

Key Factors Influencing Bancassurance Success and development in Algeria

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Received: 15/05/2021

Accepted 27/06/2021

Published 30/06/2021

Abstract:

Banking and insurance were for a long time two strictly segregated areas of activity. bancassurance is a concept that has rewritten the way in which insurance products are distributed in many parts of the world and has the potential to do the same in many other markets. Many countries, especially developing countries, have been reforming their financial systems over the past two decades. The successes demonstrated by various bancassurance operations, although not all of them have been successful, have showed some key factors influencing bancassurance success and attracted the attention of the financial services sector, and the further new operations continue to be set up regularly. This article examines the appeal of bancassurance and outlines the key success factors that make the difference between winning and losing in bancassurance. The bank insurance alliance can be a highly profitable one when both strategy and execution are properly calibrated.

Keywords: Bank; insurance; strategic alliance ; bancassurance; key factors.

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1. INTRODUCTION

Insurance is becoming a necessity in the context of personal, commercial and industrial activity. However, most people do not understand the idea of insurance itself. To enhance the understanding and use of insurance, it has to be introduced as part of a wider transaction. An individual keen to purchase a house might not see the essence of insuring the building against damaged property. A bank giving a loan for the purchase is well placed to explain the importance of stabilizing the risk. The bank considers the life and health of the borrower in their ability to service the loan. Property insurance will act as a security to the loan (Gonulal, Goulder, & Lester, 2012).

The banking sector has grown tremendously. It has achieved a high penetration all over the country including the rural areas. With the integration of financial institutions and insurance companies, banks seek to increase the range of products offered to clients. This has led to the adoption of bancassurance by most banks.

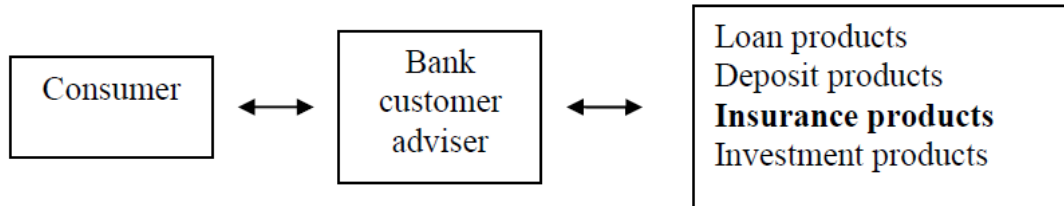
The 'bancassurance' catchword has been a topic of interest for analysts of the financial services industry in recent years. It has become so prominent in financial markets that Elkington (1993) suggests that this French expression will soon take its place in the Oxford Dictionary. The successes demonstrated by various bancassurance operations, although not all of them have been successful, have attracted the attention of the financial services sector, and the further new operations continue to be set up regularly. The objective of this study was to establish the determinants of the adoption and the successes of bancassurance business models by commercial banks.

2. The concept of bancassurance

A common argument in the field of bancassurance has been that banking and insurance have differences but also conceptual similarities that help to explain the bancassurance phenomenon. In practice, bancassurance has been defined in various ways; these are linked with the historical development of bancassurance (Molyneux, 1998). Bancassurance means the offering of banking and insurance products from one single provider. Banking and insurance were for a long time two strictly segregated areas of activity. Bancassurance is a concept that has rewritten the way in which insurance products are distributed in many parts of the world and has the potential to do the same in many other markets. By offering a holistic financial services package, encompassing banking, insurance, lending and investment products and banks can maximize distribution of products to a captive customer base (Mugoša, 2005) Bancassurance can be generally defined as the joint effort of banks and insurers to provide insurance products and services to the bank's customer base. Under this broad definition, a number of very diverse forms of bancassurance models are being practiced across the world. The choice of the specific bancassurance model depends on numerous factors, including the social-economic, cultural and regulatory environment of the market, the market infrastructure, as well as customer preferences. Also, although generally a certain model is predominant in a country, there is no country where bancassurance relies on a single business model. Having said this, a general classification of bancassurance models can be made on the basis of the legal ownership structure, or in other words the level of integration between the insurer and the bank. On this basis, the main bancassurance models are the pure distributor model, the strategic alliance model, the joint venture model and the financial holding company model (Teunissen, 2008). It is an obvious and convenient thing for

the bank’s customer adviser to be able to offer a range of insurance products to assist with the loan transaction or otherwise enhance the consumer’s financial position.

