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### Developing Life Insurance Distribution Channel through Banking (Bancassurance) at Sun Life Vietnam Insurance Company Limited

<sup>1</sup>Nguyen Nu Quynh Trang, <sup>2</sup>Tran Ngoc Ha  
<sup>1,2</sup>University of Labor and Social Affairs, Hanoi, Vietnam

Corresponding Author: Nguyen Nu Quynh Trang

#### Abstract

Currently, developing life insurance distribution channels through banks is a common trend in insurance businesses in the country and around the world. Bank distribution channels play an increasingly important role in the distribution channel system of insurance businesses. In this article, the author collected data from secondary sources and collected primary data using the survey method. At the same time, the authors used document research methods, statistical analysis methods, synthesis, comparison, and

contrast of collected data; From there, systematized the theoretical basis and current situation of the distribution channel of life insurance products through banks of Sun Life Vietnam Insurance Company Limited. Based on the research results, the authors propose several recommendations to develop life insurance product distribution channels through banks of life insurance enterprises.

**Keywords:** Life Insurance Product Distribution Channel, Bancassurance, Sun Life Vietnam Insurance Company Limited

#### 1. Introduction

Currently, in addition to the traditional distribution channel of life insurance agents, life insurance products are increasingly sold through combined distribution networks such as banks, post offices, etc. Distribution of life insurance products through banks ("Bancassurance") is the sale of life insurance products by banks. This is considered an effective and growing channel. "Bancassurance" is an important distribution channel for life insurance businesses, considered a 3-win solution for banks, insurance businesses, and bank customers (Doan Minh Phung & Hoang Manh Cu, 2011) <sup>[1]</sup>. Sun Life Vietnam Insurance Company Limited was established and operates under License No. 68GP/KDBH issued by the Ministry of Finance on January 24, 2013. Up to now, after more than 10 years of presence in the Vietnamese life insurance market, Sun Life Vietnam has been distributing the company's insurance products through a diverse distribution channel system nationwide. Starting in 2019, Sun Life Vietnam has successfully signed a cooperation agreement to exclusively distribute life insurance products through the Bancassurance channel with Tien Phong Commercial Joint Stock Bank (TPBank) and Asia Commercial Joint Stock Bank (ACB). The above cooperation model helps combine the product strengths as well as the financial capacity of Sun Life and its partners; and brings flexible financial solutions, suitable to customers' needs on the journey to building a stable and bright future. The performance results of Sun Life Vietnam Company's life insurance product distribution channel through banks have also affirmed the important role and contribution of this distribution channel in the system of insurance distribution channels. In this article, the authors used secondary data sources and primary data to analyze and evaluate the current status of life insurance product distribution channels through banks of Sun Life Vietnam Company. From there, the authors propose some solutions to develop life insurance product distribution channels through banks.

#### 2. Theoretical Basis

##### Bancassurance

For life insurance businesses, product distribution is especially important; has a direct impact on revenue, profits, and development of insurance businesses. According to Doan Minh Phung & Hoang Manh Cu (2011) <sup>[1]</sup>, the distribution channel is the path and method of bringing insurance products from insurance companies to customers. Each insurance business must focus on the distribution and distribution channels of insurance products to create its competitive advantage. Exploiting specialized distribution channels for each customer segment plays an important role in the amount of life insurance products

sold. In fact, in Vietnam as well as many countries around the world, many different life insurance product distribution channels have been formed and experienced, each channel has its advantages and disadvantages. In general, it can be summarized into three main types: Direct distribution, indirect distribution, and distribution through banks (Doan Minh Phung & Hoang Manh Cu, 2011) <sup>[1]</sup>. In particular, bank distribution is the sale of life insurance products by banks.

