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BANCASSURANCE IN AFRICA: AVENUE FOR INSURANCE INCLUSION

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Abstract: *In the recent times, bancassurance has been effective in several advanced countries. Under this platform, banks and insurance companies partner together for mutual benefit. It is an arrangement that brings the insurance companies closer to the rural market through the strong network of the bank branches. Although extensive research has been carried out on bancassurance in the European markets, such activity is relatively limited and sluggish in Africa. This paper attempts to review the evolution of bancassurance so as to unravel the challenges responsible for its slow progress in Africa. The study finds that the challenges faced by the banks and the insurance company while implementing the bancassurance models in Africa generally include the restrictive controls imposed by public authorities based on the fear of abuses and lack of awareness and trust by customers,among others.Further, it notes that there are too many insurance intermediaries and numerous unregistered insurance brokers and agents.Consequently, the paper recommends some restructuring and reshaping of the distributive system of selling insurance in Africa.*

Keywords: Bancassurance; Insurance Inclusion; Africa; Nigeria

Introduction

Universally,the insurance and banking sectors have witnessed rapid changes over the years. Due to these changes, the stage for more intense competition and collaboration in the economic environment has been set. As a result of this liberalized and competitive setting, each of the sectors is on a quest to be ahead of others and consequently, the law of nature "survival of the fittest" comes into effect. This gave rise to a new form of a conglomerate where two big financial institutions come together and mobilize their strengths and resources to create a new platform for marketing and promoting their individual goods, products, and services. While the banking sector is known for its competitiveness, the insurance sector possesses a lot of potential for growth. The urge to harness these two competitive advantages gave rise to term called bancassurance.

The introduction of bancassurance is apposite as it is an important and relevant source of revenue. With the increase in competition and the instability of interest rates spread, profits are most likely to be under pressure. Fee-based income can be increased or boosted through the selling of risk products like insurance. Any well-developed or advanced insurance sector is a boon for infrastructural and economic development as it serves as a means for providing long term funds for infrastructure development and at the same time solidifying the risk-taking ability of the country. When put in the right light and implemented properly, bancassurance could lead to a win-win situation for all the participants involved (banks, insurers, and the customer). Micro insurance provides protection to low-income households. The packaging and distribution of micro insurance are done effectively and efficiently through the non-governmental organizations, micro agents, post offices, self-help groups, cooperative banks and regional rural banks. to sell their products (Devi, 2019).

Although bancassurance has shown great success in European countries like France and Asian countries, it is still a relatively new concept in Africa, and its implementation has been slow. In Nigeria, the level of insurance penetration is most sectors is very low. In spite of the importance of insurance inclusion to any nation's economy, insurance is still an untapped part of the Nigerian economy.

This study,therefore, attempts to review the evolution of bancassurance so as to unravel the challenges responsible for its slow progress in Africa and ascertaining how it can lead to insurance inclusion. Nigeria is employed as case study as one of the largest countries in the African continent that are yet to fully impplement bancassurance models.

The rest of the paper is arranged as follows:- Section 2 reviews the related literature.Section 3 highlights the origin, popularity and benefits of bancassurance. Section 4 dwells on the prospects for bancassurance in African countries.Section 5 discusses insurance inclusion and bancassurance in Nigeria. Section 6 presents the challenges militating against insurance inclusion in while Sction 7 concludes the paper.

2.Review of the related literature

2.1 Conceptual framework

2.1.2 Insurance

Given that there are no certainties or guarantees in life and that there is no guarantee that their business will not suffer an unexpected loss or damages,individuals and corporate organizations make arrangements that would protect their interests against all risks; in other words, they opt for some insurance

Insurance has been defined as a contract, which is called a policy, in which an individual or organisation receives financial protection and reimbursement of damages from the insurer or the insurance company. Basically,insurance refers to some form of protection from any possible financial losses.

