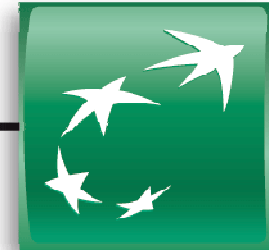


Main trends in the bancassurance markets and regulations



Xavier Cognat
Head of Public Affairs
Warsaw, 23 October 2014



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BNP Paribas Cardif, a leader in bancassurance with financial institutions



37

Countries

250

Partnerships with banks and consumer finance companies

€20 bn

GWP 2013 made with banks and consumer finance companies

o/w €4 bn

GWP 2013 made on the protection business line

o/w 80%

made with non-group related entities

Top Global and Local Partners

Savings & Protection Businesses



France



India



Turkey



South Korea



Italy



Taiwan

Protection Businesses



Europe, Latin America



Europe, Latin America



Russia



Europe



World



World



World



Italy



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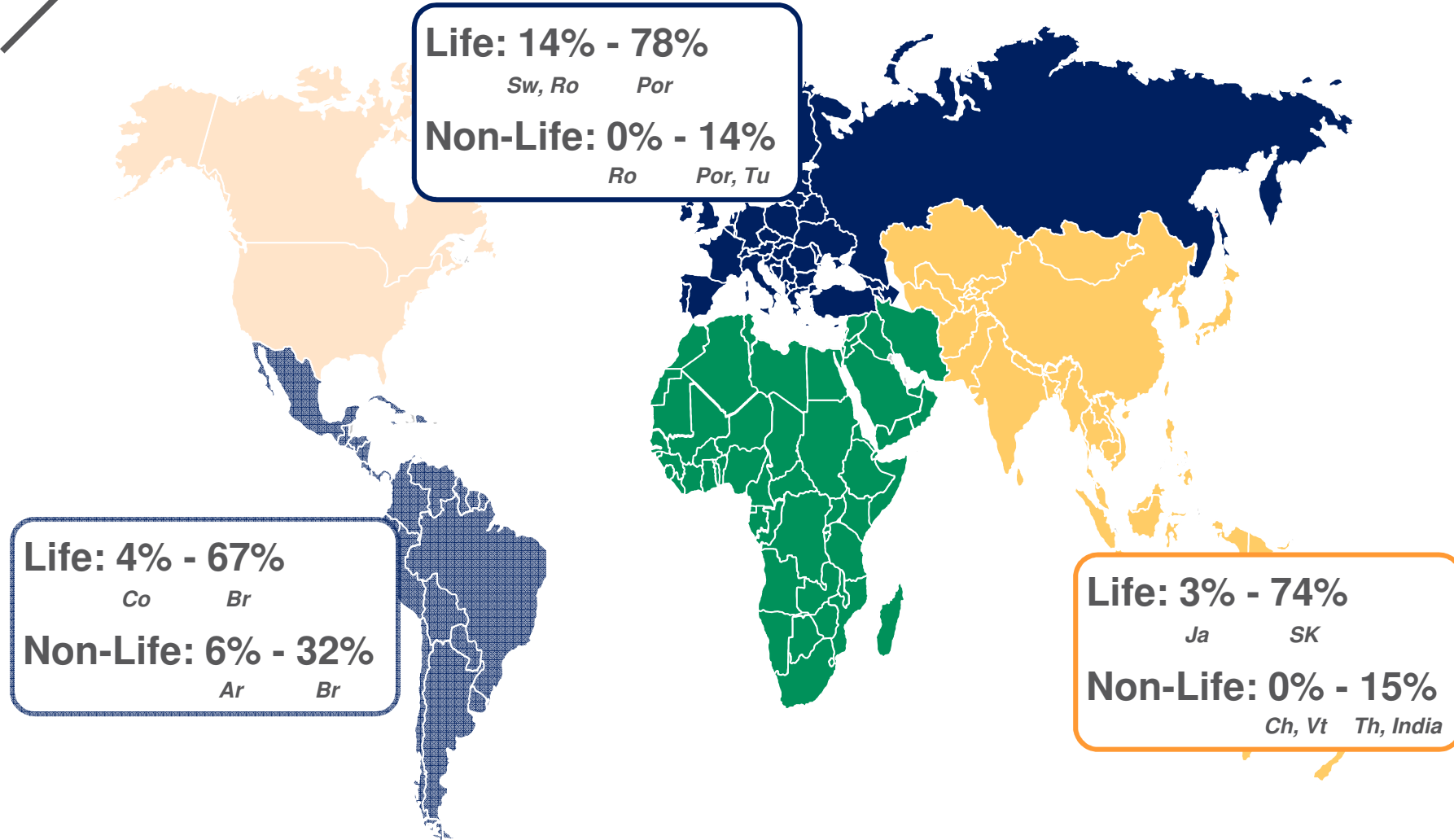
Bancassurance: a distribution channel with high potential, distributing key products for the consumers



