

# Making Bancassurance Work in Saudi Arabia

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## Key Points *about bancassurance for KSA*

- Strong economic fundamentals
- Growing affluent population
- Greater preference for Shariah compliant solutions
- Several bancassurance ventures already in place
- Very little savings culture, but changing
- High debt culture, this calls for protection
- Low insurance penetration, but improving trend
- A good mix of international and local players, evolving market of best international practices, innovation and talent development.

## Bancassurance Alliances in Saudi Arabia

### Bank Insurance affiliate / Subsidiary

Alinma Bank *	Alinma Tokio Marine
Arab National Bank	AIG
NCB	Al-Ahli Takaful
Al Rajhi Bank *	Al Rajhi Cooperative Insurance
Riyad Bank *	Al Alamiya Cooperative Insurance
Saudi British Bank *	SABB Takaful
Banque Saudi Fransi	Allianz Saudi Fransi
Saudi Hollandi Bank *	Wataniya Cooperative Insurance
Bank Al Jazira	Al Jazira Takaful Taawuni

\* Owns insurance agency

Source: Standard & Poor's, Zawya

## Human Development Index

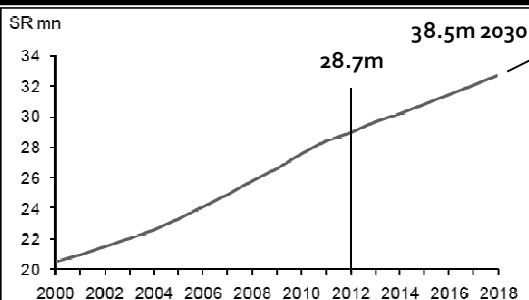
Ranking amongst 186 countries: Source UNDP

KSA has consistently improved over the last 10 years

Human Development Ranking: VERY HIGH = 1 to 47 HIGH = 48 to 94 MEDIUM = 95 to 141 LOW = 142 to 186

Middle East	2002	2007	2012	Africa	2002	2007	2012
Saudi Arabia	77	61	57	Egypt	120	112	112
Oman	74	58	84	Libya	58	56	64
Qatar	47	35	36	Algeria	108	104	93
Kuwait	44	33	54	Tunisia	92	91	94
Bahrain	40	41	48	Morocco	125	126	130
UAE	49	39	41				
Asia				Others			
Jordan	90	86	100	USA	8	12	3
China	94	81	101	Japan	9	8	10
India	127	128	136	Germany	19	22	5
Indonesia	111	107	121	UK	12	16	26
Malaysia	59	63	64	Russia	57	67	55
				Turkey	88	84	90

The **Human Development Index (HDI)** is the normalized measure of life expectancy, literacy, education, standard of living, and GDP per Capita. It is a standard means of measuring well-being, especially child welfare. It is used to determine and indicate whether a country is a developed, developing or is underdeveloped. It is also used to measure the impact of economic policies on quality of life.



Source: IMF, NDC Research

## Favourable Demographics

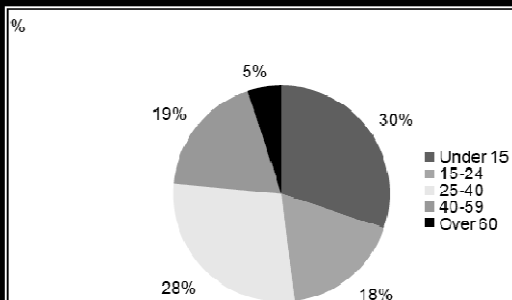
KSA population growth:

2.1% CAGR 2011-2015E

... twice the global average growth (1.2%)

Improving life expectancy:

74.1 years in 2012 from 68.1 in 1989.



