BANCASSURANCE AS A STRATEGY USED BY COMMERCIAL BANK OF AFRICA LIMITED TO INCREASE UPTAKE OF INSURANCE PRODUCTS IN KENYA

BY:

WAMBUI PHIPHIANA MUHORO

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DECLARATION

Declaration by the Candidate

This research project is my original work and has not been presented for examination in any other University.

Signed: ___________________________ Date: _________________________

WAMBUI PHIPHIANA MUHORO

D61/70398/2007

Declaration by the Supervisors

This thesis has been submitted to the school of education for examination with our approval as university supervisors:-

Signed: ____________________________ Date: ________________________

DR. JOHN YABS

LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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DEDICATION

I dedicate this work to my daughter Wanjiku.

ABSTRACT

The penetration of insurance services in Kenya stands at 2.63% of the GDP. This is considered to be very low compared to other countries in Africa such as South Africa which has a penetration of 9.94%. The penetration of insurance among the Kenyan population is also low as compared to other countries in the world.

The was a case study to establish the effects of bancassurance as a strategy used by Commercial Bank of Africa Limited to increase uptake of insurance products in Kenya This design was chosen because it involves investigation of a group. The study targeted all head of departments, senior managers and branch managers (census) in all the selected branches. There is a total of 20 head of departments and senior managers and 12 branch managers. Data was collected through in-depth interviews and analysed descriptively and presented in tables, figures and charts.

This study was approved by Commercial Bank of Africa and University of Nairobi.

Study findings showed that bancassurance has increased insurance uptake by increasing its distribution channels, attract new customers while retaining the old and winning the customers trust unlike the traditional agents since most customers trust banks and they frequently visit it. The insurance companies have also gained a competitive edge through tapping into existing bank customers' database in the various branches as well as using the well trained staff and innovative marketing channels such as online marketing and e-sales.

The study recommends that insurance companies should expand the target market beyond the existing bank customers and also diversify to the rural areas where people do not visit banks or have access to the latest technology and communication channels.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

By definition, bancassurance is simply a method of distributing insurance products through commercial banks. It is a global movement that is gradually breaking down the traditional barriers between the various businesses of supplying financial products and services (Benoist, 2002). Bancassurance broadly refers to the collaboration between banks and insurers to distribute insurance products to bank customers.

One of the most significant changes in the financial services sector over the past few years has been the appearance and development of bancassurance. Banking institutions and insurance companies have found bancassurance to be an attractive and profitable complement to their existing activities.

The last 15 years have witnessed many changes in the organization of the financial services industry in Europe, the US, and Latin America, particularly the closer integration of banks and insurers. For example, bancassurance is highly developed in France where banking networks account for a significant proportion of life insurance sales, although they are taking longer to make inroads into the non-life market (Benoist, 2002). In the UK, the emergence of the phrase "financial services” reflects the breakdown of old barriers between banking and insurance and their replacement by integrated institutions offering a range of services. In the US, deregulation under the Gramm-Leach-Bliley Act

(GLBA) of 1999 legalized bancassurance and lead to its geographic spread (Field, Froser, and Kolarl, 2007).

Many studies of bancassurance focused on benefits or enhanced value in bank-insurance consolidation. Bergendahl (1995) claimed that the economic reasons for banks selling multiple products include efficiently using fixed capacity resources, customer demand for several products from a single channel, and product combination strategy.

Competition in the bancassurance industry is at an all-time high, challenging providers to attract new customers while retain existing ones. Thus, identifying key success factors for insurers and banks improving their bancassurance strategy accordingly is not only a critical competitive differentiator but a necessity. Unfortunately, several theories or research lay be-hind the expansion of bancassurance. However, identifying and qualifying the key success factors for bancassurance is a complex issue and often depend on the subjective assessments of managers. The strategic planners in banks or insurers, however, often lack objective decision-making procedures and clear-defined evaluations criteria while identify the key success factors for bancassurance, not to mention to assess the weight and practical performance of each key factor.

To fill this gap, the purposes of this study, first of all, is to establish bancassurance as a strategy of increasing insurance service uptake in the country. The second is to explore the weight of each bancassurance strategy.

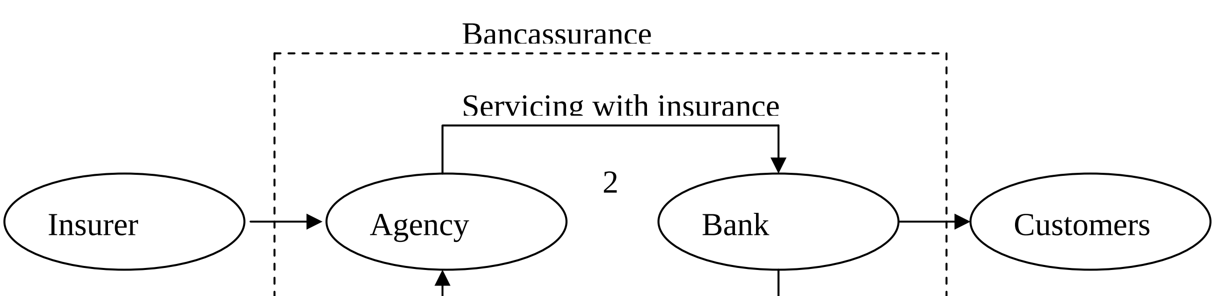


Figure 1: Bancassurance Channel

1.1.1 Context of the study

The opening up of the insurance industry to private sector participation in December 1999 has led to the entry of 20 new players, with 12 in the life insurance sector and eight in the non-life insurance sector. Almost without exception these companies are seeking to utilize multiple distribution channels such as traditional agency, bancassurance, brokers and direct marketing. Bancassurance is seen by many to be a significant or even the primary channel.

Commercial Bank of Africa is among the 43 banks and 1 Mortgage Finance institution licensed by the Central Bank of Kenya (CBK) to operate in the Kenyan market. There has been unprecedented competition in the banking and financial sectors due to the continued growth of the economy and the liberalization of markets. Local and foreign banks are competing for the limited numbers of unbanked population and therefore have to diversify their product offering in order to attract and retain customers. This is why the study is being conducted to establish the impact of bancassurance as a strategy to increase insurance uptake and thereby raise the profile and profitability of the bank.

In developing countries like Kenya, the involvement of banks in the distribution of insurance products is minimal. The current study seeks to find out how the adoption of bancassurance as a strategy can improve insurance uptake through Commercial Bank of Africa Limited. In other developing countries such as in Asian markets it has been seen that bancassurance has made significant headway in recent times. For example, bancassurance accounted for 24% of new life insurance sales in Singapore in 2002. This is a significant increase on the equivalent 2001 statistic of 15% and is as a result of growth in significant bank-centric bancassurance operations

According to Benoist, (2002) out of 8,593 commercial banks in the United States, over 4,150; meaning almost 50%, have been involved in the insurance sector, gaining important income from commissions. Where legislation has allowed, bancassurance has mostly been a phenomenal success and although slow to gain pace, is now taking off across Africa, especially now that banks are becoming more diverse financial institutions whereby the concept of universal banking is being accepted.

In Kenya, the signs of initial success are already there despite the fact that it is a completely new phenomenon. The factors and principles of why bancassurance is successful elsewhere exist in Kenya, and there is no doubt that banks are set to become a significant distributor of insurance related products and services in the years to come. Proponents of Bancassurance argue that banks are a good channel of selling insurance products based on the fact that they have a good reputation thus they are more trusted by customers. Banks also have vast customer data bases as opposed to insurance companies making it easy for them to reach more people by way of cross-selling bank products and insurance products. Another advantage is that banks have more advanced technology and capital resources as compared to insurance companies.

1.2 Research problem

With globalization and liberalization, the service sector has been witnessing a lot of changes. The life insurance industry in Kenya has been progressing at a rapid pace since opening up of the sector. The size of the country, a diverse set of people combined with problems of connectivity in rural areas, makes insurance selling in Kenya an uphill task. Life insurance companies require immense distribution strength and tremendous manpower to reach out to such a huge untapped customer base.