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Non homogeneous weight of bancassurance



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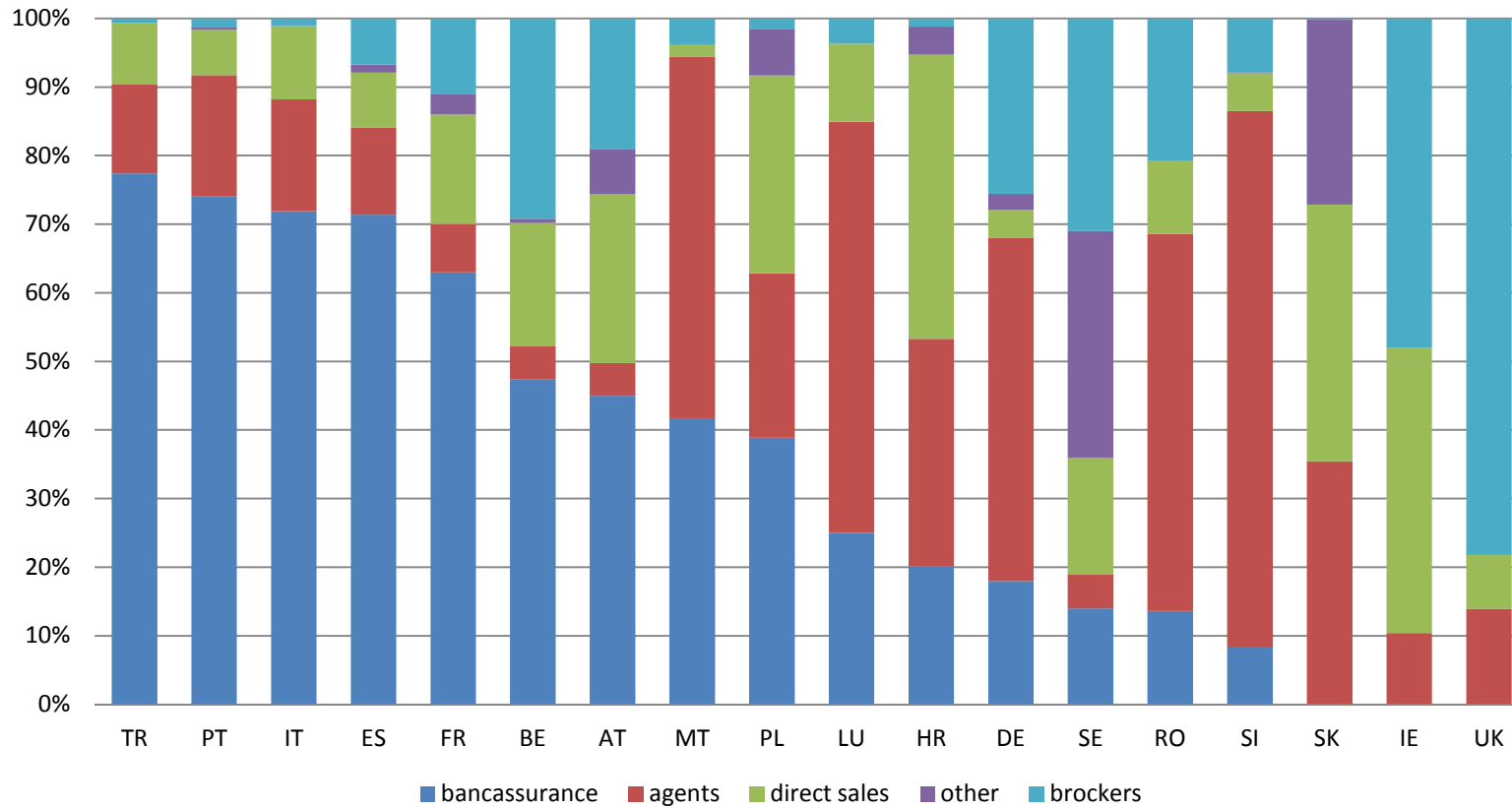
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European insurance distribution channels