The basic principle of insurance is that one will opt to spend small periodic amounts of money against a possibility of a huge unexpected loss. All the policyholders pool their risks together. In the event that they suffer any loss, that will be defrayed out of the premiums which they paid.Other principles of insurance include utmost good faith, insurable interest,indemnity, subrogation,contribution and proximate cause

Insurance companies provide reliability and protection.Other functions that they perform include pooling of risk, helping people to fulfil legal requirements and creating capital for themselves.

2.1.3 Bank

The term "bank" has been given some structural and functional definitions by different authors and economists from different angles. However,all those definitions point to the fact that a bank is a financial intermediary, an institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors' account through cheques.

A typical commercial bank has the following objectives:-

(i) To create an institution for maximizing profits and to conduct overall economic activities.

(ii)To collect savings or idle money from the public at a lower rate of interests and lend them to the public at a higher rate of interests.

(iii) To create the habit and tendency to save among the income earmers.

(iv) To motivate people to invest money in order to bring solvency in them .

(v)To create money against money as an alternative for enhancing supply of money.

(vi)To mobilize capital through savings.
(vii) To facilitate investments.
(viii)To render services to the customers.
(ix)To maintain economic stability through the control of money market.
(x)To co-operate with and advice the Government on economic issues.
(xi) To assist the Government in trade, business and socio-economic development.
For central banks,their additional functios are
(i) To issue and control notes and currency and
(ii) To maintain and control exchange rates.

2.1.4 Bancassurrance

Bancassurance is a compound word coined by putting together two words 'bank' and 'insurance'. This refers to the distribution of insurance products through the banking channel. Bancassurance is the marketing and distribution of retail insurance products and services to the commercial banks' clientele. Bancassurance is a simple and easy way for banks to distribute insurance products. Thus, many financial products and services are provided on the same platform (Benoist, 2002: Kumar, 2000: Davis, 2007). This concept which originated in France now constitutes the dominant model in a number of countries. For the banks, this model offers a great opportunity to expand their profitability levels by boosting fee-based income. For the banks, the income that is generated is purely risk-free since their role is to play the intermediary role and source the business to the insurance company (Saunders, 2004).

Chukwuma and Nebo(2019) report that there is a lack of consensus among scholars in the literature with regard to the meaning of bancassurance.Ayadi(2014) and Waweru(2014) note that many of the contributors to the growing discourse on the bancassurance concept are country – specific in their focus ;each of them describe bancassurance concept as is applicable to their home countries. Nevertheless,all of them refer to bancassurance as the delivery of banking and insurance pruducts under one roof.

The institutional models of bancassurance denote a complex process of buying or merging, which starts with simple contractual relations, continues with the products, and becomes the object of distribution in the system.Importantly, the term refers to the marketing of insurance products and services by using the large customer base of banks and satisfying the insurance and banking needs of customers at the same time. Bancassurance takes several forms, depending on the demography, legislative and economic climate of each country. The insurance products are determined by the country's demographic climate. The trends in terms of turnover and market shares are determined by the economic climate and the legislative climate decides the periphery within which bancassurance operates. The aims behind engaging in bancassurance by insurance companies, banks and customers also differ. For the banks, it serves as a means of product diversification and additional income. For the insurance companies, it acts as a tool for expanding their market penetration, while for customers, it helps in terms of reduced price and access to high-quality products.

Bancassurance has different models,viz

(i) Integrated model of bancassurance

This model operates in the form of a joint venture or a joint venture financial service group. In the joint venture, the bank partners with the insurance company to create a new insurance company which has an exclusive distribution arrangement with the bank. In the joint venture financial service group, the insurance company builds or buys a bank or a bank builds or buys insurance and ventures into bancassurance.

(ii) Non-integrated models

While implementing this model,banks set up networks of financial advisers authorized to sell regulated life insurance products. The products offered are similar to those sold through other channels. They usually operate as tied agents and sell exclusively the products manufactured by the bank's in-house life insurance company or its third party provider(s).

(iii) Open architecture model
Under this model, banks would possess non-exclusive distribution agreements with several companies. Non-exclusive distribution agreements appear to be the main vehicle for bancassurance for smaller banks, savings banks and building societies in most European countries. They sellect one or several insurance providers for different types of products.