The penetration of the Kenyan insurance industry stands at 2.63% of the GDP. This is considered to be very low compared to other countries in Africa such as South Africa which has a penetration of 9.94%. The penetration of insurance among the Kenyan population is also low as compared to other countries in the world. A good example is Malaysia which has an estimated 41% of the population covered by some form of life insurance in comparison to Kenya that has less than 1% of the population insured (SBO, 2010).

The low uptake of insurance among the Kenyan population has been partly a result of using limited channels to sell insurance products. The Kenyan insurance industry has been relying heavily on agents and brokers to sell insurance products. Since the agent and broker led channels have failed to achieve significant penetration of insurance; there is need for the insurance industry players to adopt new and more efficient channels. This is why the industry has undergone a sea of change as various insurance companies are struggling to bring insurance products into the lives of the common man by making them available at the most basic financial point, the local bank branch, through Bancassurance.

This is why the current study sought to establish use of bancassurance by insurance companies through banks as a strategy to increase insurance uptake. And from the study findings it was revealed that although bancassurance has been adopted it is still not widely utilized by majority of the customers in the Banks database.

1.2.1 Research gap

Previous studies of bank-insurance consolidation reported that bancassurance is a profitable strategy to a bank, but there is no consensus on whether insurers gain benefits or cost advantage in selling insurance product through bancassurance channels.

Early studies on the efficiency of insurance, no matter what stage they evaluated, did not focus on insurance marketing channels, nor did they mention the efficiency comparison between direct and indirect marketing channels.

The inputs and outputs used for evaluating the efficiency of insurance companies in prior studies are reported in literature review. Accordingly, this study selects some appropriate inputs and outputs to assess the bancassurance as a strategy to increase insurance uptake by Commercial Bank of Africa Kenya.

1.2.2 Research Questions

This sought to answer the following research questions;

i) What are the effects of bancassurance as a strategy on the uptake of insurance products in Commercial Bank of Africa Limited?

ii) What is the influence of information technology and distribution channels adopted on the uptake of insurance products in Commercial Bank of Africa Limited?

1.3 Research Objectives

The study objectives were:-

i) To establish the effects of bancassurance as a strategy on the uptake of insurance products in Commercial Bank of Africa Limited

ii) To find out the influence of information technology and distribution channels adopted on the uptake of insurance products in Commercial Bank of Africa Limited

1.4 Value of the Study

The growth and prosperity of the banking industry and insurance sector is of paramount importance to the entire Kenyan population, this being a major employer and service provider to a great number of people. This study is significant as scholars will be able to add to their existing knowledge on the various channels that the banking industry uses to attract customers and compete with other players in the service provision.

The investors in the banking industry and insurance sector will be able to better understand and appreciate the changes that have come as a result of bancassurance and how they impact on the product availability and competitiveness to the consumer. Banks and insurance companies that are planning to either venture into or expand Bancassurance business will have additional information and data to rely on as they make decisions of when, where and how to invest in Bancassurance.

The regulatory bodies that govern the industry under the ministry of finance will have more material information to assist in policy formulation and implementation. The Insurance Regulatory Authority (IRA) will be better guided in coming up with rules to govern Bancassurers vis a vis traditional brokers and agents. This is especially important as all these channels are required to co-exist in order to increase market penetration of insurance products in Kenya. The Central Bank of Kenya (CBK) will also be able to monitor the impact of Bancassurance of the profitability of banks and the effects on the banking sector.

The Association of Insurance Brokers in Kenya (AIBK) and Association of Kenya Insurers (AKI) will be in a position to advise their members on the research findings and how they can take advantage of the opportunities identified in an effort to grow their business. The onset of Bancassurance has affected the business and income channels of all players in the industry and therefore it is important to create harmony among the players so that the consumer is not affected by industry wrangles.

Ultimately, the consumer will be able to enjoy insurance services in all parts of the country from their trusted banks as a one stop shop. It is expected that Kenya will have a higher penetration of life insurance which will create a better protected society. This will bring financial comfort to the ordinary Kenyan when faced with the demise or injury of the breadwinner. The insurance policies provided through Bancassurance and other channels should be able to step in and fill the gap. This will also be good for the economy in general as the number of impoverished citizens will reduce. The society at large will be able to appreciate the benefits from the synergies of the banking and insurance industries.

CHAPTER TWO: LITERATURE REVIEW

2.1 Performance of Banks and Insurance Companies

The determinants of performance have been extensively studied in corporate finance literature for the last several decades. For instance; by selecting the sample of US banks, Berger (1995) investigated the impact of capital asset ratio on return on equity. He concluded that capital asset ratio has a positive relationship with profitability. Anghazo (1997) examined the impact of firm level characteristics on US bank net interest margin. The results documented that bank interest margin positively related with leverage, opportunity cost, and default risk and management efficiency. Abreu and Mendes (2002) explored the determinants of profitability of commercial banks and found that profitability positively related with changes in per capita income.

Bancassurance is the provision of insurance and banking products and services through a common distribution channel and/or to the same client base. Thus, the application of bancassurance differs considerably from one country to another, especially the way in which the banks and the insurance companies use each other’s distribution channels. In Kenya, banks are diversifying into bancassurance in order to increase their income streams and offer their customers a wider range of products. The concept started in the 1990s and has spread with a good number of banks applying for licenses from the Insurance Regulatory Authority (IRA) to register insurance agencies through which they can distribute their bancassurance products.

To investigate the performance of banks in Africa, Ben and Goaied (2001) used the sample of Tunisian banks over the period of 1980 to 1995. They advocated that the banks who tried to maintain their high deposits and improve their capital and labour productivity have performed well. Bashir (2000) examined the determinants of performance of Malaysian banks over the 10 years period from 1986 to 1995. For this purpose, they selected both micro and macro level characteristics. The results revealed that efficient expense management and high interest rates negatively related with profitability. The results of Bashir (2000) showed that profit is an important prerequisite for future growth of banks and the banks that maintain a high capital assets ratio tend to grow slowly.

Several studies also have been conducted to measure the performance of the insurance companies. For instance, Demerguç-Kunt and Huizinga (2001) deduced that functional status of insurers do not affect the profitability of being insured but public coverage has significant impact on profitability of insurance companies. Wang, (2006) examined that size and investment portfolio liquidity are the important determinants of financial health of insurance companies. Yao, et al (2007) examined the determinants of profitability and the results showed that profitability of insurance companies decreased with the increase in equity ratio. In addition, insurance companies have to diversify their investment and use effective hedging techniques which help them to create better financial revenues.

Having looked at the performance of banks and insurance companies, this study intends to look at bancassurance as the latest strategy adopted by both insurance and banking sectors in an effort to diversify their income channels and improve their performance especially in the developing economies like Kenya.

The choice of bancassurance models depends on specific socio-economic, cultural and regulatory environment, the market infrastructure and consumer preferences. There are some attributes which can define the variability of bancassurance models, such as company ownership, point of sales, products, client database, product suppliers and policy administration.

There is no single way of getting into the bancassurance market which would work for every insurer and every bank. The best way of getting into bancassurance depends on the strengths and weaknesses of the organization and on the availability of a suitable partner if the organization decides to involve a partner or to deal with multiple partners.

The main reason why banks have decided to join the insurance business is the intense competition between banks against a background of shrinking interest margins which has led to an increase in the administrative and marketing costs and limited the profit margins for the traditional banking products. Therefore new products could substantially enhance the profitability and increase productivity.

There are four main reasons for the different rates of development of bancassurance around the world. The first and most important reason is the difference in legislative and regulatory standards from one to another. There are significant differences in tax systems and the structure of pension systems; in some countries such as France, life insurance products are very similar to banking products and also qualify for tax incentives. This makes them easy to sell by banking networks. Secondly, there are differences in the role of banks in the financial system in various countries. Bancassurance has made the biggest inroads into the market in countries where the banks play a significant role in the financial system. This is the case, for example, in Belgium, France and the Netherlands. Bancassurers have a smaller market share in those countries where everything revolves around the stock market, such as the United Kingdom and the United States. Thirdly, a clear segregation between the various distribution channels hampers the development of bancassurance. This is the case in Germany and Japan. Similarly in Italy, insurance products are traditionally sold by independent insurance advisors, making it difficult for bancassurers to gain a foothold in the market; Lastly, in countries with an underdeveloped insurance market like Kenya, foreign insurers generally try to join forces with a local banking network, because this represents a cheaper way of entering the market than by setting up a greenfield operation or acquiring a local insurance company. This model explains the development of bancassurance in Latin America and Spain (Business Standard (2004).