Breakdown life distribution channels (% of GWP) 2012



Source : Insurance Europe
 Data 2012 except data 2011 for LU, SE, SK & ES, data 2010 for IE,UK &RO
 For NL no distinction between Agents & Brokers



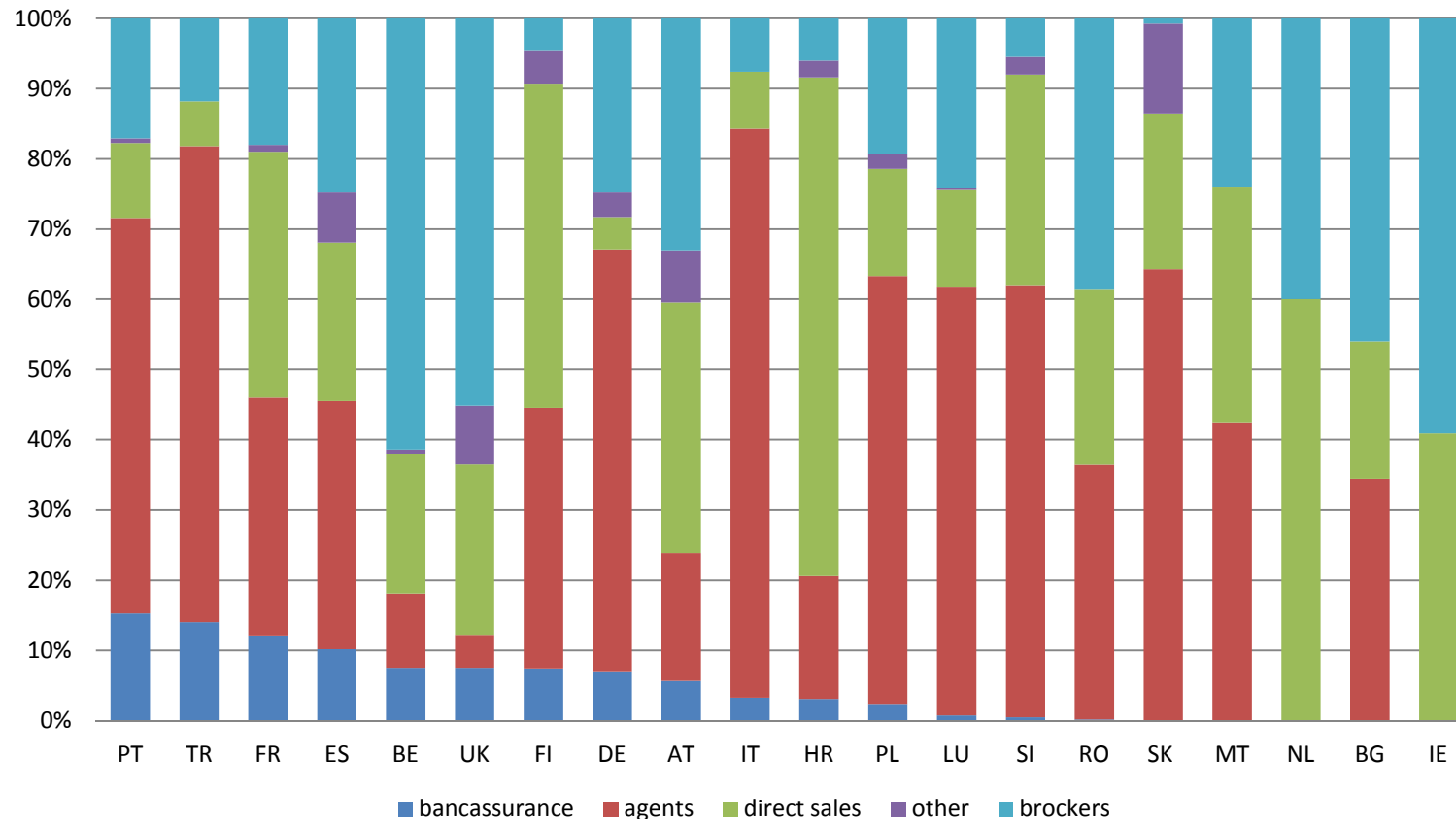
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Evolution of bancassurance in France



