romania, Bulgaria, Croatia, Slovenia and Serbia.

In order to achieve this aim, a qualitative research was performed and the following research questions were answered: What kind of integration can we find in each examined country? What kind of internal integration have the banking and insurance products achieved in the examined countries?

Using an analysis, it was ascertained that in Slovakia, the financial group SGG's province is in form of a foreign branch of Komerční banka based in the Czech Republic. Operations are

conducted using a unified banking license issued by the Czech National Bank. For this reason, this country was not included in further analysis. It was also discovered that in Croatia, a bank belonging to the financial group SGG terminated operations in 2016, hence this country was also not included in further analysis.

Qualitative research established that the organization of the financial group SGG is similar in all selected countries. As of 2017, in every selected country where the financial group operates, there was one bank, whose majority owner is the financial group SGG. In every country (except for Slovenia), there is only one cooperating insurance company which is a daughter company of SGG. The financial group SGG operates as an integrated bank and insurance company. Integrated bancassurance products are offered in all countries. In Slovenia, insurance is offered by the insurance company Generali, which is a daughter company of Generali CEE Holding. In Slovenia, cooperation is based on a strategic cooperation between financial subjects. For this reason, Slovenia is not included in further assessment.

What kind of integration can we observe in individual countries? SGG is a financial group with the following type of integration: “partial integration with a parent universal bank.”

Within the financial group SGG, insurance is offered via the company SGI. SGI is the Insurance business line of SGG worldwide. SGI is a major bancassurance player in France. The companies of SGI (in France - Sogecap in life & personal protection insurance and Sogessur in property & casualty insurance) provide bank's networks with a complete range of insurance products and services. The majority owner of the insurance companies in all selected countries is the financial group SGG (SGI).

What kind of internal integration have the banking and insurance products achieved in the examined countries? Based on the conducted research, it was established that in the monitored countries, the bank product is connected with an insurance product. The following difference exists in the selected countries: Banks offer integrated bancassurance products and independent insurance products which can but at the same time do not have to have linkage with the bank product.

Conclusion on the extent of the offer of integrated bancassurance products is: The widest offer is available in Poland, Romania and Serbia. Conclusion on the extent of the offer of independent insurance products (linked with a bank product) is: The widest offer is available in Serbia, the Czech Republic, Bulgaria and Romania.

Acknowledgments

Research behind this paper was supported by the Czech Science Foundation within the project 16-17796S ‘Affiliation with financial conglomerate as a determinant of performance and risk of banks’.

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