Bancassurance is a French term used to refer to a bank selling insurance products to bank customers, through a distribution system established by the bank and using the bank's database (Doan Minh Phung & Hoang Manh Cu, 2011) <sup>[1]</sup>. Swiss Re - the second largest Swiss Reinsurance Company in the world has given the following definition of Bancassurance: "Bancassurance is a strategy of banks and insurance companies; to exploit in a more or less integrated manner the financial services market". This is a concept from the perspective of researching business strategies that banks or insurance businesses use to develop their operations in the financial services market. This definition highlights the interconnectedness of financial services, as well as the distribution of products. Bancassurance is a strategy used by banks and insurance companies to enhance their operations in the financial market in a manner that consolidates services to some extent. Although it is the same cooperative relationship between banks and insurance businesses, banca is understood as a form of insurance product distribution with many differences. Up to now, there are many different understandings of bancassurance depending on the application model and development stages. In this research, Bancassurance is understood as the joint efforts of banks and insurance businesses to provide insurance products to bank customers through distribution forms established by the bank.

#### **Benefits of bancassurance**

Bancassurance is considered a 3-win solution for banks, insurance businesses, and bank customers. For banks, bancassurance helps increase revenue, profits, and other financial benefits; maximize operational efficiency; increase employee productivity; increase efficiency in using operating branches; increase customer loyalty; diversify and expand product portfolio; attract new customers; Minimize risks and promote brands. For insurance businesses, bancassurance is a distribution intermediary; that helps insurance businesses reduce product distribution costs, expand business scope, gain new customers, diversify distribution channels, increase business efficiency, diversify products, and strengthen brands and reputation. Thereby contributing to increasing revenue, expanding markets, increasing the competitiveness of businesses, and creating and strengthening the reputation of life insurance businesses. For insurance customers, the distribution channel through banks helps them save costs, increase the benefits of products, and customers are insured twice (the bank is the "reputable guarantor" for insurance companies), increasing trust and satisfying customer needs. The bancassurance cooperation model supports customers in terms of reduced product prices, diverse quality products, timely supply, and on-site service.

### **3. Methods**

In this article, the author uses secondary and primary data collection methods. Secondary sources include previous

publications and research works related to life insurance and bancassurance product distribution channels; the annual report of Sun Life Vietnam Insurance Company Limited; Report on the Vietnam insurance market by the Vietnam Insurance Supervision Department and Vietnam Insurance Association. Primary data was collected by the author using the survey method to collect customers' opinions on the service quality of the life insurance distribution channel through banks of Sun Life Vietnam Insurance Company Limited. The research sample is customers in Hanoi, using the convenience sampling method, the total number of valid votes collected is 220 votes. From the collected secondary and primary data, the author uses methods of analysis, synthesis, statistical comparison and systematic approach to analyze and evaluate the current status of the distribution channel of bank life insurance products of Sun Life Vietnam Insurance Company Limited. Based on the research results, the author has proposed some recommendations to develop life insurance distribution channels through banks.

## **4. Results and Discussion**

### **4.1 Bancassurance channel performance results of Sun Life Vietnam Company**

Starting in 2019, Sun Life Vietnam Company successfully signed a cooperation agreement to exclusively distribute life insurance products through the Bancassurance channel with Tien Phong Commercial Joint Stock Bank (TPBank) and Asia Commercial Joint Stock Bank (ACB). This cooperation model helps combine the product strengths as well as financial capacity of Sun Life and its partners; and brings flexible financial solutions, suitable to customers' needs on the journey to building a stable and bright future. Specifically: In November 2019, Sun Life Vietnam and Tien Phong Bank signed an exclusive cooperation agreement to distribute life insurance products for a period of 15 years in Vietnam. Through TPBank's network of branches and transaction offices nationwide, Sun Life Vietnam will provide comprehensive insurance solutions to 2.5 million TPBank customers. In November 2020, Sun Life Vietnam and Asia Commercial Joint Stock Bank announced the signing of an exclusive cooperation agreement to distribute life insurance products for a period of 15 years in Vietnam. The value of this signed deal is up to 370 million USD, or more than 8,500 billion VND. Officially implemented from January 1, 2021, this agreement will combine ACB's extensive distribution network with 371 branches in 48 provinces; with comprehensive, competitive life insurance solutions and optimal customer service quality from Sun Life Vietnam; providing more than 3.6 million ACB customers with advanced, comprehensive life insurance solutions that meet diverse needs according to each stage of their lives.