2.1.5 Insurance inclusion

Insurance inclusion is a sub-division of financial inclusion. It refers to a process that guarantees the easy access, availability and practice of the formal insurance system by all active members of an economy. Insurance inclusion helps to improve the efficiency of the financial sector, especially in the provision of credit and grants to the private sector by relevant bodies. Insurance is one of the major economic stabilizers a country depends on in times of shocks that might arise at any time from financial crises or natural disasters (Jude, 2014). It is also a source of constant income for the economy and financial markets because it promotes large investment and lending with a long-term perspective. The reason is that insurance companies and firms are more future-oriented than any other company.

2.2 Theoretical framework

This work is anchored on the theories summerized below.

2.2.1 Modern portfolio theory

The modern portfolio theory was developed by Markowitz, (1952). Harry Markowitz drew attention to the common practice of portfolio diversification and demonstrated how an investor can minimize the standard deviation of their portfolio returns by sellecting the stocks which do not exactly correlate. The rule is that the investor ought not diversify his funds among all those securities which give maximum expected return (Markowitz, 1952). Markowitz later worked on the basic principles of portfolio construction that eventually led to the concept of efficient portfolios. According to the theory, a portfolio that gives both maximum expected returns and minimum variance should be chosen the investor. Bancassurance as a bank's strategy to venturing into other areas of business and diversification has positive impacts to its financial performance. Providing a variety of financial services to the same customer base enhances customer loyalty. This is capable of having a positive effect on the long term earnings of the bank. According to Jongeneel (2011), by being a one-stop-shop financial solution, a commercial bank seizes the opportunity to grow in significance. Secondly, bancassurance provides additional income to the bank known as fee income. Brealey and Myers (2003) also note that diversification brings scale, which may make it easier to attract professional management, gain access to international financial markets, or to acquire political power in countries where government tries to manage the economy.

2.2.2 The transaction cost theory

Developed by Benston and Smith(1976), this theory emphasizes the impact of transactional technologies brought about by financial intermediation (Bert & Dick, 2013). Intermediaries are considered to be a meeting point of individual creditors and debtors who exploit the economies of scale at the level of transactional technologies (Alexandru & Marius,2009). As they perform the activity of processing huge volumes of data at high efficiencies, clients see themselves as experts at making the best financial decisions.

2.2.3 Theory of financial intermediation

Financial intermediation is the process of transferring funds from agencies that have surpluses to those that have deficit through financial intermediaries (Alexandru & Marius, 2009). The theory behind financial intermediation arose from three different perspectives namely; the theory of informational asymmetry, transactional cost theory and the theory of monetary regulation (Bert & Dick, 2013). The theory of informational asymmetry emphasizes that intermediaries come about as a result of informational asymmetry which leads to high transactional costs. The need to minimize the effects of imperfect markets necesitates the presence of financial intermediaries who are deemed to be capable of eliminating or partially reducing some specific forms of transactional costs by pooling together the resources of individual customers. Such exercise would lead to economies of scale (Alexandru & Marius, 2009).

2.3 Empirical review

Leepsa and Singh(2007) sought to understand and analyze the benefit of bancassurance to Axis bank because of acquiring stack in the Max New York Life Insurance Co. Ltd. It found that after acquiring the stake in Max New York Life Insurance, the financial performance of Axis Bank improved. However, in the short term there was no impact visible in the stock market as a result of this acquisition.