Source: UN, NDC Research

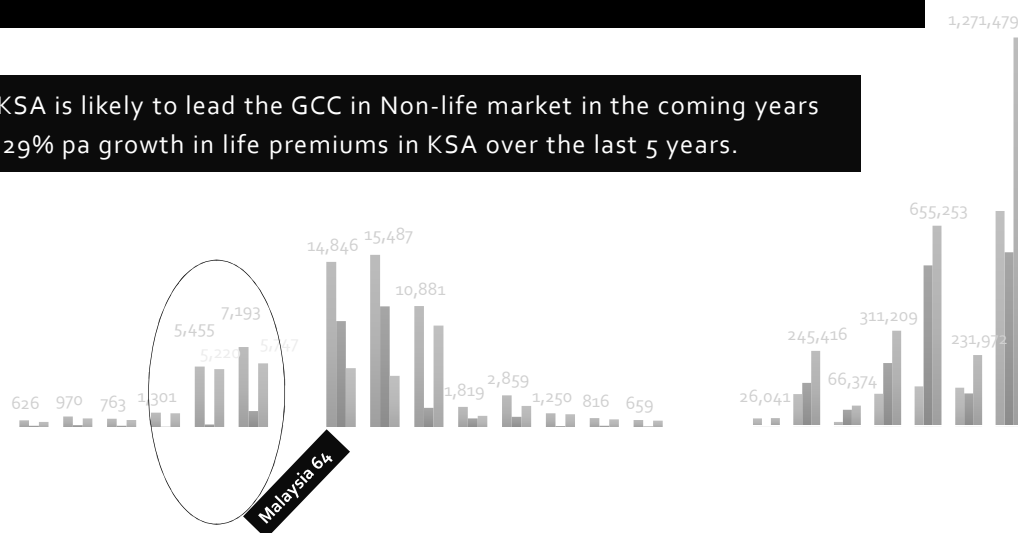
## 48% of people under the age of 24