Sun life insurance products at ACB currently include: Sun Life savings insurance products distributed through ACB are "Sun - New Life", and "Sun - Quintessential Life". In addition to savings insurance products, ACB also distributes Sun Life health insurance products. The health insurance product "Sun - Sustainable Living" is distributed at all ACB branches/transaction offices. Accident insurance "Sun - Companion", customers can participate in accident insurance with online, fast, and convenient procedures on the ACB ONE application. ACB Sun Life investment insurance "Sun - Bright Living". Besides products like ACB, at TPBank customers can also participate in insurance

product packages with increased protection, which are financial protection solutions of Sun Life Vietnam; that helps ensure a safe financial reserve for the family when a serious disaster happens to the breadwinner. The Bancassurance channel at both TBBank and ACB normally follows an insurance exploitation process including 3 steps:

**Step 1:** Introduce insurance products. At banks, customers will be advised by staff about the insurance solutions they distribute. Bank staff will introduce the features, benefits, and terms of each insurance product. Depending on personal needs and conditions, customers choose the appropriate insurance product.

**Step 2:** Complete insurance purchasing procedures for customers. After choosing an insurance product, customers create an insurance request file. Bank staff will assist customers in filling out the Insurance Request Form themselves. Information declared in the Insurance Request Document must be truthful and accurate. If there are no problems regarding age or health, the customer signs to confirm the requested documents. After that, customers pay the initial insurance premium. If you are in the occupational group or have a disease that is not covered by insurance, the

customer will be denied insurance. In addition, customers will be assigned a health examination for assessment in some cases. Specifically for customers with medical history or advanced age or large insurance amounts. Initial examination costs will be covered by the insurance company. In case the customer is eligible but does not participate, the initial examination fee will be refunded. Customers are insured immediately after submitting the request and successfully paying the initial premium. Insurance benefits will be paid when the participant unfortunately dies due to an accident.

**Step 3:** Sign the Sun Life Insurance Contract at the bank. As soon as you are eligible to participate, the Insurance Contract will be issued. After receiving it, customers will be instructed to sign and confirm the Insurance Contract. Participants are officially insured after signing the Insurance Contract. Even though the Insurance Contract is official, customers still have 21 more days to consider. During this time, if customers refuse to participate, contact the bank for instructions. Customers will receive a refund of insurance premiums after deducting medical examination costs (if any).

**Table 1:** Bancassurance channel performance results of Sun Life Vietnam Insurance Company Limited

Contents	2020	2021	2022
Number of new mining contracts	18,836	80,117	86,432
Number of contracts canceled during the consideration period	-	3,247	38,113
Contract cancellation rate (%)	-	4.05	44.1
New mining fee revenue through the Bancassurance channel (billion VND)	122	1,908	2,206
New mining fee revenue (Billion VND)	638	2,320	3,378
Proportion of new mining fee revenue through bancassurance channel/new mining fee revenue (%)	19.1	82.3	65.3
Insurance premium revenue through the Bancassurance channel (billion VND)	342	2,038	3,180
Fee revenue growth rate (%)	-	496	56
Total insurance premium revenue (billion VND)	1,307	3,332	5,173
Proportion of insurance premium revenue through bancassurance channel / total insurance premium revenue (%)	26.2	61.2	61.5

**Source:** Sun Life Vietnam Insurance Company Limited

It can be seen that Sun Life Vietnam Company caught up with the development trend of Bancassurance very quickly. If, in the period 2018 - 2019, the proportion of exploitation through individual agent channels accounts for over 50% and only partner channels are added; During the period 2020 - 2022, when Sun Life cooperated with TPB and ACB, the proportion of insurance premium revenue through Bancassurance channel increased to more than 60%. According to the 2021 audited financial statements and reported data of the Company, total insurance premium revenue through the Bancassurance channel reached VND 2,038 billion, equivalent to 61.2% of total premium revenue; new mining revenue through the Bancassurance channel reached 1,908 billion VND, equivalent to 82.27% of new mining fee revenue. Of which: Total insurance premium revenue through ACB reached 1,249 billion VND (accounting for 61.26%) and total insurance premium revenue through TPB reached 789 billion VND (accounting for 38.74%). In 2021, the Company issued 80,117 new insurance contracts through the Bancassurance channel; Of which, 3,247 insurance contracts were canceled during the consideration period (corresponding to a rate of 4.05%); The rate of cancellation and termination of insurance contracts after the consideration period (first year) of contracts issued through TPB is 73%, and through ACB is 39%.