In some cases, teaming up with a strong bank can help to fund new business development and bolster public confidence in the insurer. In a nutshell, insurers are attracted to bancassurance because they can tap into a huge customer base of banks; reduce their reliance on traditional agents by making use of the various channels owned by banks; share services with banks; develop new financial products more efficiently in collaboration with their bank partners; establish market presence rapidly without the need to build up a network of agents and obtain additional capital from banks to improve their solvency and expand business.

There are different organizational structures under which banks can work together with insurers, including distribution agreements, joint ventures or some integrated operations.

It is then only logical to presume that different motivations will drive the choice of different organizational models (Financial Express, 2006).

This is also a good source of new business because the bank's clients are in a territory where the insurer has only a limited presence as the insurer's agency structure there is limited; the bank's clients may form a very different demographic group relating to age, gender and purchasing habits to the one which the insurer has previously courted. For example, an insurer who previously concentrated on high net worth individuals can now gain access to a wider range of customers and wider range of products (including banking products). The insurance company hopes to attract further business from both existing and new policyholders. This is in view of the fact that it can now offer a wider range of services than before and it can give its customers access to banking as well as to insurance services. The economics of the bancassurance operation may allow the insurer to offer products which are not currently feasible through the insurer's existing channels. For example, sales costs incurred under existing channels may force premium rates for a product to be uncompetitive, so the product is not sold (Financial Express, 2006). The costs via the bancassurance channel may be low enough to make it feasible.

The insurance company can offer to carry out the administration activities of the banc assurer's business, if the bancassurer is a separate company. Combining the bancassurer's business with the other business of the insurer can produce economies of scale in administration costs (including capital expenditure). This in turn allows the insurer to improve profitability and to price future products with narrower margins, which helps to make the insurer’s products more competitive.

Retail banks earn their income from the spread between the rates they charge on lending and those they pay for deposits. Growing market competition is, however, weighing down heavily on banks’ interest margins while credit risk is always a headline concern. As a result, banks are increasingly looking to commissions and fees from selling insurance products to supplement their core earnings. Some banks are eying bancassurance as a step to the formation of financial supermarkets where one institution serves all the financial needs of its customers. A potential benefit is the reduction in the volatility of return on equity due to the lack of synchronization between insurance and banking profitability cycles. From the perspective of banks, bancassurance is attractive because banks can secure an additional and more stable stream of income through diversification into insurance and reduce their reliance on interest spreads as the major source of income. They can also leverage on their extensive customer bases; sell a whole range of financial services to clients and increase customer retention while reducing risk-based capital requirement for the same level of revenue. Banks are further able to work towards the provision of integrated financial services tailored to the life-cycle of customers and access funds that are otherwise kept with life insurers, who sometimes benefit from tax advantages (Financial Express, 2006).

2.2 Customer Satisfaction

Bancassurance operators have put the customer at the very heart of their thinking and development strategies. This means providing a full range of financial products and services (banking and insurance) through a single sales network while at the same time offering high-quality advice through readiness to listen and accurate information.

Customers have more choice due to the existence of may service providers and therefore to be competitive, bancassurance providers have to not only quickly meet customer needs by a branch-based IT system but also provide easy access to the services, with telephone support centers or internet platforms. They have to provide know-how and follow-up (especially claims management) that can match the best traditional insurance providers. Traditionally, much fewer non-life insurance products are distributed through bancassurance than life insurance products. There are several reasons for this. The main reason may be the complementary nature of life insurance and banking products as bank employees are already familiar with financial products and quickly adapt to selling insurance-based savings or pension products.

On the other hand, the non-life market requires special management and selling skills, which are not necessarily prevalent in bancassurance. In addition, such competencies require significant investment in training and motivation, and therefore additional costs. Life insurance products are generally long-term products, which require customers to have complete confidence in the institution that invests their money. And we now know that, in many countries, banks have a better image and are more trusted than insurance companies. Bank advisers can use their knowledge of their customers' finances to target their advice towards specific needs. This is a major advantage in life insurance and less important in personal injury and property insurance. Some professionals also refer to the claims management aspect of personal injury insurance, which could have a negative impact on brand image. This would seem to explain why for a long time bancassurance operators hesitated to offer these types of product, Romain (2003).

2.3 The distribution network

A banking network with a dense and structured geographical presence is an essential factor for success. It is obvious that a large number of points of sale, able to offer customers or prospects geographical and human proximity, will facilitate contacts between banks and consumers and therefore increase sales opportunities. Proximity to the customer is a factor whose importance should not be underestimated. It is a fundamental factor in establishing a relationship and, therefore, a sense of trust and loyalty.

The way consumers perceive banking in a given market and the role it plays in society are two essential factors. This image can be a direct consequence of the way the banking network is organized and how many branches it has in a country.

In countries like Kenya perception of the banks is good; customers have a special relationship of trust with their bank or banker. Banks also benefit from the impression, justified or not, that they are better than insurance companies at handling financial issues.

This trusting relationship is directly proportional to the power of the brand power and its true reputation.

The network is originally made up of bank employees whose primary role is to provide financial services and products. In order to develop their interest and desire to offer their customers insurance products, it is absolutely essential to set up appropriate training and to motivate the sales force, mainly through financial incentives. Training and remuneration policy tend to be specific to each bancassurance operator and correspond to each company's own particular corporate culture and history.

Whether in bancassurance or in traditional insurance networks, the products that are the easiest to sell and the most profitable for financial advisers, are the ones that have the most success. In order to motivate the teams to sell insurance products, it is therefore essential to offer them appropriate rewards. However, rewarding sales forces within the framework of a multi-channel distribution process is not necessarily easy. Bancassurers make use of various distribution channels such as career agents, special advisers, salaried agents, bank employees, corporate agencies and brokerage firms.

According to According to Wepler et al, (2004) to raise productivity and lower costs in today competitive economic environment, organizations are increasingly setting compensation objectives based on a pay-for-performance standard. The designer of the remuneration package should seek to develop a package which helps each one in the distribution channels to feel that they get a fair reward for their contribution. Before proceeding to the design of the compensation package, an organization must consider the following: The compensation package is perhaps the most important element in a sales organization which will influence the volume of business, the costs, the profitability, the productivity and the customer care.

Remuneration tools for agents of a bancassurer are commonly similar to those used for other insurance agency forces: Initial commissions to encourage sale of new business, renewal commissions on persistent business, other fringe benefits pension, health insurance and guaranteed salaries (like, percentage of last year commission). For managers of agency forces, whose role is not to sell business but to get their agents to do so profitably for the organization, remuneration packages can include further items which reflect this role. Examples include: percentage of commissions earned by the agency team, persistency bonus (like, share of renewal commissions), and rewards when members of the agency team reach specified targets, (Wepler et al, 2004).

2.4 Summary of Literature

From the literature reviewed, it has been revealed that Bancassurance products tend to complement existing bank products, which can in turn lead to additional selling opportunities. Worldwide, insurers have been successfully leveraging bancassurance to gain a foothold in markets with low insurance penetration and a limited variety of distribution channels. It is believed that the ability to integrate banking and insurance can help to lower costs and maximize synergies.

Over the last two decades, bancassurance has become a key distribution channel in many insurance markets. Its prevalence is most pronounced in Southern Europe, but its use has also spread to other regions, in particular emerging markets. In developing countries like Kenya bancassurance is still a new concept and this is why the current study seeks to establish use of bancassurance by insurance companies, through commercial banks, as a strategy of increasing insurance uptake.

The study will seek to establish how the insurance and banking sector networks, the consumers' habits, the use of information technology in marketing and the distribution channels affect the uptake of insurance products.