Bancassurance share in insurance distribution

For life insurance premiums :

-2013 : **64 %**

-2001 : **60 %**

-1995 : **56%**

-1991 : **42 %**

For property and casualty :

-2013 : **13%**

-2001 : **8%**

-1995 : **4%**

-1991 : **1%**



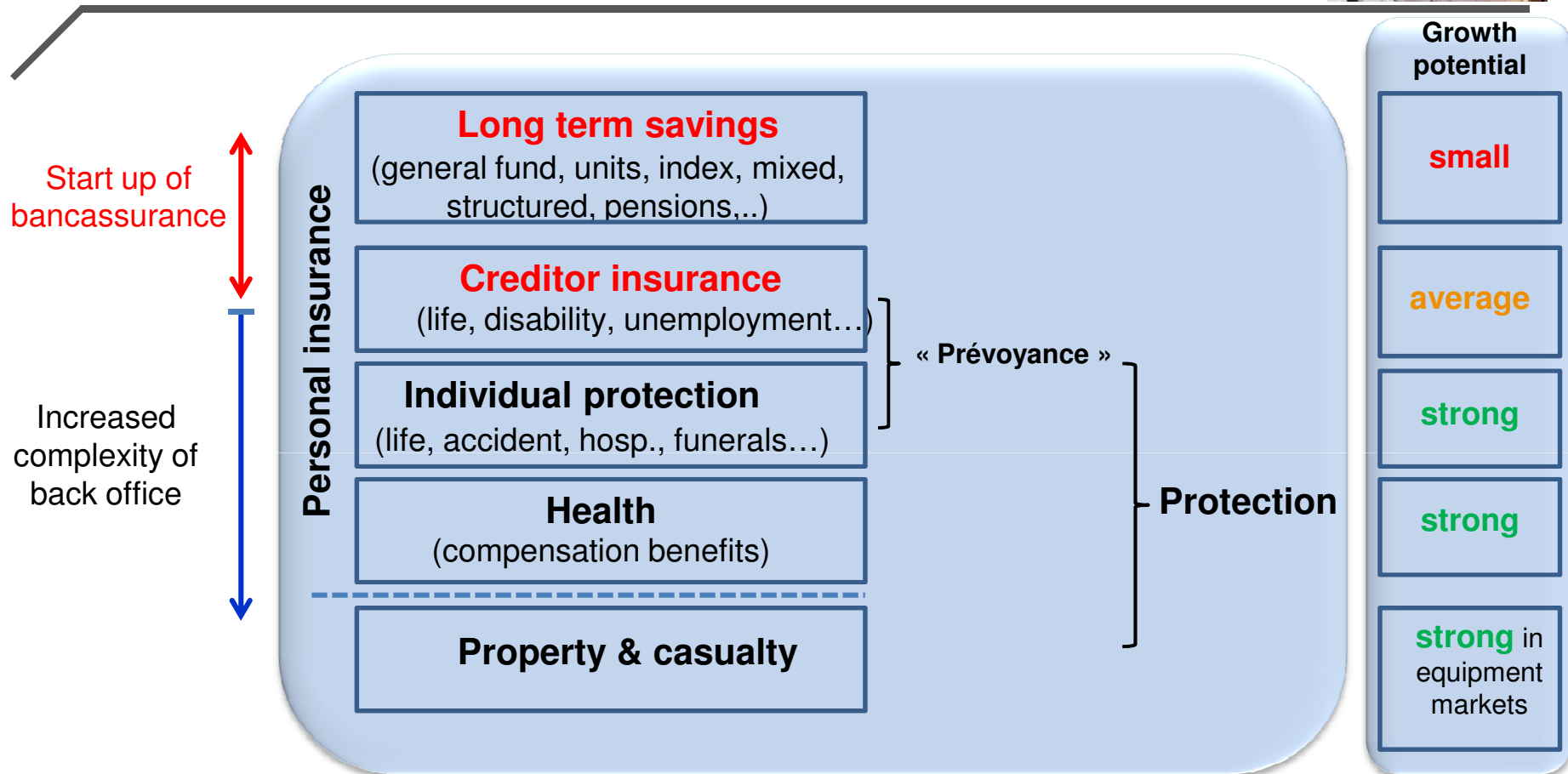
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Bancassurance: a wide range of key products for consumers