Fig.1. Bancassurance Sales Model

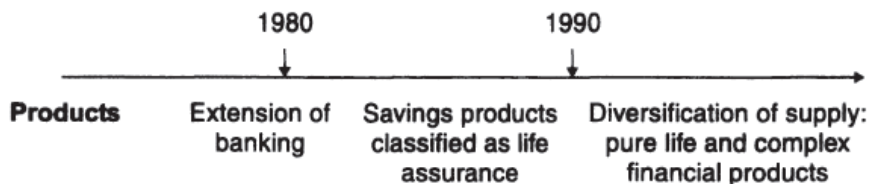


Source: Serap O.Gonulal and others(September 2012), Bancassurance A Valuable Tool for Developing Insurance in Emerging Markets, Policy Research Working Paper, The World Bank, p10

It should be noted that Bancassurance is not a simple sales technique. It is a development channel (Serap, September 2012).

The Figure 02 illustrate illustrates the diffusion of bancassurance over time. In the first period, prior to 1980, banks sold insurance guarantees that were a direct extension of their banking activities. After 1980, savings products that benefited from advantageous tax regimes associated with life assurance flourished in the banking markets. Around 1990, the supply of insurance products by banks became much more diversified not only in terms of life but also general insurance products (Molyneux, Bancassurance, 1998).

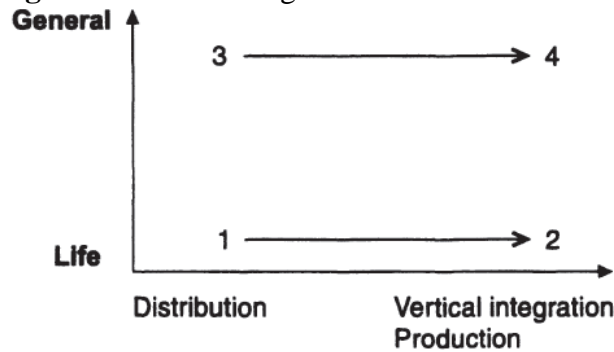
Fig.2. The evolution of bancassurance



Source: Molyneux, N. G. (1998).Bancassurance. New York Usa: Palgrave Macmillan, p:11.

A similar analysis is made by Vaquin (1990). He described the development of bancassurance along two dimensions: the degree of integration and product profile (life or general insurance). Figure 2.2 illustrates the various stages of bancassurance integration. The matrix suggests that the ultimate bancassureur controls the whole process of production and distribution of life and general insurance products. However, the simple distribution of life assurance products by a bank can also be termed 'bancassurance'. The above suggests that the concept of bancassurance differs from one observer to another. This is because the integration of insurance and banking can vary from a simple distribution agreement to some type of capital link between the two activities. The degree of integration of the two activities determines the extent to which an institution can be regarded as a bancassureur. The historical development of this concept may explain the lack of consensus regarding the exact meaning of bancassurance, as we will see in the next section (Molyneux, Bancassurance, 1998).

Fig.3. Matrix of strategic choices in bancassurance



. **Source:** Nadege Genetay and Philip Molyneux(1998), Bancassurance, PALGRAVE MACMILLAN, New York, USA,p:10.

This overview of the bancassurance concept underlines the various forms of bancassurance, which in practice has varied from simple distribution agreements to capital links between the two activities. The degree of integration between the two activities seems to be the best way of defining a true bancassureur. It has varied as bancassurance has grown in importance, embracing both the distribution and production of insurance over the years. The evolution of bancassurance led to what is now a fairly diversified offering of banking and insurance products by a single institution, i.e. a customer-driven approach to the delivery of financial products (Molyneux, 1998).