Analyzing the synergy between the banking and insurance industry in the form of bancassurance, Singhal andSingh(2010) found that the banks channelize their businesses in a systematic manner using their customer database to create a positive image, reputation and brand image in harmony with the insurance industry.In addition,they found that the banks can reap their benefits if the service delivery mechanisms are strengthened, their employees are trained and if they develop strategies that are consistent with their bank's vision. Mwangi (2010) also carried out a study on the assessment of the determinants of growth of bancassurance in Kenya. The researcher employed a survey design and the population of all the commercial Banks in Kenya. It was found that only eleven out of the Forty-Three commercial banks in Kenya had bancassurance. The results of the study show that the factors influencing the introduction of bancassurance include an increase in market share, supplementing core business, customers getting related services under one roof and efficiency and effectiveness of operations. Furthermore, the study shows that the benefits of bancassurance were increased sales, an increase in market share, outreach to strategic customers and improvement in operations. Further,Nyathira, (2012) sought to assess the effect of financial innovations on Kenyan commercial banks' financial performance as key players in the banking sector over a period of four years. A causal research design was used and the population of study was all the forty-three commercial banks in Kenya as at 30th June 2012. The results show that financial innovation contributed to and was positively correlated with profitability in the banking sector, particularly that of commercial banks.

Omondi, (2013) examined the determinants of adoption of bancassurance by commercial Banks in Kenya. The target population was drawn from the forty-three licensed commercial banks comprising of six large banks, fifteen medium sized and twenty-two small banks. The results of the study show that the adoption of bancassurance by commercial banks was influenced by the need for new revenue stream diversification and economies of scope. There was a significant positive relationship between the need for new revenue stream, business diversification, economies of scope and the adoption of bancassurance by commercial banks.

Tunay (2014) investigated the profitability of the bank and the insurance companies operating in Turkey through the bancassurance using econometric analysis. Panel data techniques were employed. The results show that the profitability of the banks and the insurance companies increased through the bancassurance practice.

In a more recent time,Arefjevs(2017) developed and implemented an efficiency assessment model based on the efficiency assessment of bancassurance.The author conducted the study on pension fund management in the

Baltic countries. The results show that bancassurance was a dominant business model for the pension fund management in Baltics Pension fund management business and generated a strong return on equity. It was also found that the small and medium specialized pension fund management companies were capable of achieving competitive efficiency.

Sreenish and Senthil Kumar(2017) carried out a similar study by analyzing the possibilities of the salesperson of the bancassurance to sell life insurance products in the digitalized and cashless economy based on the replace method or income contribution method.The authors found that digitalization reduce avoidance of tax and fight black money.

In Nigeria,Chukwuma and Nebo(2019) sought to assess the marketing implication of the revised operational guidelines on bancassurance referral model, particularly in terms of how the model can affect customers' patronage of Insurance companies. Quantitative survey research design was employed for the study. Primary data were obtained from 170 banks' customers and 68 bancassurance desk officers of insurance companies structured questionnaire. The results of the study show that bancassurance referral model has significant influence on customers' patronage of insurance products and both customer loyalty and perceived service quality of the banks significantly moderate the influence of bancassurance referral model on customers' patronage of the insurance products.

3.The origin, popularity and benefits of bancassurance

3,1 Origin and popularity of bancassurance globally

Literature reveals that the first recorded settlement of bancassurance was in 1860, when the CGER savings bank from Belgium started to sell mortgage-linked insurances. The term "bancassurance" first appeared in France in 1980, to define the sale of insurance products through banks distribution channels. From France,bancassurance spread across Europe rapidly and later to other parts of the universe(Chukwuma & Nebo,2019). According to Fleming, bancassurance was embraced in the United Kingdom as the "*next revolution in finance*". Around 1996, it began to fade out. In the United States(US), little is known about bancassurance as it was legally prohibited until recently due to the Glass-Steagall Act of 1933. Glass-Steagall prohibited US banks from entering into business with a company which provided another type of speculative banking (Fleming, 2012). Fleming reports that in some countries, bank insurance is still largely prohibited. However,with the repeal of the Glass-Steagall Act it has been recently legalized in many jurisdictions across the Globe.

Most insurance sales in U.S. banks are for mortgage insurance, life insurance or property insurance related to loans. China is reported to have recently allowed banks to buy insurers and vice versa, stimulating the bancassurance product. Some major global insurers in China have seen that bancassurance products greatly expand sales to individuals across several product lines.