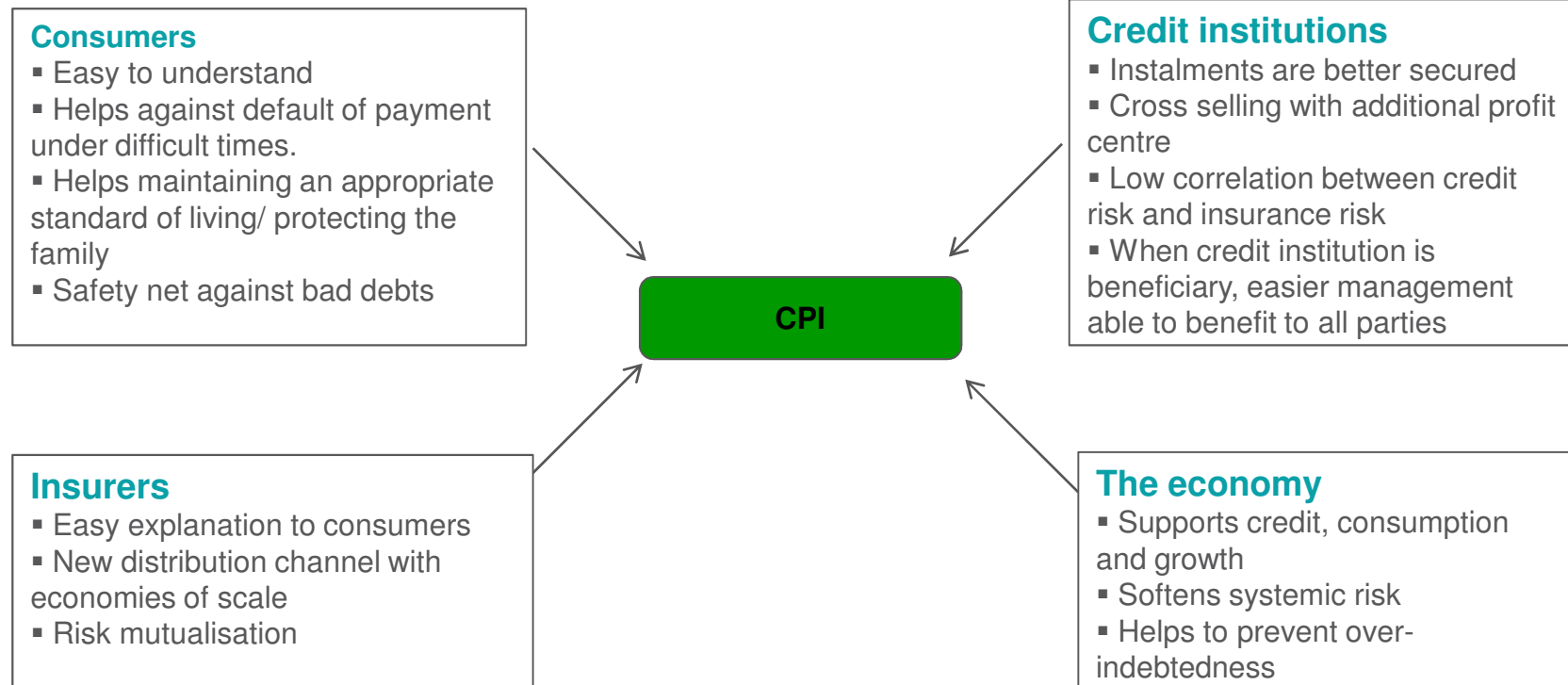
- Start up with simple products, which can be sold massively.
- The extension of the product range implies a higher complexity of back office platforms
- Protection bancassurance will progressively develop in a large number of markets.



Exemple of Creditor Protection Insurance (CPI): a key economic and social role



A win win product protecting against preset risks





2

The perspective of new sustainable regulation requirements



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What is the current regulatory trend?



Protection of the interest of the Customers is becoming a universal subject.