2.5 Conceptual framework

The study main variables were conceptualized and presented in Figure 2. The figure shows how dependent and independent variables related.

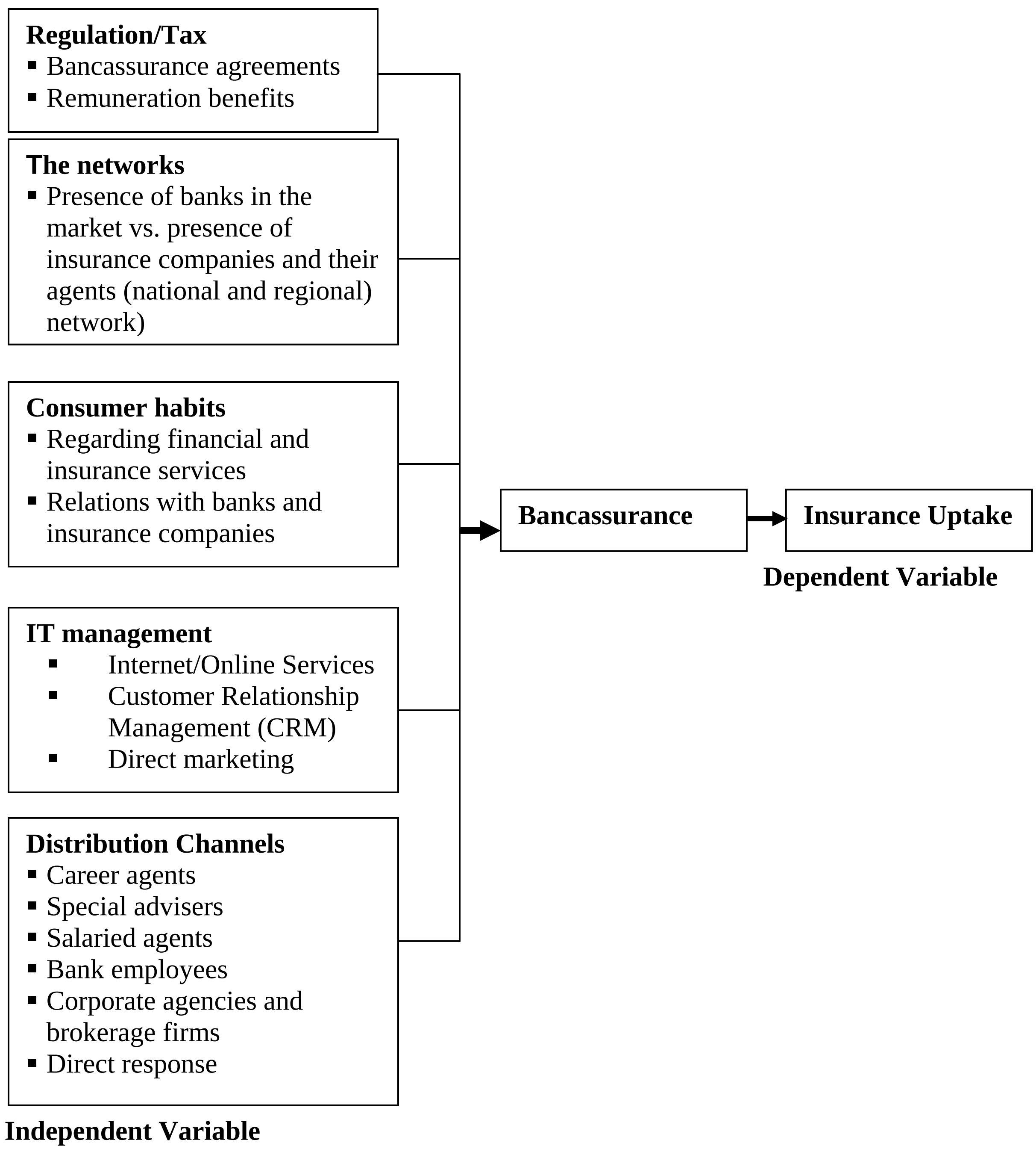


Figure 2: Study Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

While carrying out the study, the researcher employed case study method. Case study seeks to describe a unit in detail, in context and holistically (Orodho 2003). It is a way of organizing educational data and looking at the object to be studied as a whole. The design allow for an in-depth study of the organization single out and the findings are hoped to be generalized to other areas. This design was chosen because it involves investigation of a group. It enabled the researcher to get as more detail from a group within the limited time and financial resources available. It had the ability to answer as to why and how and what can be done to the situation involved. The Head Office and twelve branches of CBA were considered because of having full implementation of bancassurance and having introduced the concept in all its branches countrywide.

3.2 Population

The target population comprised Heads of Departments and Branch Managers in Commercial Bank of Africa in Nairobi. These employees were at senior management level which ensured that information is collected from staffs with enough knowledge and experience to effectively represent the bank. The senior executives were selected using a purposive sampling method. The study targeted all head of departments, senior managers and branch managers (census) in all the five selected branches. There is a total of 20 head of departments and senior managers and 12 branch managers.

3.3 Data Collection

An interview guide was used in this study to collect the survey data. The responses were on an ordinal scale.

3.4 Data Analysis

Data analysis in this study was done by using Statistical Package for Social Scientists (SPSS) to obtain descriptive statistics and inferential statistics. The data collected was recorded and coded before analysis of the same. This was be followed by a data clean up exercise to identify and rectify possible errors.

Data analysis involved organizing, compiling, comparing and evaluating different sets of data. Descriptive statistics were used to analyse the performance of various departments and branches in Commercial Bank of Africa since the introduction of bancassurance. Graphs, tables, and figures were adopted in presentation of the results of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The purpose of this study was to establish use of bancassurance as a strategy used by Commercial Bank of Africa Limited to increase uptake of insurance products in Kenya. This section reports the research analysis and presentations. The chapter includes the effects of bancassurance as a strategy on the uptake of insurance products and the influence of information technology and distribution channels adopted on the uptake of insurance products in Commercial Bank of Africa Limited. The study findings was based on (N=32) respondents comprising of the all head of departments, senior managers and branch managers.

4.1.1. Bancassurance and Diversification of Insurance Services

Data from the study shown in Table 4.1 shows that the strategies adopted by banks to help in diversifying of insurance services are; according to 81.3% of the respondents; the introduction of products that are custom made for the bank customers, 75% of the respondents agreed that bancassurance give banks a competitive advantage by acting as additional product and services from the common ones offered by the bank. It was further revealed that 68.8% of the respondents agreed that in order to ensure diversification of insurance services insurance companies create products that can only be sold through banks to banks customers while 53.1% felt that bancassurance has led to expansion of distribution channels especially online, where banks have an advantage over the insurance companies due to more advanced technology.

Table 4.1: Bancassurance and Diversification of Insurance Services

How Bancassurance Affects Insurance Services	*Frequency*	*Percentage*
Introduction of products that are custom made for the bank customers	26	81.3
Bancassurance gives banks competitive advantage by acting as additional product from common services such as loans savings and credit cards	24	75.0
Insurers have to create special products that can only be sold through banks and only to bank customers	22	68.8
Bancassurance has led to the expansion of distribution channels especially online where banks are more technologically enhanced than insurers	17	53.1

4.1.2 Bancassurance Influence on customer Base and Retention

The study sought to establish how bancassurance increases the bank's customer base and retention of existing customers. From the study findings, 78.1% stated that this is done by offering innovative products and efficient services, 71.9% believed that bancassurance gives the old and new customers a reason to join or remain in the bank through its one stop shop offering, 68.8% of the respondents agreed that bancassurance meets the needs of many customers thus retaining them; while 62.5% of the respondents agreed that bancassurance is a new concept which acts as an enhanced/additional product to suit the customers' needs and match what the developed world is offering as shown in Table 4.2

Table 4.2: Bancassurance Influence on customer Base and Retention

Influence	*Percentage*	*Frequency*
Banks attract and retain customers by offering innovative products and efficient services	25	78.1
It gives old and existing customers a need to remain in the bank	23	71.9
It meets the needs of many customers thus retaining them	22	68.8
Bancassurance is new offering for customers seeking one stop shop financial solution	20	62.5
Customers want to feel that the bank is enhancing its products to suit the customers growing needs and match developed world offerings	17	53.1

4.1.3 Bancassurance on Reduction of Reliance on Traditional Insurance Agents

Data shows that bancassurance has reduced reliance on the traditional agents. According to 62.5% of the respondents, this is because customers do not have to shoulder the work related to buying, renewing and claiming on policies because the bank deals with the entire process, further 81.3% of the customers feel that banks can be relied on by customers because of an established culture of trustworthiness and according to 65.6% of the respondents; they believe that banks have brought professionalism to the insurance agency business as shown in Table 4.3.