- Benefits of bancassurance:

Bancassurance has achieved remarkable success in some markets. In Europe, it is not uncommon to find over half of life insurance business being transacted by banks. For example, in France, Portugal and Spain, banks handle over 60% of life insurance business. Banks and insurers are attracted to the idea of bancassurance for different reasons, which also influence the way their cooperation takes place (Elena, volume 17 issue 3). It must be to the advantage of each stakeholder in the model (bank, insurance company, consumer and legislator) for the bancassurance model to develop successfully. Without these advantages, it is obvious that no collaboration would be possible.

Table. 1: Benefits of bancassurance

Benefits to banks				Benefits to insurers			
	Distribution	Joint ventures	Integrated operations		Distribution	Joint ventures	Integrated operations
Secure an additional and more stable stream of income through diversification into insurance and reduce their reliance on interest spreads as a major source of income	x	x	x	Tap into the huge customer base of banks	x	x	x
Leverage on their extensive customer bases	x	x	x	Reduce their reliance on traditional agents by making use of the various channels owned by banks			
Sell a whole range of financial services to clients and increase customer retention		x	x	Share services with banks		x	x
Reduce risk-based capital requirement to the same level of revenue	x			Develop new financial products more efficiently in collaboration with their bank partners		x	x
Works towards the provision of integrated financial services tailored to the life cycle of customers		x	x	Establish market presence rapidly without the need to build up a network of agents			
Access funds that are otherwise kept with life insurers who sometimes benefits from tax advantages		x	x	Obtain additional capital of banks to improve their solvency and expand business		x	x

Source: Swiss Re, Sigma No. 7/2002, Bancassurance developments in Asia-shifting into a higher gear,p:10.

- Benefits to customers

- An amalgamation of financial services under one roof i.e. along with banking facilities such as accounting, loans, mutual funds etc, insurance services are also provided.
- Professional expertise and trained executives are there to give them proper advice.
- They get risk coverage at bank itself.
- Ease of renewal and other formalities.
- Easy access for claims (MURTAZA, December 22-24 , 2014).

2.1. Financial holding company

In this business model, a holding company owns both an insurer and a bank – often referred to as a financial conglomerate. Potential advantages of this model are that operations and systems can be fully integrated; there is high capability to leverage on the bank’s existing customers; there is the possibility of one-stop shopping for financial services for customers; and, finally, there is the potential for developing fully integrated products. At the same time,

the fact that conglomerates visibly run both banking and insurance activities with typically a common brand name does not necessarily mean that there is much interaction and integration between the two. The above classification on the basis of legal criteria of course gives a generalization of reality. In practice, a wide range of hybrid bancassurance models exists and other classifications can easily be made, for instance on the basis of the sources of income of banks participating in bancassurance. Next to the usual commission income, profit sharing agreements between the insurance company and the bank are common in bancassurance. Following this classification, a 100 percent profit share for the bank would imply that it owns the specific insurance company, while a 0 percent profit share de facto implies that the bank only acts as a pure distributor. In general, the most prevalent bancassurance model — in terms of legal ownership — throughout the U.S.A, Asia and Latin America is the pure distributor model, while models in Europe tend to be more integrated, with strategic alliances and joint ventures being common. The types of insurance products sold through banks also vary throughout the regions of the world.⁵ In Asia, the main products tend to be savings oriented, such as endowments and investment-linked products. These are basically deposit replacement products and are popular because they earn a higher interest rate than bank deposits. In Latin America, pension products and individual life products are very popular. In southern Europe, bancassurance products are mainly medium and long-term tax-advantaged investment products, while in other parts of Europe single premium unit-linked products are popular, as is term insurance because it is often tied to mortgages. In the U.S., investment products, in particular fixed annuities, are the main life insurance products sold through banks (Teunissen, 2008).