- **Dedicated regulators** almost everywhere: eg UK: from FSA to FCA
- Expansion to customer protection in of the **missions** of single regulators: eg France: ACPR
- **Universal rules:**
 - ✓ IAIS ICP 19 (October 2011) for Insurance supervisors “*The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.*”
 - ✓ EIOPA in Europe
- **Consumerization:**
 - ✓ DNB (Netherlands)
 - ✓ Poland (Regulation U December 2013)
- **Use of soft law:**
 - ✓ ACPR (duty of advice)
- **Vigorous enforcement:**
 - ✓ IVASS (Italy)
- **New methods:**
 - ✓ No longer only reaction to complaints: Mystery shopping, false identity on the net (France)



What is the current regulatory trend?



New topics/interests of regulators:

- Clear, accurate, fair, non misleading information (PRIIPs in Europe) : price, guarantee / coverage, costs
- Mis-selling at point of sale
- Suitability of the product to the individual customer, control of distribution
- Conflicts of interest (IMD1.5 / MIFID in Europe),
- Single premium versus early repayments of loans
- Claims handling: coverage limitations and exclusions / pre-existing conditions
- Complaints handling: set up



Italy highlights



Many regulation in 2010-2012 including:

disclosure of commissions (life insurance and creditor protection insurance -CPI); banks can't be at the same time intermediary and beneficiary (CPI); at least two competing offers if insurance is compulsory (CPI)

“Protocollo” between the creditor associations and consumer associations for CPI (end 2013)

- Disclose percentage rate including the insurance premium;
- Grant a withdrawal period of 60 days (instead of the 30 days provided by the law);
- Highlight optionality of offers of insurance products;
- Send a “Welcome letter” to each customer (most relevant features of the product + withdrawal period);
- Sales quality controls and establishment with Consumer associations of a monitoring agency.

New letter expected from IVASS that could treat the following issues:

- More "customized" approach in products design
- Effective guarantees (review of the limitations and exclusions)
- Declaration of good health replaced by a health questionnaire
- Reduction of the time in handling claims and complaints
- Market conduct obligations with the intermediaries (explanation and delivery of the documents, assessment of the adequacy of contracts,...)
- Controls of the distribution process, strengthening of claims management & underwriting processes



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France highlights



For mortgage credit, after the "Loi Lagarde", the "Loi Hamon": the path to demutualization ?

2010
Loi Lagarde

- For mortgage CPI, a bank can not refuse borrowers to underwrite another CPI if the coverage are similar, and a new standardised fact sheet used by banks

2012
Banking law

- A new concept for CPI: TAEA Insurance effective annual rate to ease comparison with APR of credits

2014
Consumption law
(Loi Hamon)

- Allow substitution of CPI contracts (for similar coverage) to increase competition. During the first 12 months after loan subscription
Seems positive from consumer choice perspective but should also lead to less mutualization of insurance : weak clients (old or bad health) to pay more and potentially to be excluded from credit
- Introduction of a collective redress mechanism in French law

2014

- Decision from Cour de Cassation. Insurance contracts cannot be cancelled for false statement from the client when the statement was pre-written: need to ask open questions to the client
- Creation of new life insurance savings contracts "Eurocroissance": choice by the client of the term and amount of guarantee



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3

Customer centricity: the ongoing evolution



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Customer centricity: a necessity and an opportunity



A necessity in a context of:

- Damaged image of financial institutions
- Increasing demand for ethics and quality among consumers
- Drastic regulatory changes, which may even harden
- Lack of financial literacy of customers especially with regard to certain complex products

An opportunity, as it provides:

- A real differentiation, in particular in mature markets
- More value creation for the clients
- Staff motivation
- A real sales advantage



What does customer centricity mean for Bancassurance?