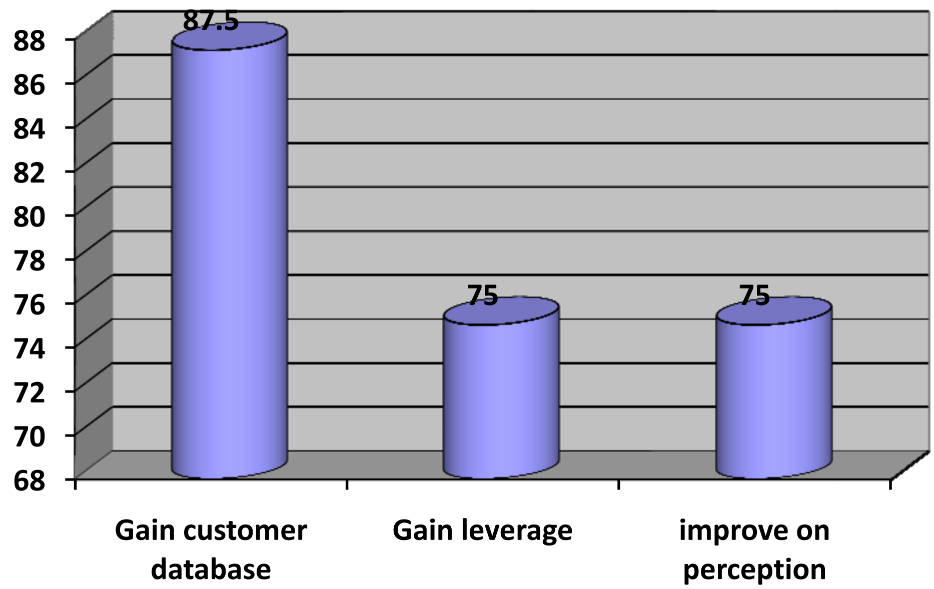
Table 4.3: Reducing Reliance on Traditional Insurance Agents

Bancassurance Traditional Insurance Agents Reduction Strategy	***Frequency***	***Percentage***
The customer can rely on banks because of its trustworthiness	26	81.3
Banks have brought professionalism to insurance agency	21	65.6
Bancassurance has created a trustworthy sales channel, this means that customer does not have to shoulder the work related to buying, renewing and claiming on policies as banks deals with this process on behalf of the customer		

4.1.4 How Bancassurance has Given Insurance Companies Competitive Edge

The study sought to find out how bancassurance has given the insurance companies a competitive edge in the local industry. According to 87.5% of the respondents, bancassurance has helped insurers gain access to bank database and thus increase their customer base through wider banks branch network, 75% of the respondents agree that insurance companies gain leverage from direct interaction with banks customers while 75% agree that they improve the products perception as shown in Figure 4.1.

Figure 4.1: How Bancassurance have Given Insurance Companies Competitive Edge



4.1.5 Marketing of Insurance Services and Penetration in the Country

The data on how bancassurance has helped in marketing insurance services and increasing penetration of insurance products in the country shows that 78.1% of the respondents are in agreement that it has increased sales of insurance products especially life insurance, and also it has ensured that bank loans are properly insured. According to 75% of the respondents, bancassurance has helped in enhancing awareness and increasing penetration by using the existing customer base. 71.9% of the respondents agreed that it has helped through co-branding with the insurance companies and according to 68.8%; by making some services compulsory such as motor, fire, mortgage protection and credit life policies. 68.8%agree that Bancassurance has increased penetration through aggressive marketing so as to earn commissions, however, 31.3% of the respondents believe that bancassurance has simplified insurance products and services to its clients and thus increasing market penetration as shown in Table 4.4.

Table 4.4: Bancassurance Effects on Marketing of Insurance Services and Penetration of Insurance in the Country

Help in Penetration	*Frequency*	*Percentage*
Increased sales of insurance services especially life insurance to bank customers	25	78.1
Ensuring that bank loans are properly insured	25	78.1
By using their existing customers base	24	75.0
By co-branding with insurance companies	23	71.9
By making some services compulsory such as motor, fire, mortgage protection and credit life policies	22	68.8
It has increased penetration because banks are aggressively selling services to earn commissions	22	68.8
By simplifying bank products and services to its clients	10	31.3

4.1.6 Distribution Channels Utilized by Bancassurance

Data shows that 59.4% of the respondents agreed that bancassurance utilizes internet and online banking, 56.3% agreed that it utilizes branch network and contract/direct agent selling equitably; while 50% of Bancassurers market through employees and relationship managers as illustrated in Table 4.5.

Table 4.5: The Banks Distribution Channels Utilized by Bancassurance

Channels	*Frequency*	*Percentage*
Internet and online banking	19	59.4
Branch network	18	56.3
Contract/direct agent selling	18	56.3
Employees, relationship managers	16	50.0

4.1.7 Remuneration Benefits by Banks and Insurance Companies under Bancassurance

The remuneration benefits offered by banks and insurance companies under bancassurance according to 71.9% of the respondents; is paying the employees bonuses when they exceed sales targets, 65.6% agreed that permanent employees who supervise agents and drive sales are paid salaries, 59.4% of the respondents agreed that bank employees enjoy benefits such as airtime allowance, medical insurance, pension schemes and travel allowance while 56.3% of them agreed that insurance companies operate in terms of retainer and commission as shown in Table 4.6.

Table 4.6: Remuneration Benefits by Banks and Insurance Companies under Bancassurance

Remuneration benefit	*Frequency*	*Percentage*
Pay employees bonuses when exceed sales targets	23	71.9
Permanent employees who earn salary are used to supervise agents and drive sales	21	65.6
Bank employees enjoys benefits such as airtime, medical cover, pension schemes and travel allowances	19	59.4
Most insurance companies operate on basis of retainer and commission	18	56.3

4.1.8 Features in Place to Attract Bancassurance Customers

Study sought to establish some of the distinctive features that the bank has put in place to attract bancassurance clients and from the collected data 62.5% of the respondents agreed that they have adequate branch network and they only partner with insurance companies which are reputable. Respectively, 56.3% of the respondents stated that they have cheaper premiums and have made their claims process easy and efficient. 53.1% of the respondents agreed that they have well trained staff and their service level agreements with partner insurance companies are good. Of the respondents, 43.8% agreed that they have innovative products in place while 40.6% indicated that they have simplified products and services and an easy application process as illustrated in Table 4.7.

Table 4.7: Features in Place to Attract Bancassurance Customers

Distinctive features	*Frequency*	*Percentage*
Adequate branch network	20	62.5
Partnership with reputable insurers	20	62.5
Cheaper premiums negotiated	18	56.3
Easy efficient claims process	18	56.3
Well trained staff	17	53.1
Service level agreements with partner insurance companies	17	53.1
Simplified/specific products and services	15	46.9
Innovative products	14	43.8
Easy application process	13	40.6

4.1.9 Continuous Training and Development in Relation to Bancassurance

Findings revealed that the bank ensures continuous training and development in relation to bancassurance through internal training as supported by 56.3% of the respondents. 53.1% of the respondents interviewed revealed that this is done through external bancassurance seminars and researching on the customers' needs before introducing products and services while 37.5% agreed that they train through staff training on products and services as shown in Table 4.9.