Bancassurance as a model has achieved a lot of success in European countries. According to Nurullah(2000), it contributes up to 35% of premium income in the European life insurance market. It makes up over 65% of the life insurance premium income in Spain, 50% in Belgium, 50% in Italy, and 60% in France.

3.2 Benefits of bancassurance

a. Banks

Retail banks gain their income from two sources - through the spread between their charging rates on lending and those paid for deposits. However, with the growing market competition weighing heavily on banks' interest margins and credit risk, it opens room for major concern for the banks. As a result, banks are always trying to supplement their core earnings through commissions and fees from selling insurance products.

Some of them perceive bancassurance as a step in the right direction in the formation of financial supermarkets in which one institution serves and provides all the financial needs of its present and potential customers. A potential benefit is a reduction in the instability of return on equity that arise from synchronization between banking profitability cycles and insurance. From the banks' perspective, bancassurance is attractive as it enables them to(i) earn another source of income (fee-based): which is a lot more stable than their present form of income (Smith, Staikouras, & Wood, 2003) and get an opportunity to keep their current customers and in the long run attract new customers by offering and providing an array of financial products (Berberich, 2000).In addition, with bancassurance arrangement, banks are empowered to market a whole range of financial products and services to clients which would increase customer retention(Tassin, 2002) and have access to all funds and benefits that are kept with the insurance industry.

b.Insurers

For insurers,the dependence on traditional agents would decrease. They can now easily make use of the bank's wide distributional network to sell or promote their products. In addition, they can now obtain and conduct business at a much lower acquisition cost. They are also enabled to create new financial products easily.

c.Consumers

Babcassurance provides to consumers an option of a variety of financial products to choose from. The utilities of these products will be better engineered to suit and serve the needs of the consumer.It would increase the customers' satisfaction resulting from the ability to satisfy their financial needs at one stop.Alsso, low or reduced costs will be passed on to them in the form of reduced premiums on insurance products.

4. Prospects for bancassurance in African countries

Finaccord (2020) provides some comprehensive and detailed insights into the prospects for bancassurance in some African countries, namely Angola, Côte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, South Africa, Tanzania, Uganda and Zambia. According to IMF - Financial Access Survey, Finaccord's analysis emerged with some key findings. The major findings are as follows:- (i)The number of bank deposit accounts in the ten countries in sub-Saharan Africa more than quadrupled between 2005 and 2013.

(ii) Across the 100 banks surveyed, creditor insurance linked to consumer finance and mortgages plus household and personal motor insurance recorded high performance. **(iii)**Bancassurance operating models varied considerably across the ten countries in sub-Saharan Africa, sometimes for regulatory reasons.(iv)Combined mortgage and non-mortgage consumer lending balances outstanding across the ten countries increased from USD 130.1 billion in 2009 to USD 181.8 billion in 2013 with life and non-life insurance gross written premiums rising in value from around USD 42.8 billion to USD 60.7 billion over the same period of time; (v) Out of 100 banks investigated by Finaccord across the ten countries (i.e. the leading ten in each country), 89 already sold insurance in one form or another and 41 promoted stand-alone policies (as opposed to bundled cover); (vi)Across the ten countries, a weighted average of 58.4% of all bancassurance partnerships identified by Finaccord's research were with an external underwriter, 26.7% with a captive underwriter, 8.9% with a joint venture underwriter, 3.4% with multiple external underwriters, and 2.6% of partnerships via another operating model; (iv)International and regional banking and insurance groups had started to leverage their expertise in the field of bancassurance in a number of countries in sub-Saharan Africa and this supply side activity would be an important driver of growth in this arena.