#### 4.2 Survey results of bancassurance service quality of Sun Life Vietnam Company

Survey results on the quality of distribution channel services through banks also show that the attitudes of insurance staff in charge at the bank as well as the attitudes of bank employees are rated relatively good at over 70%. The attitude of the insurance officer in charge at the bank as well as the attitude of the bank staff is rated relatively good at over 70%. However, there is still a part of bank employees who insist that they must buy insurance to disburse money. If you want a loan with hassle-free procedures and good interest rates, the borrower needs to buy an additional insurance policy - even if you don't need it. There are still cases where customers have to reluctantly buy life insurance through banking channels if they want to access the bank's main services. Regarding bank employees' knowledge about insurance, only 90/220 people made good choices (accounting for 41%). This stems from the reason that many bank employees still do not understand the terms and conditions of insurance products deployed at the bank and the nature of insurance in general; from there, they get incorrect advice leading to a misleading understanding of insurance. When banks link up with insurance companies, they receive commissions and prepaid fees ranging from trillions to tens of thousands of billions of dong with

revenue constraints (typically, TPB and ACB exclusively distribute products of Sun Life and make huge profits); Insurance sales have become a key way to make money for banks from non-credit services, so promoting sales to employees is a common policy of both banks. With pressure on sales targets, therefore, a good product is invisibly misleadingly reaching users. Some bank employees also suggest that customers continue to participate in insurance to complete the procedures quickly. After some time, canceling the contract will not affect the loans. Because of these suggestions from a part of bank employees, the

number of canceled insurance contracts in the first year at ACB and TPB was very high as analyzed previously; greatly affecting Sun Life's profits. Judging by the number of diverse products, the good selection rate is 46%; because the bank distribution model between Sun Life and two banks, ACB and TPB, is exclusive distribution, currently the two banks mainly sell the company's existing products. In the coming time, Sun Life needs to research and develop its products suitable to each bank's business characteristics so that it will be easier to reach customers.

**Table 2:** Results of Bancassurance service quality survey

Contents/Level of assessment	Good		Not good	
	Quantity	Percentage (%)	Quantity	Percentage (%)
Attitude of the insurance officer in charge at the bank	163	74	57	26
Attitude of bank staff when introducing products	172	78	48	22
Bank staff's understanding of insurance products	90	41	130	59
Diverse number of insurance products	101	46	119	54
Quality of after-sales service	132	60	88	40

**Source:** Authors calculated from survey data

### 4.3 Discussion

From the research results, it can be seen that the distribution channel of life insurance products through banks at Sun Life Vietnam Company has achieved remarkable results; outstanding growth in revenue through the Bancassurance channel is Sun Life's exclusive signing strategy with two banks, TPB and ACB. Besides the results achieved, the distribution of life insurance products through the banking channel of Sun Life Vietnam also has certain limitations as follows:

The company's processes and regulations do not have regulations on disciplinary action for individuals who are employees of organizational agents ACB and TPB. There are still some shortcomings in the implementation of the company's agency management processes and regulations. Accordingly, the company's agency disciplinary handling activities and agency service quality assessment still remain inadequate incomplete or inconsistent. The company has not yet coordinated and cross-checked between departments regarding full feedback and complaint information. Checking and verifying information to resolve complaints is not complete according to the company's procedures. Some insurance consultants ignore professional ethics, declare dishonest information, and even give vague advice to convert savings into buying life insurance. Some agents and bank employees have not properly followed the Company's regulations on supervising customers signing insurance request documents and related documents; In the process of serving and supporting customers, they have not complied with the Company's internal regulations. The Company has not had any measures to handle or remind individual insurance agents and bank employees who have not followed the procedures and coordination regulations between the Company and the bank, etc. Some bancassurance channel agents are not eligible to be trained or take the insurance agent certification exam (because the training officer entered the wrong score, the agent still operates at another insurance enterprise); but the company still issued an agent certificate. The Company has not had measures to monitor and handle agents to ensure that agents submit insurance contract handover receipts to the Company for insurance contracts that do not comply with regulations