Table 4.9: Banks Continuous Training and Development in Relation to Bancassurance

Continuous training and development strategies	*Frequency*	*Percentage*
Bank employees are trained internally	18	56.3
External bancassurance seminars attendance	17	53.1
Researching on customers' needs before introducing a product	17	53.1
Staff training on products and services	12	37.5

4.1.10 Quality Customer Service by Value Addition

The study findings show that the bank ensures quality customer service by value addition through partnering with insurance companies that have a good reputation as supported by 59.4% of the respondents. The bank also ensures quality services by value addition through dealing with insurance on behalf of its clients instead of direct contact and long processes; while 43.8% of the respondents also agreed that the banks offer additional services such as clinics, free valuation for motors insurance, discounted rates and free insurance advice as shown in Table 4.10.

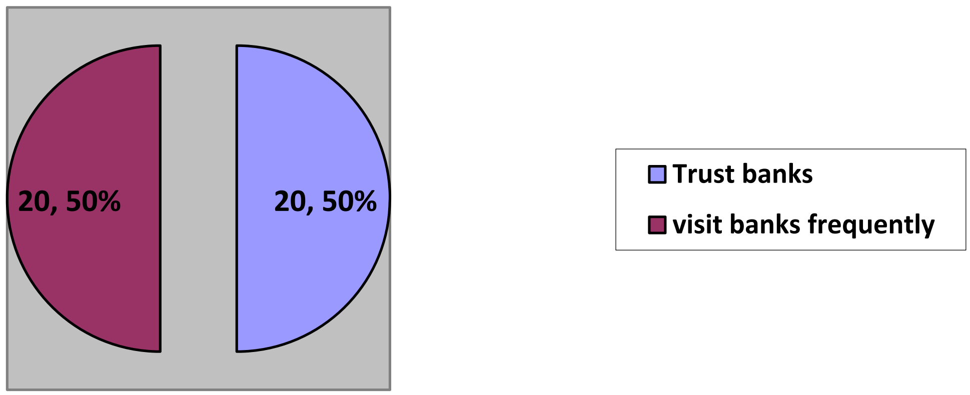
Table 4.10: Quality Customer Service by Value Addition

Ways of Ensuring **Quality Customer Service by Value Addition**	***Frequency***	***Percentage***
Partnering with insurance companies with good reputation	19	59.4
Banks deals with insurance on behalf of the customer	19	59.4
Additional services such as clinics and free valuations for motor insurance customers, discounted rates, free insurance advice	14	43.8

4.1.11 General help provided by Bancassurance in the Uptake of Insurance Services

The study further sought to find out how bancassurance has helped increase the uptake of insurance services and from the study n=20, 62.5% agreed that Kenyans generally trust banks and thus they increase the uptake of insurance products especially when being offered by banks unlike when it is being offered by insurance agents going to their work place or homes, n=20, 62.5% further agreed that customers visits banks frequently unlike the same agents.

Figure 4.2: General help provided by Bancassurance to Insurance Companies



4.1.12 Information Technology for Competitive Advantage

Findings revealed that information technology and distribution channels have helped the bank in distinguishing itself from competitors through mobile banking, telemarketing and branchless banking for customers as supported by 78.1% of the interviewed respondents, 56.3% agreed that it has enabled the bank to have a competitive edge by being in the forefront in implementing the new technology, while 53.1% agreed that competitive advantage has been occasioned by offering products online through technological support.

Table 4.11: Information Technology for Competitive Advantage

Use of information technology and distribution channels to distinguish itself from competitor	*Frequency*	*Percentage*
Mobile banking, online banking, telemarketing and branchless banking for customers	25	78.1
Competitive edge by being in the forefront in implementing new technology	18	56.3
Offering more products online supported by technology	17	53.1

4.1.13 Information Technology and Distribution Influence on bank Image

According to the study, 65.6% of the respondents agreed to the bank's use information technology and distribution channels to improve its image among customers by improving their service delivery and products efficiency while 56.3% felt that it has helped in maintaining brand quality and also enabled the bank to be more responsive to customer needs, create awareness on innovation and engage on day to day activities which has increased sales and communication respectively as shown in Table 4.12.

Table 4.12: Information Technology and Distribution Influence on bank Image

How information technology and distribution channels has helped banks improve its image	*Frequency*	*Percentage*
Improving service delivery and product efficiency	21	65.6
Information technology is important in maintaining brand quality	18	56.3
Information Technology has enabled the bank to become more responsive to customer needs, create awareness on innovation and engage in effective communication	18	56.3

4.1.14 Information Technology and Distribution Channels Influence on Existing and New Customers

The current study further sought to find out how information technology influences existing customers and helps in attracting new customers. 59.4% of the respondents agreed that information technology retains the existing customers through email, media and internet communication and transaction, 53.1% agreed that information technology and communication channels is used to communicate new undertakings in the bank, 40.6% agreed that it helps the bank create cross selling opportunities while 56.3% of the respondents were in agreement that information technology and distribution channels help attract new customers move to a bank where there are better services and products as shown Table 4.13.

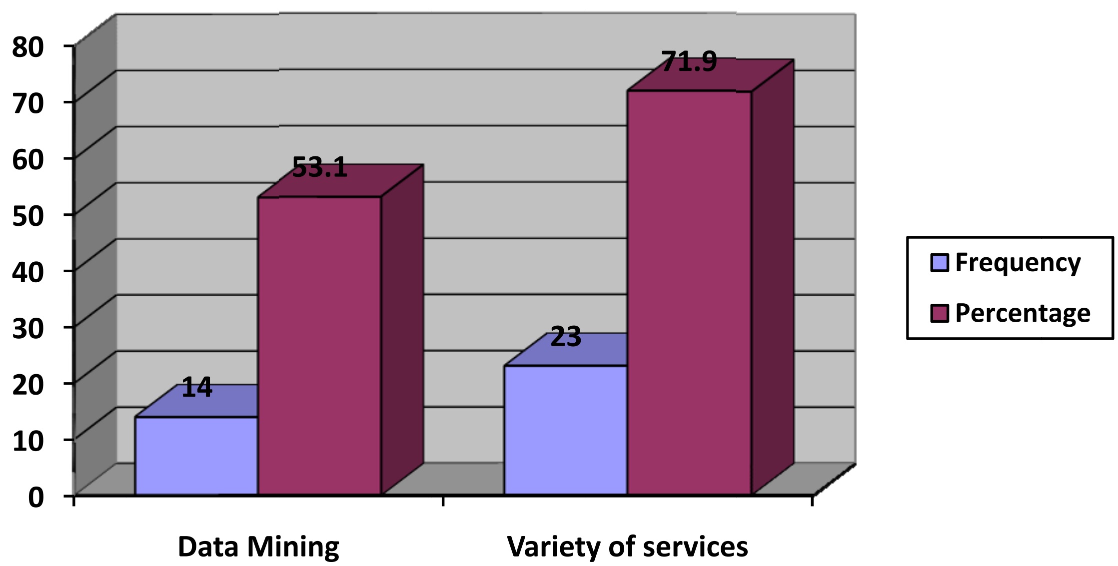
Table 4.13: Information Technology and Distribution Channels Influence on Existing and New Customers

How Information Technology and Distribution Channels help in retaining existing and attracting new customers	*Frequency*	*Percentage*
IT keeps existing customers connected to the bank through email, media and internet	19	59.4
Information technology is used to communicate new undertakings in the bank	17	53.1
Helps in cross selling opportunities in the bank	13	40.6
Information Technology and Distribution Channels help in attracting new customers who move to a bank which has better services and products	18	56.3

4.1.15 Information Technology and Distribution Channels influence on increasing sales

In effort to establish how information technology and distribution channels help in creating sales from existing customers (n=14, 53.1%) of the respondents agreed that it helps since data mining and customer relation management are highly dependent on information technology; while (n=23, 71.9%) of the respondents agreed that the more channels you have the more you create opportunities to meet customers' needs and thus increasing on their consumption as shown in Figure 4.3.