Africa Bancassurance Academy (ABA)

As bancassurance increased in importance throughout Africa and across the globe, the first Africa Bancassurance Academy (ABA) was established to support the efforts of industry and regulators in nurturing a sustainable customer focused approach to bancassurance in financial market across Africa. It is an education and resource centre, drawing upon a deep pool of local and international practitioners who educate and mentor course participants as they study and learn best practices for the development of bancassurance in their home countriess. The major aim of the Africa Bancassurance Academy is to provide on-going high quality training for the employees and managers of banks and insurance companies active in this sales channel. The regional focus of this advanced training and development program is on sub-Saharan African countries especially Angola, Côte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, South Africa, Tanzania, Uganda and Zambia etc. As the demand for insurance grows in Africa, these countries are expected to develop their respective bancassurance markets as a strong inclusive distribution channel for insurance. The Annual Africa Bancassurance Masterclass is the flagship training programme of the Africa Bancassurance Academy (ABA). Back for 2014 when it came into existence, the Africa Bancassurance Masterclass is Africa's top meeting point for bancassurance practitioners in Africa.

5.Insurance Inclusion and bancassurance in Nigeria

5.1 Insurance inclusion

One of the causes of the weakness in the Nigeria Insurance sector is that a large percentage of itss business is underwritten in foreign countries (Obafemi, 2007). Most of the major industries in the country feel more comfortable having their risk carried by foreign insurers. Multinational companies and oil and gas operators in Nigeria ensure their most important risk abroad as a result of the lack of confidence in Nigeria's insurance industry as they mostly default in claims settlement and other major financial obligations to the public (Uranta, 2004). Nigerian insurers typically concentrate on broker driven corporate accounts, particularly the oil & gas sector. To increase the level of insurance penetration, the National Insurance Commission (NAICOM) in 2009 developed the 'Market Development and Restructuring Initiative' (MDRI), responsible for enforcing mandatory insurances and eradicating fake insurance policies obtained by car owners from unrecognized or unregistered insurers or insurance providers in the country (Fola, 2007). Below are six major insurance products made mandatory by the Insurance Act 2003 and other sister laws (i)Group life insurance in line with the Pencom Act 2004,(ii)Health care Professional indemnity insurance under section 45 of the NHIS Act 1999,(iii)Employers liability in line with the Workmen's Compensation Act 1987,(iv)Motor Third Party Insurance - section 68 of the Insurance Act 2003,(v)Buildings under construction-section 64 of the Insurance Act 2003 and (vi)Occupiers liability insurance-section 65 of the Insurance Act 2003.

The National Insurance Commission (NAICOM)in partnership with the Nigerian Insurance Association (NIA) created the Nigerian Insurance Industry Database (NIID) to function as the official central record for all insurance policies in Nigeria. Other measures taken by NAICOM aimed at increasing insurance inclusion in Nigeria include enforcement of 'no premium no cover rule' and the release of guidelines for regulating microinsurance activities in Nigeria.

5.2 Bancassurance in Nigeria

The offering of bancassurance products by a bank is subject to the CBN's approval. A bank that intends to offer bancassurance products is required to submit the following alongside its application(i)Extract of Board resolution which approves the bancassurance product and the insurance companies it proposed to partner with.(ii)Draft bancassurance agreement between the insurance company and the bank which should include;(iii)The bancassurance products and services being offered;(iv)The duties and responsibilities allocation for each party involved in the arrangement both during and termination of the contract;(v)The conditions for the easy termination of the contract, if the need arises;(vi)Commissions and fees to be charged or given by each of the parties involved;this must be approved by NAICOM and CBN;(vii)The duration and renewability of the contract;(viii)Dispute resolution and control measures and mechanisms to protect confidential information;(ix)A disclaimer that the products and service shall be underwritten by the insurance company with no recourse back to the bank in terms of any legal proceedings or claims between the insurance company or firm and the bank's customer;(x)Other relevant information;(xi)The bank's assessment of risks;(xi)A product brochure, stating and explaining features, uses, and benefits of the product;(xii)Evidence of "no objection" gotten by the insurance companies from NAICOM (National Insurance Commission); and (xiii)Referral Agent approval obtained by the bank from NAICOM

After obtaining the approval, the bank forwards the signed copy of the bancassurance agreement to the Central Bank of Nigeria (CBN) and notifies the CBN on any renewal of the bancassurance agreement. Any addition or amendment to the bancassurance agreement is subjected to the approval of the CBN. Upon the termination of the contract, the bank notifies the CBN stating or explaining the reason(s) for the termination.