3. Future outlook:

Given the strong development of bancassurance around the world, it is useful to assess what the future will entail. In general, the outlook for bancassurance remains positive, as a number of trends point to further growth of this distribution channel. First of all, customer preferences are changing and reshaping the financial industry. As more customers live longer they know they need to increasingly save enough to enjoy retirement. And across the globe, especially in emerging markets, people are becoming wealthier. As customers accumulate more wealth, this drives strong growth in total client balances. In particular, there is a growing demand for savings and investment products, irrespective of whether these products are provided by a bank or an insurer. And with many products and services to choose from, customers expect strong investment performance from their financial services providers. Against this backdrop, the life insurance sector is going through a paradigm shift from traditional to investment-linked investment products. And because of this shift, distribution is moving increasingly into the domain of banking.

Second, banks have a significant competitive advantage over other distribution channels. Banks can fulfill many customer needs, covering the full range of products from liquidity to lending and investing. Moreover, compared to insurance companies, banks benefit from the visibility and convenience of their branch network, the trust that most clients have in their bank and its brand as well as the more frequent interaction with the client than in case of traditional life insurance channels. As such, banks are structurally well positioned as they offer opportunities for early customer acquisition and maintaining customer relationships. Finally, these factors particularly hold true in emerging markets, which together with the continuing liberalization, deregulation and inflow of foreign insurance companies will likely contribute to a strong growth of bancassurance in these markets (Teunissen, 2008)

- **Lessons from the global Experiences:** It is a well tested concept in the European countries and is the Most suitable way of selling investment based insurance products. the Algerians companies can choose the most used and successful model in the European and Asian experiences and studying the factors of its successfully and the possibilities of acclimatization this models with the Algerian market and its specificities. Many companies have succeeded in bancassurance strategy and few have failed while trying to implement a bancassurance strategy in some countries. So Algerians company had to learn from this experiments and try to create and develop the seasons success and eliminate the critical factors that contribute to the failure and benefit from profitable partnership (Hamoul, 2015-2016).

4 . Factors for the success of Bancassurance:

Banks and insurance companies are very different in both value and culture. In Algeria, the selling of insurance through banks is yet to emerge as regular activity and, therefore using traditional products and systems may not be appropriate. The bitter experience of banks in Bancassurance even with innovative products in the previous year was mainly due to poor marketing, poor publicity, monthly payments during time of inflation and declining value of money, lack of product promotion initiated by the branch staff to avoid manual strain in mobilizing and maintaining accounts for Bancassurance products under different heads and conventional way of dealing with customer in explaining the merits of taking Bancassurance products. Fundamental to Bancassurance is the convenience and accessibility to the customer (Adidravidar, 2009-2010).

To succeed in emerging markets, bank marketers will have to develop unique strategies consistently attuned to local customer expectations and consistent with bank distribution capabilities. The biggest challenge is determining how to reach the middle and lower-middle economic classes, which comprise the largest group of bank customers in such countries. A frequent mistake made by many bankers and insurers is their failure to develop unique strategies specifically for bancassurance. Instead, they simply extend their traditional agency distribution approach, because they view bancassurance as just another means of reaching their existing market of affluent consumers. Agents typically target the affluent because the average revenue per customer is sufficient to support the fixed and variable costs of the distribution system. The agency channel thus perpetuates itself: commissioned agents sell to affluent customers because they generate enough revenue to make it profitable to sell to other affluent customers. Because agents are the insurance company's true customers, insurers provide them with products suitable for sale to the affluent (Kumar, Bancassurance: Distribution Channels and Strategies in an Emerging Market).

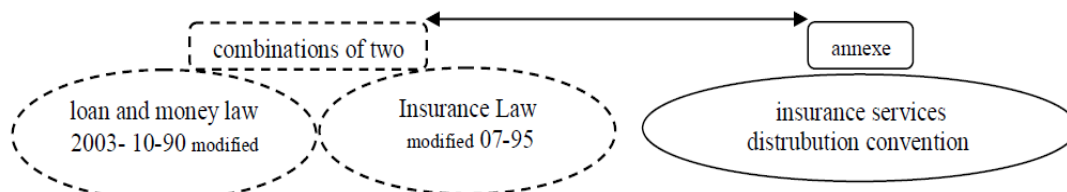
- Level of Regulation

A supportive regulatory framework is important in the success of bancassurance. The study done by Teunissen in 2008 showed that the development of bancassurance products in countries such as France, Italy and Spain was favored by a high degree of regulatory freedom. PWC (2012) also explained that regulation affects the pricing and delivery of insurance products.