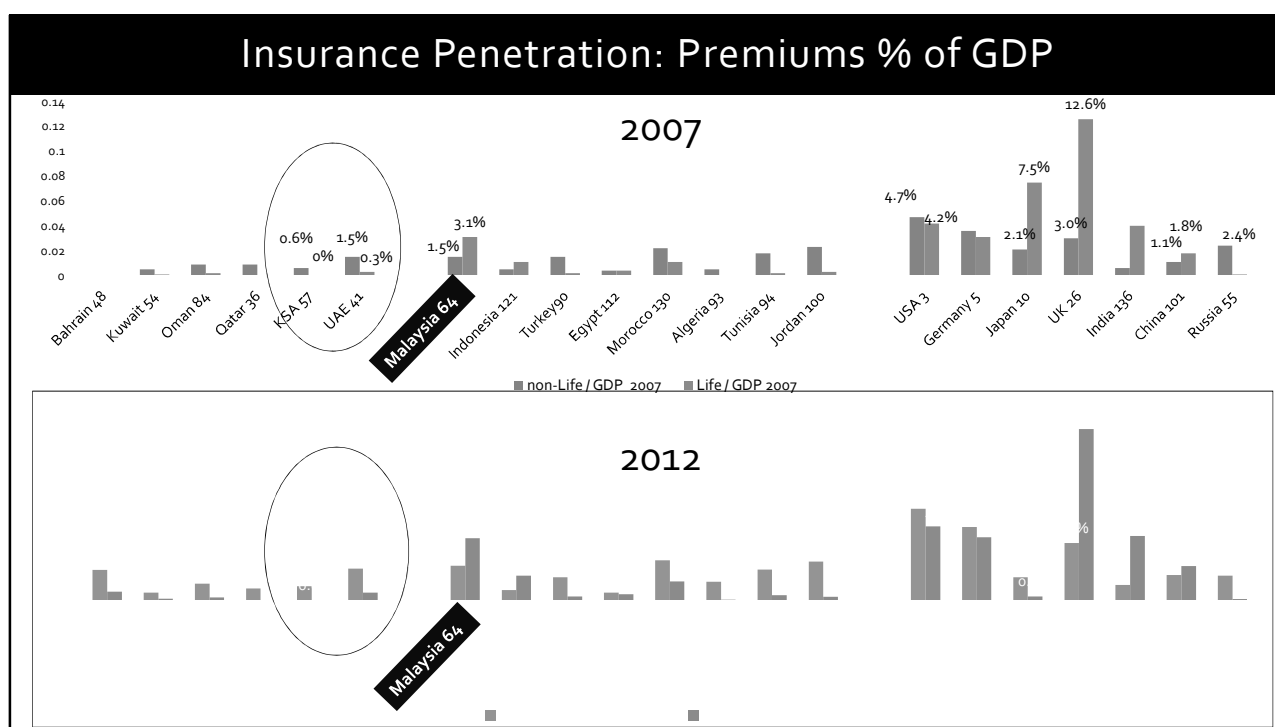
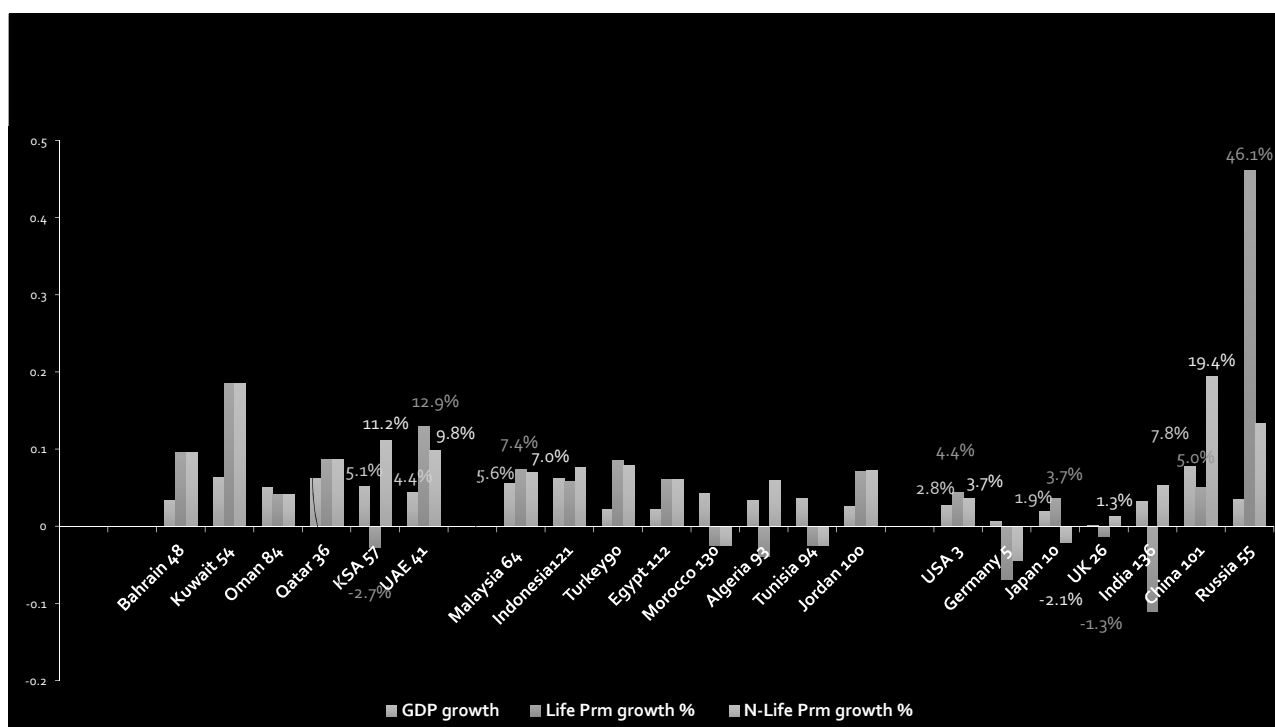
Growing insurance demand over the next 10 years

