



A Single Platform for Immediate ROI

How IT Consolidation Can Boost
Bancassurance Profitability



Executive Summary

Bancassurance can be a lucrative business for banks if they keep operational costs low. The earning potential grows even higher if they strengthen their value in different ways. A bank may seek to diversify with more in-demand insurance products, partner with additional insurers where possible, or create an easier buying experience. The stumbling block for many banks is IT complexity. They can't profit easily with manual processes, numerous integration points, and divergent procedures for various insurance products. In this brief, we explore what banks need to reduce bancassurance IT costs and simplify processes. Oracle offers a complete solution designed for banks selling insurance products. Find out how Oracle Insurance Bancassurance Solution can fix an IT environment that has become risky, costly, and complex.

Bancassurance and the Promise of Profitability

Banks in certain parts of the world have proven that partnerships with insurance companies can be highly profitable. From the surface, bancassurance seems to offer banks a sure bet: additional revenue independent of interest rates. Bancassurance is booming in Asia and Latin America. Over the next five years, bancassurance is expected to grow quickly in emerging European economies like Poland and Turkey.

As banks continue to form alliances with insurers, these partnerships are positioning both sides for massive revenue potential. The bank can easily market insurance products to its existing customers. By adding insurance to its product portfolio, the bank enhances its value as a financial services provider.

The promise of profitability, however, partly relies on diversifying insurance products and partnering with the right insurers—all while keeping costs low. Many banks are starting to offer a full suite of insurance products beyond the usual offerings like credit life insurance. They are branching out to more insurance products their customers want, including investment insurance and property and casualty.

As banks add to their insurance product portfolio, they begin to struggle with complex IT environments swallowing up their budgets. The higher the operational costs, the more bancassurance loses viability as a profitable business.

The Tangled Web Bancassurers Weave

Complex IT develops over time in all industries. As the enterprise adds more employees, enters new markets, or expands through M&A, IT systems often become a convoluted mess. Banks are especially susceptible to complex IT because bancassurance connects two different businesses.

Here's the common scenario among banks:

The bank creates a new business unit to support bancassurance. The new unit establishes internal processes and develops IT capabilities within the core banking systems' infrastructure to work with the new insurance offerings.

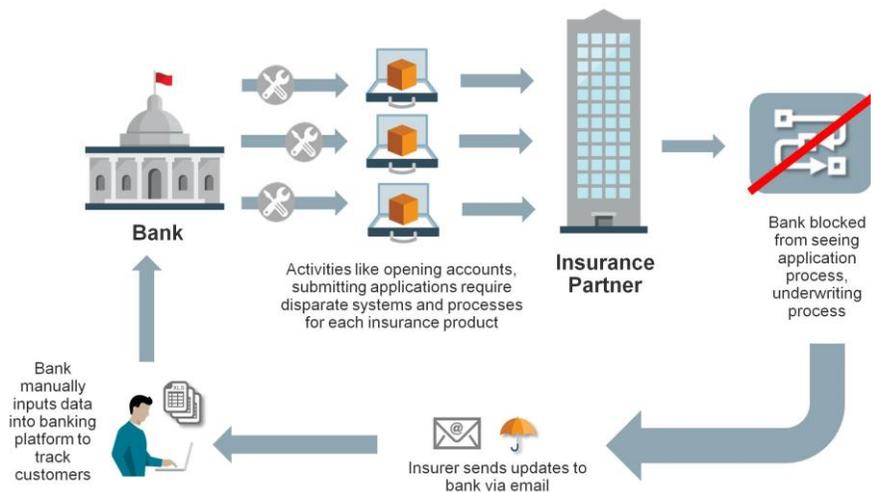
Then the bank's IT department must figure out how to conduct transactions between the bank and its new insurance partner. Banking platforms weren't built to handle insurance, so the bank pours a significant amount of time and money patching onto their legacy banking platform. IT developers add new code processes, applications, and much more.

Meanwhile, without a platform digitally connecting the bank to the insurance partner, critical activities remain manual or paper-based. Bank relationship managers or financial advisors open insurance accounts and manage products as one-off tasks.

Whether they submit an application on paper or online, the outcome is the same: the bank essentially gets disconnected. Bank representatives can't see what's happening in the application and underwriting process, so they ultimately lose sight of the customer.

"Complexity is a fact of life in today's IT infrastructure. While it is often a necessary price to pay to provide sophisticated solutions and high-quality user experiences, it is also something that can be avoided or minimized using a variety of tactics, including consolidating and modernizing applications, using better automation and integration tools, adopting converged infrastructures, and outsourcing the complexity to a third-party provider."

IDC¹



The only way the bank can track updates is by inquiring with the insurer—another manual or semi-automated process. The insurer may send record updates to the bank via email, spreadsheet, or even integrated data feeds. From there, the bank has two options: input that data manually or build a one-off integration that populates those updates into the banking platform.

As the bank introduces more insurance products and partners with new insurers, bank staffers repeat the cycle in new silos. There is no centralized system that enables the bank to communicate with multiple insurance brokers, so the bank must exchange data through separate channels. As integration points and workarounds multiply, IT gradually expands into many moving parts.

¹ IDC White Paper, sponsored by Oracle, "Simplifying IT to Drive Better Business Outcomes and Improved ROI: Introducing the IT Complexity Index," June 2014

Employees end up spending more time troubleshooting, going in and out of different databases, and manually reconciling data in spreadsheets. The IT environment becomes more intricate and costly to maintain.

In many cases, patching bancassurance functionalities onto the existing banking platform creates a risky interdependence: anytime the bank needs to modify the bancassurance process, IT staff must update the core banking platforms. This further complicates IT projects, leads to increased costs, and delays progress.