In Algeria, the Insurance Regulatory Authority (2014) reviewed the guidelines on bancassurance in order to facilitate financial institutions to distribute and sell insurance to their customers as they have a wide customer base. It recognized the need for increase in insurance penetration in the country by using alternative. Generally speaking, current

bancassurance products are savings-oriented with simple design structures that are widely accepted by Algerian customers. Selling the more profitable risk-oriented products is typically more difficult, although now being driven by legislation that create a combinations of two sectors comes under the purview of both the regulators (as its showed in figure 05) and t each of the regulators has given out detailed guidelines for banks getting into insurance sector. The Algerian ministry of finance requires from any bank intending to undertake insurance business to obtain its prior approval. The Algerian legislator, conscious of the irreversibility of the progress of bancassurance in the world, has not failed to integrate it into law n° 06-04 of February 26, 2006 (art. 53), modifying and supplementing Ordinance 95-07 (art.252).

Fig.4. the Bancassurance convention



Source: Prepared by the researchers based on a set of references

The legal and regulatory framework can easily stifle development, as the example of Korea shows. Before 2003 the insurers were given extensive protection against the possibility of the banks growing strongly in their field and subsequent liberalization has continued to be resisted. Similarly in the United States the Glass-Steagall restrictions on links between banks and insurers has made Bancassurance there a tiny fraction of what its potential has been shown to be elsewhere.

Taxation is also a dynamic driver of sales potential. Thus a sensible legal and regulatory framework is a key factor in creating a platform from which Bancassurance might be encouraged. Likewise sensible taxation allowances will make an important difference (Serap, September 2012).

- Technology Advancement

Technology plays a crucial role in the success of the bancassurance model. Innovations in the financial sector gives bancassurers a competitive edge. Integrating the bancassurance model into the traditional banking services enables fast, easy and cheap mode of payments of premiums and benefits. According to Jongeneel (2011), adopting new technological measures enhances the delivery method of financial services for instance through multi-dynamic channels. This model entails a design with multiple communication channels and sales points. It thus reduces on costs and strengthens relationships with clients.

A study done by PWC in 2012 explains that the effective use of technology helps in sharpening productivity and customer responsiveness. Also embracing digital developments causes greater innovation and differentiation in products designing.

Mobile phones can boost the performance of bancassurance. In 2015, KPMG analysed the usage of mobile phones(CHEPKORIR, November, 2016). Most Algerians have mobile phones thus buying insurance through a phone can be an exciting opportunity for growth in bancassurance. It offers a more affordable way for Algerians especially in remote areas to gain access to bancassurance products.

Information technology and distribution channels helped the bank distinguish itself from its competitors through enabling mobile, online banking, e-marketing, telemarketing and

branchless banking for the bank's customers. It has also improved its image because information technology has enabled the bank to become more responsive to customer needs, create awareness on innovation and engage customers in the day to day issues affecting their banking life. It also enables retention of existing customers because use of IT and other distribution channels which help the bank to keep connected to the existing customers through constant communication on telephone, email, and media and on the internet. The customers feel that they are valued and this helps to maintain their loyalty. Information technology further attracts new customers because IT and other distribution channels are important in tapping new customers who require better products, service and efficiency in order to move from their current bank. Bancassurance products are an important attraction for new customers and it can also increase sales among existing clients through cross selling products and basically ensuring that each customer has all the products that the bank can offer (share of wallet) including bancassurance. All marketing and distribution channels are used to ensure success (Muhoro, December 2011).