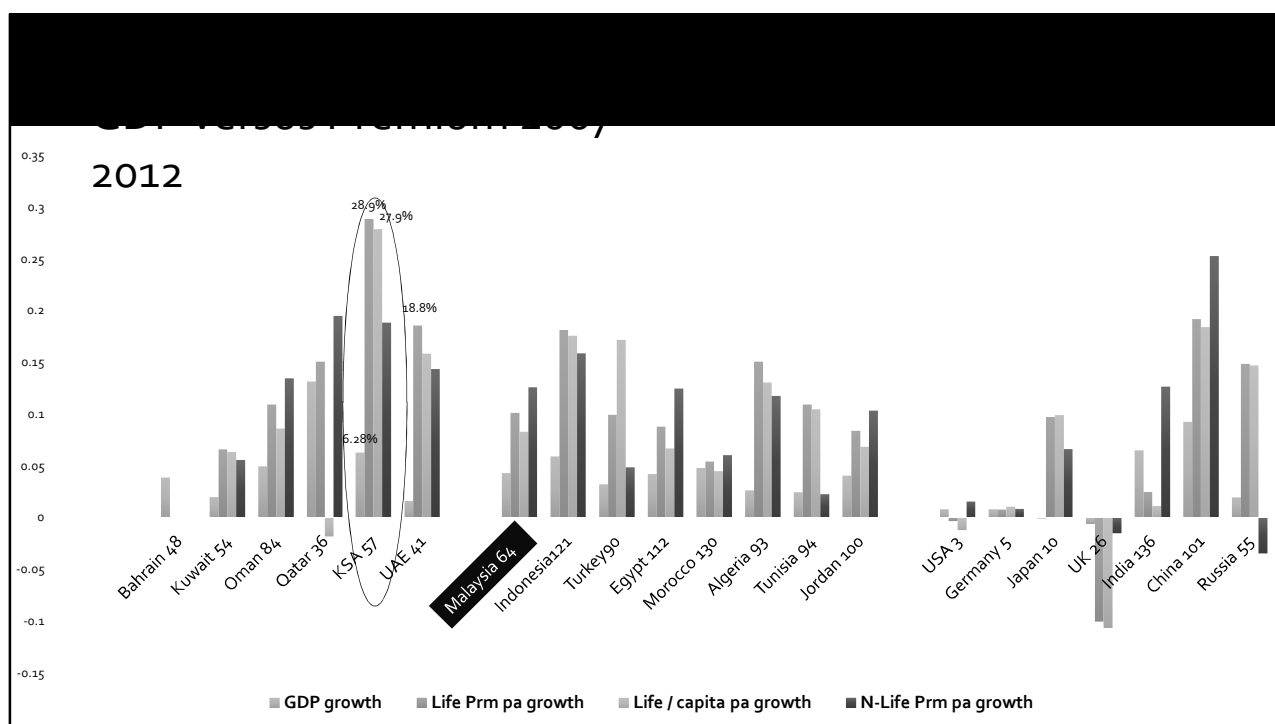
- More entering labour market
- Greater affluence
- Growing middle income segment
- Strong economic fundamentals
- Drive for infrastructure development

## Insurance Premiums, 2012

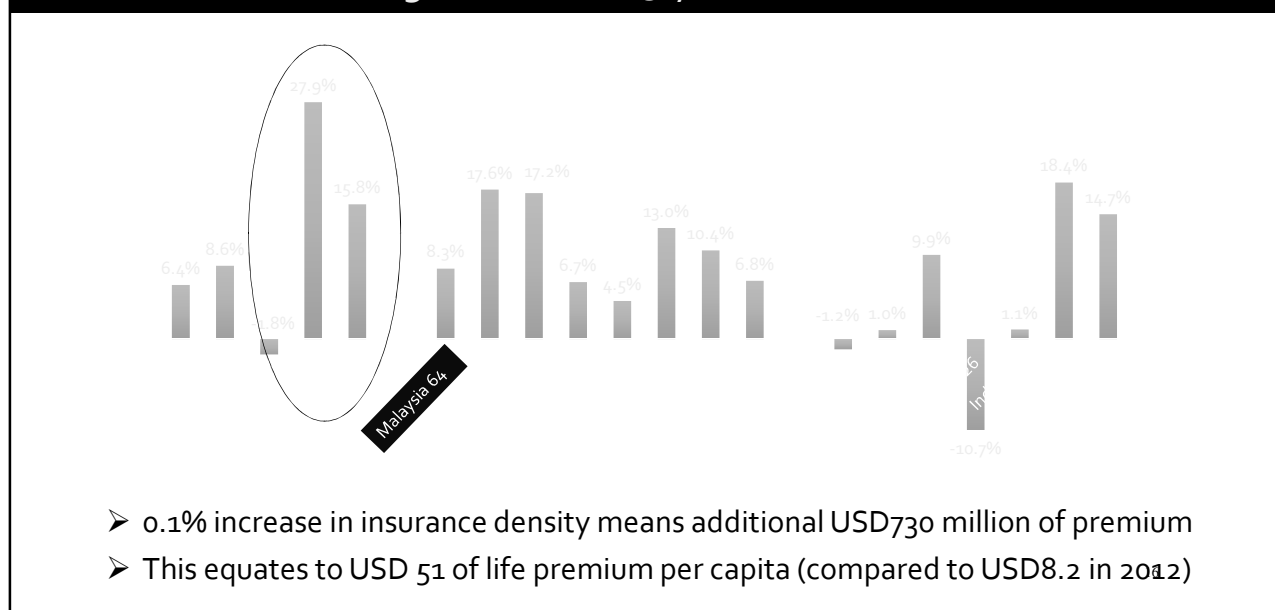
- KSA is likely to lead the GCC in Non-life market in the coming years
- 29% pa growth in life premiums in KSA over the last 5 years.