Figure 4.3: Information Technology and Distribution Channels influence on increasing sales



CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Overview

This study looked bancassurance as a strategy used by Commercial Bank of Africa Limited to increase uptake of insurance products in Kenya. The entire study was structured into five chapters. Chapter one which constitutes the introduction to the study contains the background information, problem statement with relevant research questions, objectives and significance of the study. Chapter two of the study reviewed relevant literature involving the examination of key concepts like bancassurance, insurance uptake, distribution channels and banks offering insurance services. Chapter three deals with the methodology of the study and contains the research design, sampling techniques, data collection methods, design and administration of research instruments, and data analysis procedures. Chapter four provided the findings of the study. The data collected from the primary and secondary sources was presented and analyzed in the chapter according to the objectives of the study. This chapter will discuss the study findings presented in chapter four, in relation to the study findings by other researchers and available published material.

5.2 Discussion of Findings

According to study done by Krueger (2004) it was revealed that the strategy of bancassurance has been highly successful in Europe, especially France and Spain. France is stated to be most successful in bancassurance wherein as much as 70 % of the insurance products were sold through the banking channel alone followed by Spain where more than 59 % of the insurance products were being sold through the banks. In countries such as Belgium and Italy, though the bancassurance concept has been in prevalence for some years, it seemed to pick up only since the late 1990s. As opposed to the above, in the UK and the Netherlands the concept of bancassurance is stated to be relatively less popular although banks sell insurance products.

In Kenya, although the system of universal banking is predominant, bancassurance does not seem to have taken big strides and thus the need for this study.

Bancassurance is still new in the country and within the banks which have adopted it such as Commercial Bank of Africa; 81.3% of the interviewed respondents agreed that the introduction of products that are custom made for the bank customers increases insurance services uptake, 75% of the respondents agreed that bancassurance give banks a competitive advantage by providing additional products and services over and above the common ones offered by all banks. It was further revealed that 68.8% of the respondents agreed that in order to ensure diversification of insurance services insurance companies need to create products that can only be sold through banks to bank customers while 53.1% felt that bancassurance has led to expansion of distribution channels especially online; where banks have an advantage over the insurance companies.

Data from study shows that bancassurance increases customers base of insurance companies and helps retain existing ones by giving innovative products and services as supported by 78.1% of the respondents. 71.9% of those interviewed believed that bancassurance gives the old and new customers a reason to join or remain in the bank through its one stop shop offering, 68.8% of the respondents agreed that bancassurance meets the various needs of many customers thus retaining them while 62.5% of the respondents agreed that bancassurance is a new offering which provides additional products to suit the customers' needs and match what the developed world is offering as was shown in Table 4.2.

Buckley (2005) findings argues that given the same number of client cases, the bank channel is deemed able to convert 25% into actual business against only 10% for the insurance agent. Similarly, a study by the consulting firm Tillinghast estimates the bank productivity advantage at four times that of the agent. A study by Accenture indicates that the bancassurers' cost advantage translates into an internal rate of return of 8.3% over the cost of funds against 7.0% for traditional insurers. This findings supports the current study findings where it was revealed that that bancassurance has reduced reliance on the traditional agents due to the fact customers do not have to shoulder the work related to buying, renewing and claiming on policies because in bancassurance the bank deals with everything as supported by 62.5% of the respondents. Further 81.3% of respondents feel that banks can be relied on by customers because of trustworthiness and according to 65.6% of them; banks have brought professionalism to insurance agency as shown in Table 4.3

It was revealed from the study that bancassurance has given the insurance companies a competitive edge in the local industry, according to 87.5% of the respondents, bancassurance has helped the insurers gain access to bank database and thus increase their customers through access to wider bank's branch network, 75% of the respondents agree that insurance company gains leverage by interacting directly with bank customers while 75% of them agree that Bancassurance improves the products' perception as shown in Figure 4.1. These results are supported by Knight (2006) findings where it was revealed that that bancassurance has combined insurance companies' competitive edge in the "production" of insurance products with banks' edge in their distribution, through their vast retail networks.

Knight (2005) findings showed the foremost advantage of bancassurance for insurers being that they will have the direct access to the large customer base, at relatively faster rate and at the lowest cost. Banks' prior knowledge about the customers and their financial standing and other background is a gold mine for the insurers not only to tap the market but also would help to device the products that suits customers the most. In fact studies in Europe have proved that bancassurance strategy had saved the cost to insurers to a greater extent. In one of the study by Swiss Re, it was observed that for the insurers, Bancassurance has resulted in cost saving to the tune of 21.2 per cent and the expected revenue gain of 4.4 per cent (Sigma No 7, 2002). McKinsey in one of its studies, also estimated a boost of 20 to 25 per cent increase in the life insurance business if it's routed through banking network in US.

In Commercial Bank of Africa, the findings echo Knight's findings by agreeing that bancassurance has helped in marketing insurance services and increasing penetration of insurance products in the country. In this study, 78.1% of the respondents are in agreement that it has increased sales of insurance especially life insurance, and also it has ensured that bank loans are properly insured. According to 75% of those interviewed, bancassurance has helped increase marketing and penetration by using the existing customer's base, 71.9% of them agreed that it has helped through co-branding with the insurance companies and according to 68.8% by making some services compulsory such as motor, fire, mortgage protection and credit life policies. At the same time, 68.8% of the respondents agree that it has increased penetration through aggressive marketing so as to earn commission. In addition, 31.3% of the respondents believe that bancassurance has simplified insurance products and services to its clients and thus increasing marketing and penetration as shown in Table 4.4. The bank, through utilization of technology increases insurance service uptake where study data shows that 59.4% of the respondents agreed that bancassurance utilizes internet and online banking modules, 56.3% agreed that it utilizes branch network and contract/direct agent selling respectively while 50% of the respondents agreed that the bank markets through employees and relationship managers as illustrated in Table 4.5.

The bancassurers have remuneration benefits to employees where 71.9% of the respondents agreed that the employees get bonuses when they exceed sales targets, 65.6% of them agree that permanent employees who supervise agents and drive sales are paid salaries, 59.4% of them agree that bank employees enjoy benefits like airtime allowance, medical covers, pension schemes and travel allowances while 56.3% of them agreed that insurance companies remunerate in terms of retainer and commission as shown in Table 4.6. Past studies agree with above findings. Olson (2004) findings are in agreement with above findings where he pointed out that besides diversifying their activity and optimizing the choice of products, bancassurers have contributed sizably to the banks' earnings in

European countries especially when there was tremendous pressure on the banks' net interest margin due to stiff competition in the banking industry. Moreover, as the banking system in most of the European countries has reached a state of saturation with the traditional banking activities; Bancassurance has helped them a great deal to diversify their activities and also lent a helping hand to the banks to retain their customers' loyalty. It also equally helped the insurance companies to spread out their market network at a relatively shorter time, effort and above all, with lower cost.

There are distinctive features that banks have put in place to attract bancassurance clients according to the data collected. Of those interviewed, 62.5% of the respondents agreed that they have adequate branch network and they only partner with insurance companies which are reputable, 56.3% of the respondents stated that they have cheaper premiums and have made their claims easy and efficient. At the same time, 53.1% agreed that they have well trained staff and their service level agreements with partner insurance companies are good, some of the respondents, 43.8%, agreed that they have innovative products in place while 40.6% stated that Bancassurers have simplified products, services and application process as illustrated in Table 4.7. The bank also ensures continuous training through internal training as supported by 56.3% of the respondents, 53.1% of the managers interviewed revealed that training is done through external bancassurance seminars and researching on the customers' needs before introducing products and services while 37.5% agreed that they have staff training programs on products and services.

The study findings shows that the banks ensures quality customers services by value addition through partnering with insurance companies that have a good reputation as supported by 59.4% of the respondents. The banks also ensure quality services by value addition through dealing with insurance matters on behalf of its clients instead of direct contact and long process; while 43.8% of the respondents also agreed that the banks offer additional services such as clinics, free valuation for motors insurance, discounted rates and free insurance advice as shown in Table 4.10. But generally bancassurance has helped increase the uptake of insurance services, 62.5% agreed that Kenyans generally trust banks and thus they increase the uptake on insurance services especially when being offered by banks unlike when it is being offered by agents going to their work place or homes while 62.5% of the respondents further agreed that customers visits banks frequently unlike the same agents.