- Bank Branch Density

Distribution of insurance services through banks is profitable if the net benefits is positive. Bergendahl (1995) identified that profitability depends on: the number of branches, the number of insurance specialists per branch, the number of customers, the cross-selling ratio and the degree of learning. The larger the number of branches and the number of specialists per branch, the greater the investment cost. The cross-selling ratio considers the number of customers per branch and the potential buyers from the total customers of insurance products. It should be high to increase profitability (Chepkorir, November, 2016).

In 2004, Brahmam, Irala, & Pulugundla explains how the wide branch network and the banks multiple delivery channels can maximize customer experience:

For the bancassurers to generate positive net benefits, it has to have small setup costs, rapid growth in sales commission and small administrative costs. Bergendahl (1995) explains that the set-up cost for most bancassurers is small since they are a subsidiary of the main company. If the bank succeeds in selling the insurance products to its customers, it will be able to strive a longer relationship than ordinary bank products like loans and deposits.

Most tier 1 banks have a great trust from their wide customer base. Brahmam, Irala, & Pulugundla (2004) and Teunissen (2008) support this since banks enjoy personal contact with their clients. They also have all the financial information of their customers. Banks can thus offer quality advice and enhance the customer experience. Jongeneel (2011) also supports this assertion as banks can get valuable leads through their core operations. Banks can identify developments in the customer's life cycle and they can seize the opportunity to unlock suitable insurance products. The products are highly likely to connect with the individual needs of its actual customer base at the right time. This gives an edge to banks in distributing insurance compared to other agents (CHEPKORIR, November, 2016). thus, speaking, the denser the network offering the product, the more successful it is likely to be (Serap, September 2012).

Generally bancassurance has helped in increasing insurance uptake in the bank by creating awareness and increase insurance sales especially among the banking public. Algerians tend to trust banks more than they do insurance customers and therefore are more open to buying insurance services from banks. So an open branch network and a good quality bank-to-customer relationship are important foundation stones for success in Bancassurance (Serap, September 2012).

- Revenue Generation

The sale of insurance products by banks offers another avenue to generate profits. This in turn leads to revenue generation to the nation. Teunissen in 2008 found out that bancassurance in Asia developed fast. Among the main contributing factor was the bank's desire to broaden their income base. The banks increase their income through commissions and profit-sharing agreement in case they have partnered with insurance companies. They can also spread their fixed costs to the insurance business and increase the productivity of their staff as they can increase their client base. The increase in number of clients increase the income base which in turn increases the revenues.

In 2011, Jongeneel gave a bank's perspective of bancassurance that it boosts profits which in turn increases their earnings. Also the bank and insurance products are closely related thus banks can easily cross-sell insurance products (Chepkorir, November, 2016).

- Measuring Performance

The measure of insurance penetration and insurance density shows the level of development of insurance sector in a country. According to Legrand (2008), to assess the global growth potential, the benchmark of the company's productivity per branch and bank's customer base penetration against successful competitors is evaluated. The penetration rate is measured using the ratio of bank's clients that holds a policy with its bancassurance or the ratio between number of policies and the number of bank customers.