### Insurance Density: Life premiums per capita Annualised growth over 5 years to 2012



## KSA regulations on Bancassurance

*Bancassurance allowed  
only through Insurance  
Agency approved by  
SAMA*

- Agency staff must have minimum qualification of Insurance Foundation Certificate Exams
- Staff selling or marketing bank products must not sell insurance product
- Insurance products not to be bundled with bank products
- Staff involved in selling insurance products must be properly and regularly trained
- Emphasis on compliance, and in honest, transparent and fair dealing with customers
- Emphasis on cash collection policies and controls

## Favourable demographics

- Dependency ratio reduced from 72.5% in 2000 to 49% in 2012
- Labour force participation rate: male 74.1%, female 17.7%
- Employment to population ratio 59.7%
- Median age 26 years (2010)

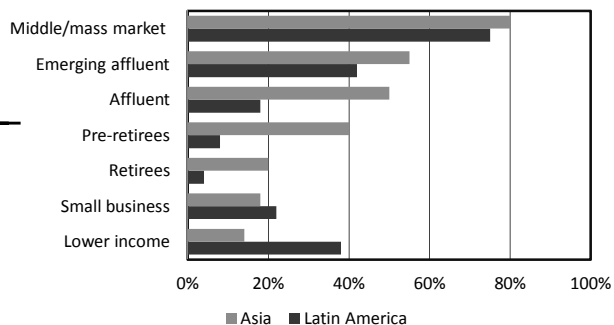
KSA, 2013,  
author's view



## Typical bancassurance customer segmentation

Asia and Latin America

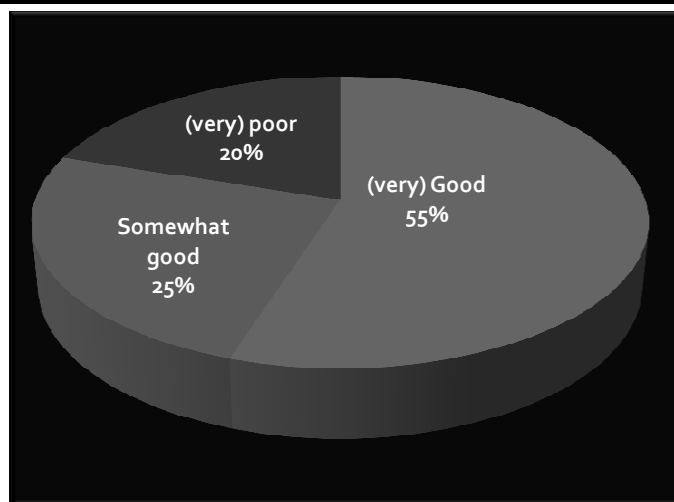
**Bancassurance client segmentation**



Source: Human Development Report 2013

Source: Bancassurance around the world, LIMRA, 2007

## Knowledge about Shariah Compliant Products



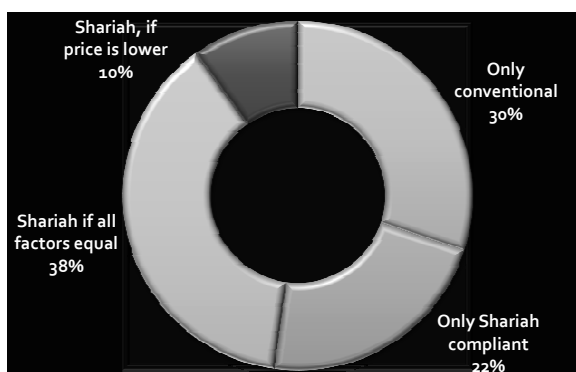
- 55% of sample of people surveyed had sound knowledge of Shariah compliant banking products
- All things being equal, there is high uptake generally of Shariah compliant products when given the option of Shariah compliant solutions