A customer centric Product

- Is simple
- Is clearly explained
- Is tested with customers from its design
- Brings a real added value

A customer centric Service

- Meets customers' expectations
- Simplifies the customer journey
- Facilitates access to information and services
- Treats customers fairly

Customer Centricity

A customer centric Sale

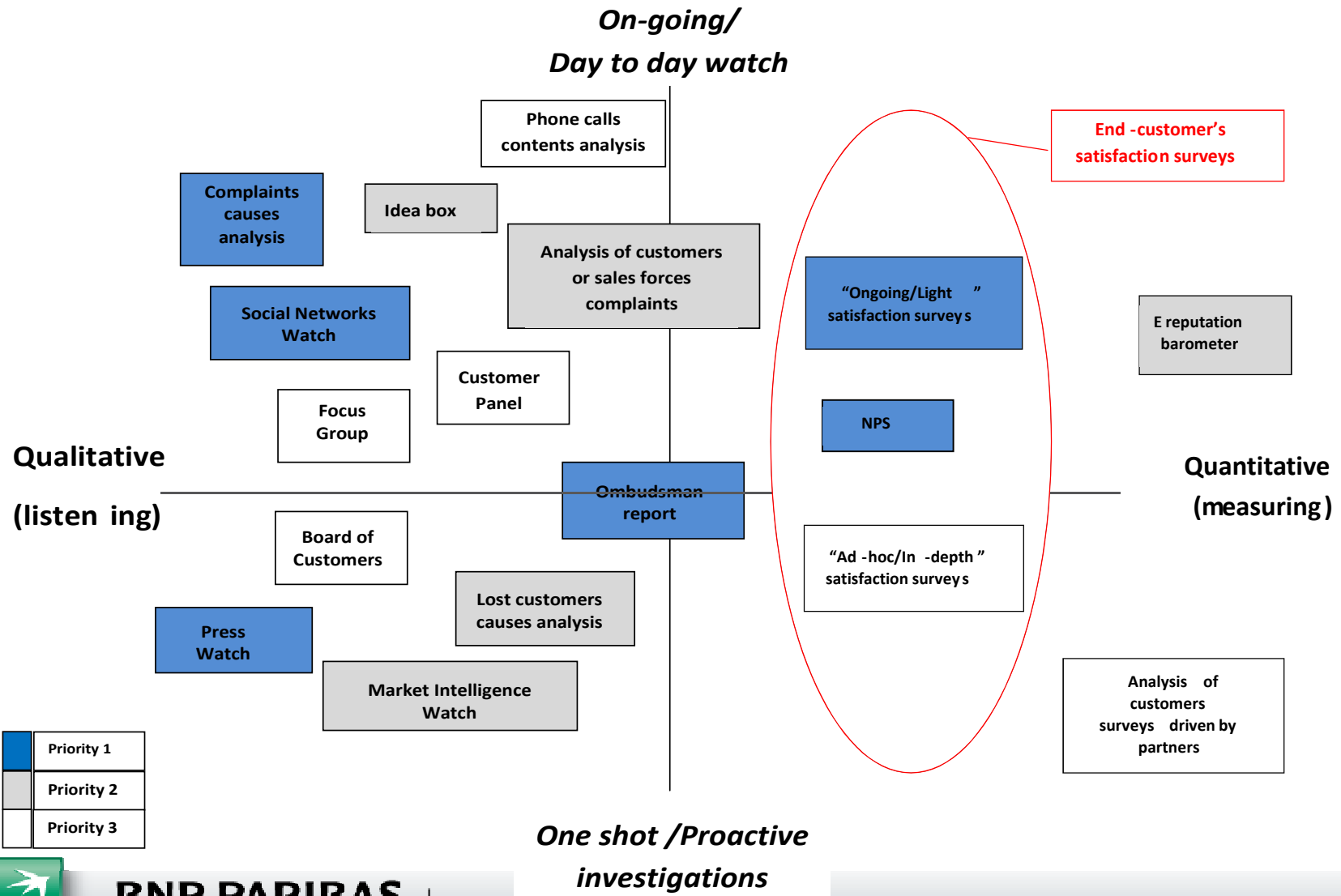
- Means a close relationship with customers to understand their needs
- Means an ethical sale supported by appropriate guidelines and tools
- Gets a clear agreement from the customer

A customer centric Organisation

- Means a strong sponsorship at board level support of the Customer Centric Programme
- Involves the Compliance dpt in all decisions related to customer interests
- Cares about customer satisfaction in all processes and is measured and followed
- Organizes regular exchanges with all market players



Listening to the voice of customers: why and how should we know our clients better?