on the handover of insurance contracts. Leading to delays in the Company's Welcome Call to customers; affecting the quality of services and insurance benefits of customers, and increasing the number of complaints about insurance sales activities through the bancassurance channel of insurance enterprises. There are still cases where insurance agents at banks and bank employees do not comply with regulations during the insurance sales process such as: Letting others sign on behalf of the insurance buyer; Sign on behalf of the insurance buyer on the insurance request file created through the SunSmart application; Sign on behalf of the insurance buyer on the insurance contract handover receipt... On the other hand, Bancassurance products are not diverse, there are no separate products designed for each bank.

### 5. Recommendations

From the results of research and discussion, the authors propose many recommendations to promote the development of distribution channels through banks, which are:

Firstly, it is necessary to coordinate more closely with banks by making the most of available customer databases combining information collected from outside; Using modern techniques to analyze customer needs and find suitable customers for Bancassurance; Insurance product design is associated with the trend of personalization of financial products and requires appropriate steps to digitally transform and digitalize Bancassurance activities, a new development trend. Bancassurance products need to be designed to be simple and easy to understand for customers. In addition, simple and easy-to-understand product design also helps bank employees easily introduce insurance products to customers and avoid causing misunderstandings with customers. It is necessary to organize customer seminars and actual surveys of customer needs to design the most suitable insurance products. Bancassurance products must also ensure novelty and pioneering; there are many outstanding advantages in terms of premiums, insurance conditions, and after-sales services. The new preferential policy can compete with the products of other insurance companies on the market.

Second, it is necessary to comply with the principles of insurance agency operations, regulations on commissions, agency management expenses, and information provision and security... Make quarterly and annual reports on the implementation of Bancassurance activities. At the same time, affiliated banks with insurance agency activities must strictly comply with the provisions of the law on insurance business and strengthen inspection and internal control of insurance agency activities throughout the system. Strictly handle violations and manipulation of customers such as requiring customers to buy insurance when granting credit to customers...

Third, banks need to build a Bancassurance product distribution strategy based on research and assessment of market trends. Classify customers to provide insurance services to suit customers' needs, strengths, and habits; create favorable conditions for customers to both access banking products and services and access insurance products.

Fourth, improve the quality of bank staff in the insurance field. Insurance businesses and banks need to organize training and refresher courses; to ensure that bank staff have the necessary knowledge, experience, and skills to sell the most suitable insurance products according to customer needs; at the same time, take corrective measures and promptly handle violations.

Fifth, increase the application of information technology. Applying information technology to operations will reduce labor costs, operating management costs, and transaction costs, and make monitoring activities easier and more effective; contributes to improving the quality of customer service, thereby indirectly enhancing the reputation of insurance companies and banks. It is necessary to build a system for issuing insurance policy numbers and opening compensation documents automatically, a system for approving insurance policies and approving compensation documents according to hierarchy; the system checks and tracks insurance applications issued daily through bank credit officers who directly issue applications. In addition, insurance businesses need to build a synchronous and reasonable information technology system to collect information in a timely, complete, and accurate manner, ensuring confidentiality and information security for the business.

Sixth, there needs to be comprehensive overall management regulations for a financial group with the convergence of two banking and insurance business segments. At the same time, it is necessary to consider additional regulations on insurance products distributed through the Bancassurance channel; Consider adding regulations that credit institutions are not allowed to request/force borrowers to buy insurance; Insurance fees cannot be included in the loan without the customer's approval... At the same time, additional regulations on information security, especially customers' private data, are added; regulations on the rights and obligations of bank employees in Bancassurance activities.

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