A bancassurance arrangement between an insurance company or firm and a bank will not be deemed valid without the presence of an executed bancassurance agreement. Any bancassurance agreement must follow the guidelines below:

- Banks cannot undertake any underwriting, insurance marketing or claim settlement except it is clearly stipulated in the bancassurance agreement.
- Banks must ensure that no risks are transferred to them and they shall not bear any fiduciary liability or responsibility for any consequences, complication, financial, or otherwise, that arises from their customer's subscription to insurance policies.
- Banks should conduct a thorough and complete assessment during the selection of their partner insurance companies (two insurance companies).
- Banks must ensure that only bancassurance products approved and sanctioned by relevant regulatory authority are accessible to their customers by their partner insurance companies.
- Banks shall not enter into any bancassurance agreement with any insurance company or firm that does not hold a valid and functioning operational license from NAICOM.

Restrictions

- Banks shall not employ any other model of bancassurance other than that approved by the CBN.
- Banks shall not market any banking products or services that incorporate any insurance features.
- Banks shall not deliver bancassurance products in a way that breaches the CBN guidelines or any other statutory provision or law that pertains to insurance products and services.
- Banks shall not be accountable for claims handling and settlement as these are part of the responsibilities of the insurance companies/firms. Also, the insurance companies/ firms will be solely responsible for the documentation of necessary documents and information related to claims
- Banks are prohibited from compelling or influencing their clients/customers in any form to take up insurance products or services from insurance companies they formed a bancassurance referral agreement with.

- Banks are prohibited from charging their customers ‘any processing fee, service fee, administration charge, or any other fee for the referral.

Consumer Protection Safeguards

Any referral shall be established on the need of the customers/client as assessed by the bank personnel and should be advisory in nature. Banks must ensure the complete confidentiality of their consumer's/ clients' data and information. Banks should make sure that the insurance company they partner with has in place an appropriate complaints redress system.

5.3 Model of bancassurance that is authorized in Nigeria

During the post universal banking period in Nigeria, the banking industry was ceaselessly looking for ways to increase its core earnings. Bancassurance, which is the delivery of insurance services excluding the risk underwritten by banks, was one way. The level of collaboration between banks and insurance companies in Nigeria at present is on a referral basis. It's clearly stipulated in the new 2017 CBN's bancassurance revised guidelines section 4(2) that

no Nigerian bank can undertake any insurance marketing, sales or services other than to refer customers to insurance companies. Deposit money banks are directed to act only on a reference basis. In order to avoid the confusion pertaining to the true providers of the insurance products, banks were banned from direct sales or distribution of insurance products to the clients/customer or using any form of newspaper, radio, billboard, television, handbills, internet advertisements to educate and inform its client/customers about insurance services. This means that banks should only link and recommend their customers/clients to insurance firms or companies for the provision of insurance services. The bancassurance model provides benefits for both banks and insurance firms and companies. While the referral banks' profits from every successfully closed deal made, the insurance companies capitalize and benefit from the bank's perceived good image, large branch networks, large customer databases to make more sales of their products and services. Banks also see this as a more secure step in financial marketing because one institution serves all the financial needs of its clientele. This naturally was a welcomed development for insurers as they view bancassurance as a strategic distribution channel that will expand both their premium volume as well as encourage insurance inclusion in Nigeria.

Following the release of the operational guideline on bancassurance by the National Insurance Commission, insurance companies have commenced the process of getting regulatory approval to sell their products through banks.

A reasonable headway was made early in 2020 in implementing the referral model of bancassurance approved in 2017 between the NAICOM and the CBN as NAICOM approved 18 applications out of 20 applications sent in by operators to enable them drive the retail business through the bancassurance platform (Anasoronye,2020).

