

New Market Research

EUROPEAN LIFE BANCASSURANCE REVIEW 2007



After the success of our annual reports on European Life Bancassurance and European Non-Life Bancassurance, this report is the fifth edition of Milliman European Life Bancassurance Review.

During that period Milliman has worked on various aspects of bancassurance for example M&A, structure of joint ventures, product development, strategy development and financial management with many banks and insurers involved in bancassurance.

In this period we have seen a significant evolution of the nature of bancassurance and we have included in this year's review an analysis of how bancassurance has changed over recent years and the factors driving these changes. The report also includes analyses of the largest European bancassurance markets.



Scope of the Report

Statements like “life insurance tax advantages are a key driver for bancassurance” or “bancassurers sell simple standardised products aimed at the mass market” are often heard but many of these statements are either becoming invalid as bancassurance evolves and develops or at minimum need refinement.

In this report Milliman challenges 7 commonly accepted views on bancassurance and shows that bancassurers' market positioning, product offering and sales approach have changed. Our analysis is supported by examples of leading bancassurers' strategy.

Milliman European Bancassurance Review also analyses the main developments in the largest European bancassurance markets in terms of regulatory changes, new entrants, mergers and acquisitions, new distribution trends and new product trends. The report covers France, Italy, Germany, the United Kingdom and Spain and provides an overview of bancassurance in Portugal, Belgium and Greece.

Prepared by Milliman's experienced European insurance consulting team, the report provides essential information on key features and trends in European life bancassurance.

Report Contents

Our report challenges 7 commonly accepted views about European life bancassurance regarding:

- The market environment
- Bancassurers' product offering
- Bancassurers' sales approach
- The development potential for assurbanking

The report also analyses the life bancassurance markets in France, Italy, Germany, the United- Kingdom and Spain. For each country, the report provides:

- Statistics on the life insurance market, the bancassurance channel and the largest bancassurers;
- Analysis of regulatory developments and their impact on bancassurance;
- Developments in the bancassurance market, including M&A, new entrants, new partnerships;
- Bancassurance product trends;
- Case studies of leading life bancassurers.

Key Findings

Bancassurance has adjusted to changes in the market environment and customer needs in recent years

- While bancassurers were able to successfully exploit life insurance tax advantages in the 90s, they have managed to maintain their dominant market position in the 2000s despite reforms making life insurance less attractive from a tax point of view in the major European bancassurance markets.
- Bancassurers have initially built on their large customer base to sell fairly standardised products. However, in order to keep developing their insurance business, bancassurers have had to develop more sophisticated products for their affluent and high net-worth customers.

- Investment and savings life insurance products make up the vast majority of bancassurers' premium income. However, leading bancassurers have been able to expand their business beyond investment and savings products and in particular to develop protection business.
- The vast majority of bancassurers in Europe still operate through business models implying a mono-provider model. Some multi-provider models exist but there does not seem to be a strong trend to their development, with the possible exception of the United-Kingdom.
- Historically, bancassurers have had a fairly standardised sales approach. However as they developed more targeted product offerings, bancassurers also developed more targeted sales approaches for their various customer segments.
- In Southern Europe, bancassurers used to provide limited advice to their customers. The situation is now starting to change, as a consequence of regulatory changes and changes in bancassurers' sales approach.
- Assurbanking generates significant interest in Europe and an increasing number of traditional insurers are starting to sell banking products. As for bancassurance, a variety of business models exist.

Country Reviews

- In France, bancassurers maintained their market share in 2006 in a fast growing market. Their success relied on their ability to exploit regulatory and tax changes, but also on their ability to innovate and seize new market opportunities.
- The market share of bancassurance fell slightly in Italy in a decreasing life insurance market. Some of the leading bancassurers saw sharp falls in their life insurance premium income. The Italian banking market is going through an intensive consolidation period and this is bound to impact bancassurance in the next years.
- In Germany, bancassurers benefited from the high level of sales of pensions products. Bancassurance remains the third distribution channel in the life insurance market but is likely to continue to develop and grow over the coming years.
- In the United Kingdom, bancassurers' market share remained stable in 2006 in a rapidly growing market. The depolarisation reform does not seem to have had a strong impact on bancassurance business models or to have been a strong driver for the growth of bancassurance so far.
- In Spain, bancassurance remains the dominant distribution channel in a fast growing market in 2006. Bancassurers further strengthened their position in the unit-linked market.
- In 2006, Portugal and Greece continued to attract interest from large European bancassurance players.

Cost

The price of the report is € 750 (excluding VAT).

Target Audience

Europe-wide, bancassurance is the most significant distribution channel for the life and pensions industry and is a growing channel for non-life insurance. Whether you are an active player in it, analyse it, compete with it, or simply want to understand its dynamics, this report is essential for you and your business.

To order the report or to obtain further details please contact your local Milliman consultant or:

Corinne Legrand
corinne.legrand@milliman.com
Tel : +41 (0)793 67 78 85

Valérie Loizillon
valerie.loizillon@milliman.com
Tel : +33 (1) 45 25 23 35

Recent Publications:

European Non- Life Bancassurance Review 2007 –
Published: March 2007 – Cost: € 750

Unit-Linked Product Trends and Opportunities in Europe, including a special feature on variable annuities –
Published: November 2006 – Cost: € 750

Life and Pensions Opportunities in Central and Eastern Europe–
Published: June 2006 – Cost: € 4,800

Market Profile: Individual Life and Pensions in Spain –
Published April 2006 – Cost: € 750

The Role of the Internet in the Independent Distribution of Life Insurance across Europe –
Published: December 2005 – Cost: € 790

* Note prices shown are exclusive of VAT

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| MADRID | MILAN | MUNICH | WARSAW | ZURICH |
|---------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|----------------------------------------------|-------------------------------------------------|
| Edificio Cuzco IV Po de la Castellana, 141, plta. 18/20, 28046 Madrid, Spain | Via Monte di Pietà 21 20121 Milan Italy | Maximilianstrasse 35a 80539 Munich Germany | ul. E. Plater 53 00-113 Warsaw Poland | Lavaterstrasse 65 8002 Zurich Switzerland |
| Tel:(+34 91 789 3470 Fax:(+34 91 789 3471 | Tel:(+39 02 8633 7214 Fax:(+39 02 8633 7400 | Tel:(+49 89 5908 2395 Fax:(+49 89 5908 1200 | Tel:(+48 22 528 6962 Fax:(+48 22 528 6701 | Tel:(+41 44 287 80 60 Fax:(+41 44 287 80 81 |
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