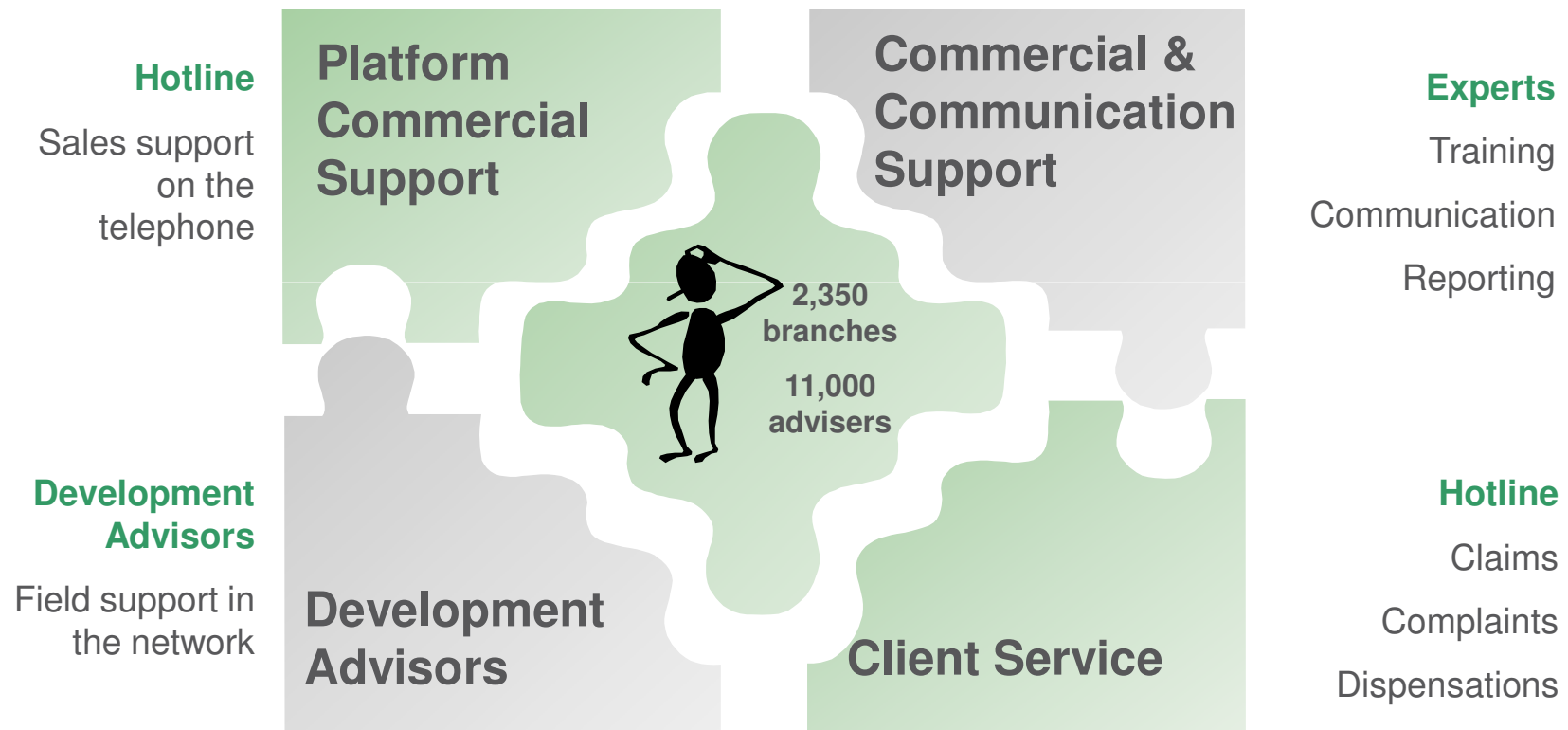
Priority 1
Priority 2
Priority 3



Better service to clients jointly by the insurer and the bank



- Example of retail banking client relationship.



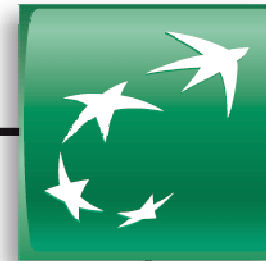
Conclusion



Key points for the near future of bancassurance

- Bancassurance is well settled around the world and still has a huge potential to grow in many countries and many business lines
- Regulators and supervisors are right to develop protection of the interest of customers, which is their ultimate goal
- Interest of the customers is also linked to the effective possibility to subscribe insurance protection products
- Customer centricity is an approach being developed, allowing the alignment of interests of insurers and banks with those of consumers





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