Most banks struggle with legacy technology platforms, interfaces, and processes. Those IT deficiencies ultimately impact the bottom line. In an unpublished Oracle-commissioned bancassurance study by Dialogues Research Service, respondents from 70 banks reported the following top factors inhibiting the bancassurance business were:

- » inability to establish straight-through processing (STP) workflows
- » legacy technology processes and systems
- » difficulty gaining operational efficiencies²



Simplify IT to Boost Bancassurance Profitability

The right IT solution can help banks drastically reduce their operational costs and position the bancassurance business for higher profits. Banks need to consolidate their IT into one advanced platform designed specifically for insurance products. That platform should be equipped to manage the entire bancassurance process from the front end, middle and back end.

A single insurance product repository alone would eliminate multiple integration points and reduce the likelihood of errors. The ideal solution, however, goes far beyond that. Consider the benefits of having one core engine to support all insurance partners and products. Consider the immediate impact of having a bancassurance platform that integrates with the existing banking platform and enables straight-through processing.

The right solution automates processes so banks can eliminate tedious tasks like data entry and manual reconciliation. Shedding those labor-intensive activities significantly reduces costs and errors. Automated processes are also instrumental from a big picture

² Dialogues Research Service, "Oracle Bancassurance Study," 4 August 2016

perspective. By eliminating redundant steps and streamlining workflows, banks can onboard new insurance partners quickly. From there, they can sell new insurance products much sooner, ultimately setting up the bancassurance business to flourish.

The Complete Solution for Bancassurance

Oracle Insurance Bancassurance Solution is designed specifically for insurance products and supports the entire bancassurance lifecycle within the bank. Finally, banks can drastically reduce the number of costly integration points. No longer do they need multiple systems and custom connections that differ among products, markets, or insurance partners. Oracle's solution enables banks to streamline all bancassurance processes through one platform and radically reduce costs and risk.

The bancassurance solution by Oracle consists of two core components:

» **Carrier/Bank Interfacing**

A single, secure touch point for banks to exchange data with insurance carriers in real time, plus straight-through processing of insurance applications

» **Core Bancassurance Platform**

The core bancassurance component that:

- » enables banks to emulate and/or interact directly with their multiple insurance partners supporting all lines of business through capabilities that allows for banks to retain product definition, policy record retention and the ability to receive real-time updates on applications and policies. Also, includes capabilities to calculate premium, calculate commissions and reconcile policy and commission records including clawbacks, and much more
- » enables integration to bank/agent front end and all required downstream banking systems. APIs on the core platform can be utilized to enable any customer-facing component that includes need analysis, quick quote, financial benefit illustration form, and application. Integration to other internal banking systems is seamless - including to General Ledgers, Business Intelligence, Customer Accounts, Customer Rep portals, etc.

While every component of the Oracle Insurance Bancassurance Solution strengthens the bank's ability to increase profits, the Core Bancassurance Platform plays an especially critical role in reducing cost. The out-of-the-box platform is designed to give banks a high degree of flexibility.

Highlights of Oracle's Core Bancassurance Platform

Fast, easy changes through rules-based configuration



The platform's user-friendly, drag-and-drop editing tools allows the user to configure business rules without changing the source code. Oracle's solution comes preconfigured with common bancassurance products that users can easily modify through rules-based configuration. Users can also add new insurance partners and insurance products easily. By simplifying a process that would have previously required programming expertise and significantly more time and effort, Oracle's solution helps banks maximize efficiency.



Integration with bank's existing systems

Because the Core Bancassurance Platform is based on open standards, it can integrate with the bank's existing downstream systems managing finance, reporting, and CRM—further maximizing efficiencies throughout the enterprise. For example, by integrating with the bank's finance system, the platform can generate the accounting entry that goes directly into the bank's general ledger.



Accurate calculations of commissions and clawbacks

Once the policy is set up, the Core Bancassurance Platform can calculate commissions and generate commission triggers to the billing system. The platform can also accept commission details from insurance service providers, perform commission reconciliation, and generate the reconciliation report. Through automated calculations, the core platform greatly reduces errors. Bank staffers no longer have to manually reconcile the insurance partner's information, which significantly cuts labor costs.



Better customer service through real-time updates

Oracle's Core Bancassurance Platform gives banks instant updates on the status of applications and policies. The platform is digitally connected with all of the insurance partners' policy administration systems. When a customer inquires about the status of an application, the bank representative no longer has to play the middleman. They can answer those inquiries directly on the spot.



Closer customer relationships for up-sell and cross-sell opportunities

When bank relationship managers or financial advisors keep in close contact with their customers throughout the bancassurance process, they're better positioned to market, sell, and provide services to those customers across multiple channels.



Valuable insights from analytics

Banks can use analytics and analyze the policy data from the Core Bancassurance Platform to understand their customer purchasing behavior and pricing dynamics. This can help the banks to tailor products to the needs of individual customers.



For example, bank executives can find out how much business the bank is generating from each insurer or gain insights on what products are more attractive to specific customer segments. Having a deeper understanding of the customer's experience with their insurance plan allows the bank to anticipate changes in coverage, including lapses or cancellations. Bank executives can also discover potential targets for cross-sell and up-sell opportunities with other insurance or banking products.

The Path to Bancassurance Profitability

Finally, banks selling insurance have an IT solution that solves the problem of high costs and high risk. Oracle Insurance Bancassurance Solution enables banks to clean up their complicated IT environments and consolidate into one advanced platform. Lowering IT costs, eliminating tedious tasks, and integrating with other banking platforms are only a few of the benefits. Ultimately, Oracle's solution gives banks the technological agility to capitalize on bancassurance and its explosive growth in key markets.



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