Krueger (2004) argues that the success or otherwise of any new business, product or service depends on how quickly and widely it reaches out to the customers or potential customers. This holds true even for insurance products, the insurance companies can reach out the entire country at a greater speed with less cost through bancassurance. These findings of Krueger support the fact that information technology and distribution channels can increase insurance services uptake and from the study findings it was shown that information technology and distribution channels have helped the bank in distinguishing itself from competitors through mobile banking, telemarketing and branchless banking for customers as supported by 78.1% of the interviewed respondents. Furthermore 56.3% of them agreed that it has enabled the bank to competitive edge by being in forefront in implementing the new technology while 53.1% agreed that it is through offering products online via technological support. According to the study 65.6% of the respondents agreed that the bank uses information technology and distribution channels to improve its image among customers by improving their service delivery and products efficiency while 56.3% felt that it has helped in maintaining high brand quality. Information technology has enabled banks to be more responsive to customer needs, create awareness on innovation and engage them on day to day activities which have increased sales as shown in Table 4.12.

The current study further sought to find out how information technology influences the retention of existing and attraction of new customers. Of those interviewed, 59.4% of the respondents agreed that information technology retains the existing customers through email, media and internet interaction, 53.1% agreed that information technology and communication channels are used to communicate new undertakings in the bank, 40.6% agreed that it helps the bank create cross selling opportunities while 56.3% of the respondents were in agreement that information technology and distribution channels help attract new customers who move to a bank which has better services and products as shown Table 4.13. In effort to establish how information technology and distribution channels help in creating sales from existing customers, 53.1% of the respondents agreed that it helps since data mining and customer relation management are highly dependent on information technology while 71.9% of the respondents agreed that the more channels you have, the more you create opportunities to meet customers’ needs and thus increasing on their consumption of your products as shown in Figure 4.3.

5.3 Conclusion

This study was based on Commercial Bank of Africa Limited and from its findings; bancassurance has helped in the diversification of insurance services mainly through the introduction of products that are custom made for the banks customers. Insurers have to create special products that can only be sold through banks and only to bank customers. The expansion of distribution channels especially online where banks are more technologically enhanced than insurers has also proved to be essential in increasing insurance penetration. Bancassurance has also increased the banks customers' base. This has been done by retaining the existing customers through offering innovative products and efficient services. The bank also attracts new customers by delivering bancassurance services which is a new offering for customers who are seeking the "one stop" financial experience. Customers want to feel that the bank is enhancing its products to suit the customers growing needs and to match developed world offerings and thus their needs are met without looking them elsewhere.

Bancassurance has reduced reliance on traditional insurance agents since over the years customers have had bad experiences in the hands of insurance agents and have preferred going to the insurers directly. This means that the customer had to shoulder the work related to buying, renewing and claiming on policies. With the introduction of bancassurance, the customer gets a reprieve as now the banks agency can take over this work. The customer in essence gets an "agent" that he can rely on and is trustworthy by insuring through the bank. It has also given the insurance companies a competitive edge in the local industry by creating working relationships with reputable banks which lend their credibility to the insurance products and use their wide branch network and distribution channels to market the products. Insurance companies also gain access to the banks databases and target the banks customers in their sales drives.

Bancassurance has also helped in marketing of insurance services and its penetration in the country since banks are aggressively selling insurance to their customers in a bid to increase commissions and fees earned through this business. Banks have also made some insurance products compulsory for their customers, such as Motor, Fire, Mortgage Protection and Credit Life policies. Banks are also making use of their existing channels such as branch network employees, relationship managers, online/internet platforms and direct sales/contract staff to sell insurance products. Usually, these are the same staff used to sell the bank's personal banking products to the banks customers.

Bancassurance remuneration benefits to its agents and employees study shows that salaries are paid to employees and they also get bonuses whenever they exceed the sales targets. Bank employees also enjoy other benefits such as airtime allowance, medical cover, insurance, pension schemes and travel allowance. Insurance companies pay their agents using a retainer and overrides model. The distinctive features in place to attract bancassurance customers are; adequate branch network, well trained staff, partnerships with reputable insurers, innovative products and service level agreements with partner insurance companies

The bank ensures continuous training and development in relation to bancassurance by ensuring that it has put in place continuous training program that is put together by the insurance and banking managers. This ensures that employees on both sides of the Bancassurance agreement are aware of the products and are able to sell them effectively. The bank ensures that there are product mangers in charge of training staff in the branch network. On the insurance side, the underwriters have to be keenly aware of all the special/binder agreements in place while the claims department has to deal with the banks clientele strictly according to the partnership agreements. It also ensures quality customer service by value addition through car clinics and free valuations for motor insurance customers, discounted rates for all customers, free insurance advice and of course one stop shop services in the banking halls.

Generally bancassurance has helped in increasing insurance uptake in the bank by creating awareness and increase insurance sales especially among the banking public. Kenyans tend to trust banks more than they do insurance customers and therefore are more open to buying insurance services from banks. This is the reason why IRA allowed banks to venture into bancassurance.

Information technology and distribution channels helped the bank distinguish itself from its competitors through enabling mobile, online banking, e-marketing, telemarketing and branchless banking for the bank’s customers. It has also improved its image because information technology has enabled the bank to become more responsive to customer needs, create awareness on innovation and engage customers in the day to day issues affecting their banking life. It also enables retention of existing customers because use of IT and other distribution channels which help the bank to keep connected to the existing customers through constant communication on telephone, email, and media and on the internet. The customers feel that they are valued and this helps to maintain their loyalty. Information technology further attracts new customers because IT and other distribution channels are important in tapping new customers who require better products, service and efficiency in order to move from their current bank. Bancassurance products are an important attraction for new customers and it can also increase sales among existing clients through cross selling products and basically ensuring that each customer has all the products that the bank can offer (share of wallet) including bancassurance. All marketing and distribution channels are used to ensure success.

5.4 Recommendations

In recent times many banks and insurance companies have come to the realization of the importance of bancassurance as a strategy of increasing insurance services uptake in the country. In order to reap the full benefits of bancassurance, the study recommends the following:

Bancassurance as a strategy of increasing insurance companies' services and products should not be limited to the customers visiting the banks and its branches but the banks should diversity to capture the wider market such as people who are not in their existing customer's database.

Although technology has been able to reach wider market within short period and less costs there is also need for the banks and insurance companies not to depend entirely on information technology distribution and marketing channels since majority of the Kenyans live in remote areas where technology has not taken root. There is still therefore need for banks and insurance companies to maintain the traditional sales tools that can reach the rural markets.

5.5 Recommendations for Further Research

Arising from the study findings, the researcher recommends the following areas for further study:

i) To research on bancassurance as a strategy of increasing insurance services uptake in other banks in Kenya

ii) To examine impact of bancassurance on the performance of insurance companies in Kenya

iii) To find out the effects of bancassurance on the performance of insurance brokerage firms in Kenya

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APPENDICES

Appendix I: Interview Guide for CBA Ltd Management

Topic:

Bancassurance as a strategy used by Commercial Bank of Africa Limited to Increase Uptake of Insurance Products in Kenya.

This interview is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this interview guide.

Instructions

- ✓ Please kindly respond to all items in these interview guide
- ✓ Do not need to write your name in this interview guide

1. How does bancassurance help in diversification of insurance services?

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2. How does bancassurance increase customers' base and retention?

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3. According to you how has bancassurance helped in reducing reliance on traditional insurance agents?

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4. Has bancassurance helped the insurance companies meet the international competition? If yes how has it helped?

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5. How has bancassurance helped in marketing of insurance services?

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6. Give explanation of the distributions channels that banks offering bancassurance products make use of

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7. What are the remuneration benefits offered by banks and insurance companies under bancassurance? Describe the benefits to the agents and employees

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8. What are some of the distinctive features that organization ensures to attract customers?

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9. How does the bank ensure continuous training and development relation to bancassurance?

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10. How does the bank ensure quality customer service by value addition?

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11. In general how has bancassurance helped in increasing insurance uptake in the bank?

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11. How has information technology and distribution channels helped the bank in;

Distinguishing itself from competitors,

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Improving its image among customers,

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Keeping its existing customers,

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Attracting new customers

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Creating additional sales among existing customers

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