6.Challenges militating against insurance inclusion in Nigeria and the recommended approaches

6.1 Challenges

The challenges include the following:-

- **Innovative distributive system**

The insurance companies and their sales representative in Nigeria are searching for unique methods of selling their products especially after considering the peculiarity of the Nigerian market. The urgent need to restructure and reshaping the distributive system of selling insurance is of top importance, particularly because there are too many insurance intermediaries and numerous unregistered insurance brokers and agents. This problem has been proven to be one of the major causes of the lack of interest by the Nigerian citizens in insurance especially with the recent rise in fraudulent activities in the country. But bancassurance presents a solution to this particular problem because it is a collaboration between banks which are one of the most trusted financial institutions in any country and various reliable insurance firms. With this dependability that bancassurance can offer, it will encourage more people to actually listen and understand the benefits of insurance and this will lead to increased inclusion of insurance in all aspects of the economy. This has shown great success in many Asian and European countries.

- **Poor Premium Collection**

This is one of the challenges affecting insurance inclusion in Nigeria. The standard of "no premium no cover" rules does not apply most of the time in Nigeria and those that are the cause of this problem are the intermediaries (insurance brokers and insurance agents). They are the distributing channels that connect the insured and insurers. Insurance brokers and agents are in the habit of collecting premiums from the insured and not remitting back to the insurance companies . Nigerian insurers keep issuing millions of premium checks but are able to retrieve only a small portion of what is issued because a larger percentage of businesses come in through intermediaries. The adaption of the bancassurance system will help eliminate this problem because the insurance companies will rely on the bank's customer database and work directly with their potential clients and with each successful transaction receive directly all the premium acquired.

- **Lack of Standard**

It has been observed and noted that there is no standard for the insurance business in Nigeria, despite there being various recognized regulating bodies. Most companies, agents, and brokers in the insurance field flaunt laid down rules and protocols. Bancassurance will help establish a well- built standard that will be properly monitored and regulated, collecting premiums, the issue of rate cutting, and not remitting by insurance brokers and agents will not be rampant.

- **Lack of Innovation**

Good innovation serves as one of the important pillars of any industry. it brings about change and transformation. Insurance practitioners in Nigeria lack innovation, they keep repackaging and leveraging on their old products. The insurance sector in Nigeria hardly comes up with new innovative products that are appealing or attractive to satisfy the need of the populace. Since bancassurance is a collaboration between two sectors, it will definitely result in the exchange of ideas which ultimately leads to the production of new products.

7. Conclusion

Generally, the challenges faced by the banks and the insurance companies after implementing the bancassurance model include lack of awareness of customers, long-term vision, trust-high competition, difference in objective of partners, distribution channels, capital allocation, training, knowledge of the staff and the complications in multiple tie-ups to be the challenges faced by the banks(Bansal and Anil(2018). Nevertheless, bancassurance has mostly shown an extraordinary success and, even though its pace has been sluggish it is now taking off across Asia and Europe, especially now that banks welcome the idea of more diversification of financial institutions, and the notion of universal banking is being time-honored. The implementation of bancassurance in Africa will also prove to be a great success especially since most African countries like Kenya, Nigeria, and South Africa have already begun the implementation of various personalized bancassurance structures. The conception of bancassurance is very much the turning point for banks in ensuring and protecting excellent customers relationship; therefore, banks call for the strive towards that direction. Going by the current pace, bancassurance would turn out to be a successful model rather than an exception in Nigeria. In summary, the bancassurance strategy would result in a 'win- win situation for all the parties concerned (customer, insurance companies, and the banks) and this in turn will generate more revenue for the government.

Recommendations

- Insurance companies that want to go into bancassurance relationship with any bank in Nigeria should choose banks characterized by large number of loyal customers and high perceived service quality (Chukwuma & Nebo, 2019).
- One of the reasons behind the poor returns for some bancassurers is that they simply copy the structure/model of successful companies of various countries without considering the specifics of the country they are operating in; hence more personalized studies should be done on the home countries and companies in order to achieve more positive results.
- More attention should be focused on middle-income customers because banks and insurance agents are usually more focused on upscale clients.

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