*Source: Market Research involving Saudi nationals*

## Strong demand for Shariah compliant banking services in KSA

*Source: Market Research involving Saudi nationals*

### SHARIAH COMPLIANT AFFINITY Saudi Nationals Only



- 70% prefer Shariah compliant products
- For 22% of the 70%, Shariah compliance matters regardless of price, conditions, etc
- Nevertheless, competitiveness matters when compared to conventional products

## Bancassurance - a Win Win for all ... if we do things in the right way

### Bank

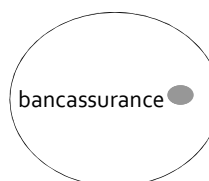
- Fee Income (risk free)
- Better Customer Loyalty via holistic solutions
- Competitive advantage
- Gets ROC if shareholder in insurance JV

### Insurer

- Access to different customer segments
- Lower cost per unit of sale
- Better business persistency
- Synergies with bank on fund management

### Customer

- One stop shop, ease of buying
- Better Value Products matching life cycle needs
- Relationship build up
- Family as well as individual needs served

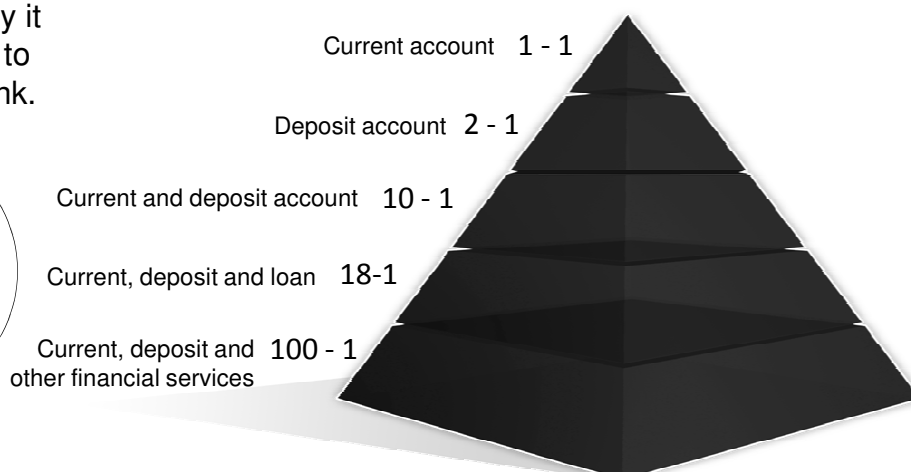


## 'Once your Customer, always your Customer'

The more products a customer buys from a bank, the more likely it is for that customer to remain with that bank.

The chances for bank to lose customers to competition decreases.

### The chance of losing to competition



Source: M. Pezzulo of the American Bankers Association



## Scoring Multiple Hits Per Customer

Various permutations:

Cross selling protection products to bank customers

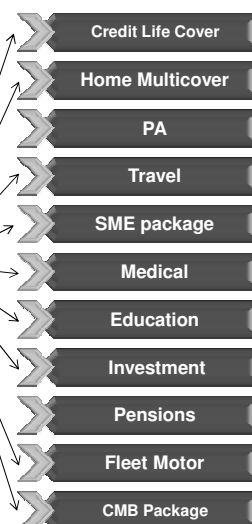
Up selling bank products to customers of the insurance company



### Bank Products



### Protection Products



## BANCASSURANCE ENABLES WHOLESOME APPROACH TO CUSTOMERS

*.....to cover and protect their financial needs and assets*

### Usually starting with .....

Traditional ways of distributing products and services

- Not much customer segmentation
- one size fits all

Penetration with simple products:

- Basic deposits
- Mutual funds
- Loans
- Mortgages

### Moving to .....

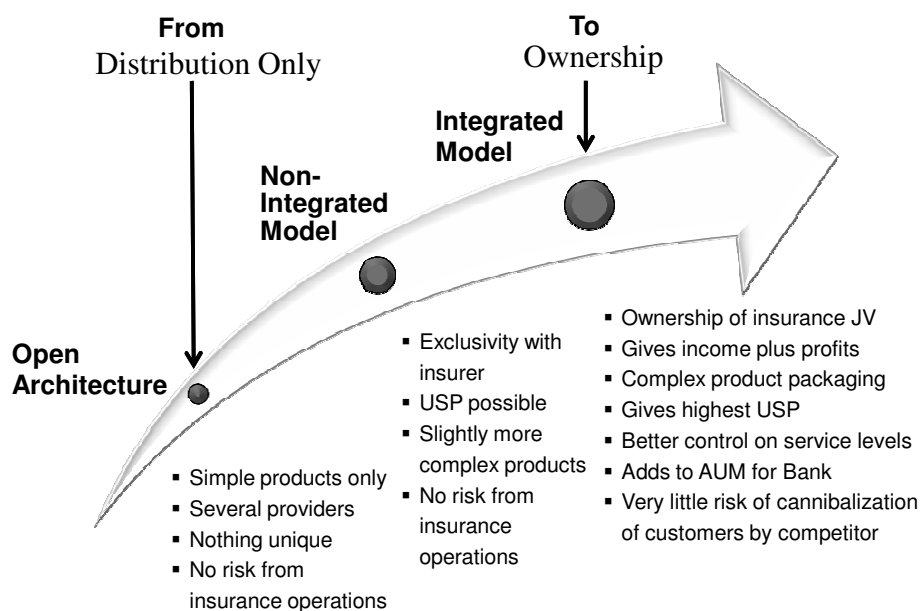
Distributing by customer segmentation

- Differentiated segments
- Tailor made offerings

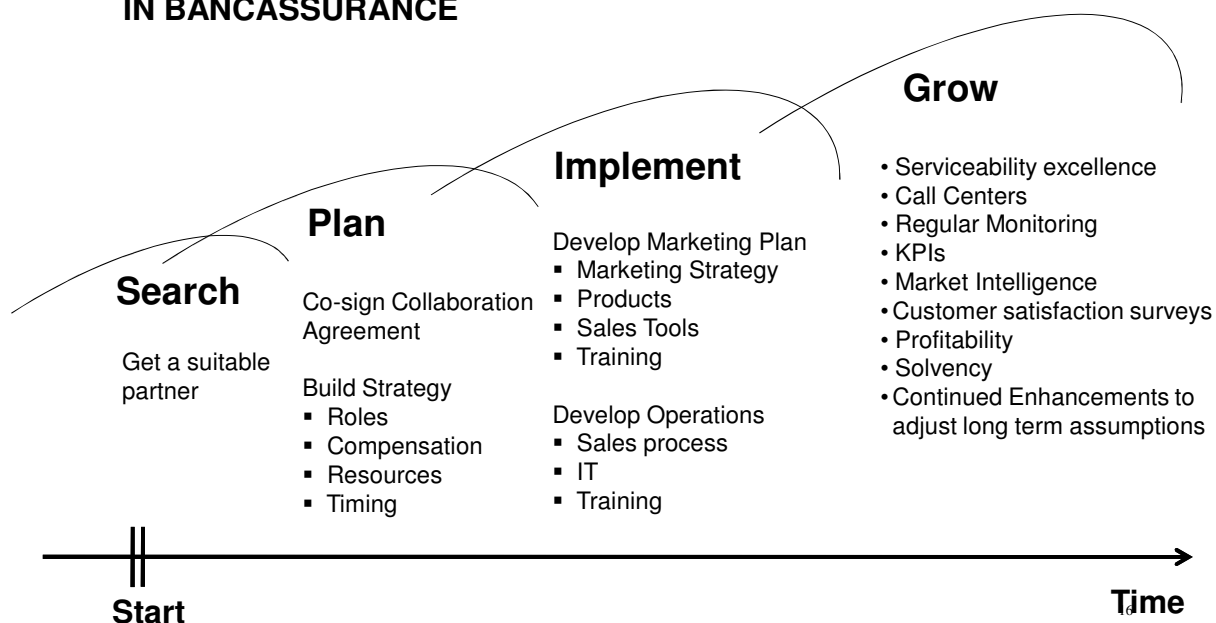
Deeper penetration with enhanced products

- Long term savings
- Education plans
- Retirement plans
- Affinity products
- SME Package

## Bancassurance Models



## FOUR STEPS TO SUCCESS IN BANCASSURANCE



## Final Remarks

- KSA is most promising growth market for Islamic Finance and Insurance.
- Islamic banking is growing steadily.
- It has a growing affluent middle class .
- There is strong preference for Shariah compliant retail products.
- Several banks have tie-ups with insurance companies.
- These tie-ups are proving to be good growth levers.
- But more needs to be done in product delivery, scope and service.

# Thank You

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