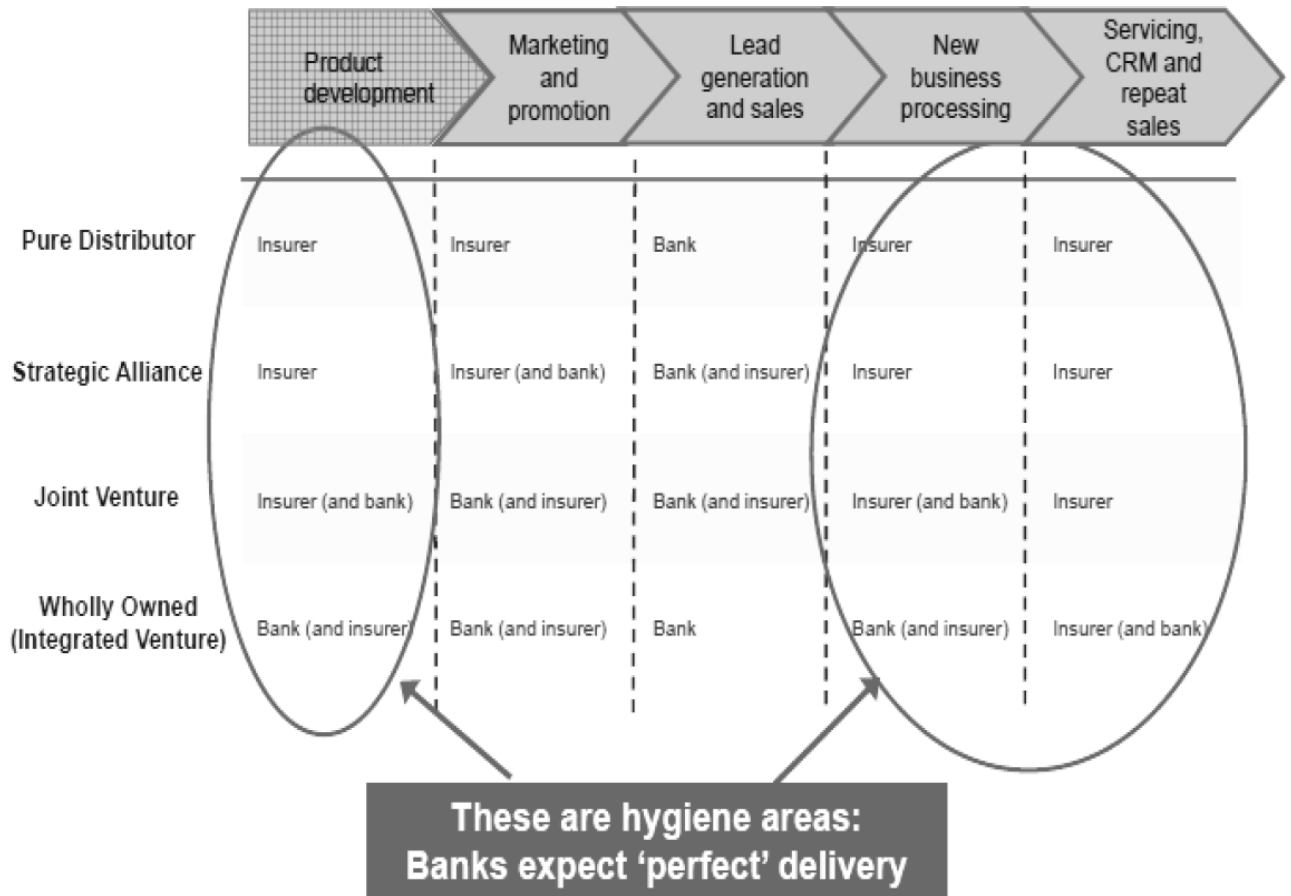
Kumari and Dorthy (2014) analyzed the insurance penetration and density in Algeria and since the opening of the insurance sector for public participation, there has been an increase in both insurance penetration and insurance density. Insurance penetration is measured as the percentage of insurance premiums to the GDP. Insurance density is measured as per capita premium which is the ratio of premium to the population.

- Improving Penetration Levels

Bancassurance has increased the insurance penetration in the economy. The bank can further adopt measures to improve the penetration within its clients' base. Legrand (2008) identified ways in which he can achieve this by targeting new customer segments, especially the affluent and high net-worth customers. By expanding the product offer to new insurance lines e.g. non-credit related and non-life insurance products can also improve the penetration. Legrand (2008) further identified the main target customers include the bank's mass market customers and bank's clients taking loans and mortgages. The former can be offered simple life savings and pension products. The latter can be offered credit-related risk products. This will boost their loyalty to the bank (Chepkorir, November, 2016).

we can add some roles and responsibilities should be followed by the bancassureur as it is showed in figure below.

Fig.5: Roles and responsibilities in the bancassurance strategy

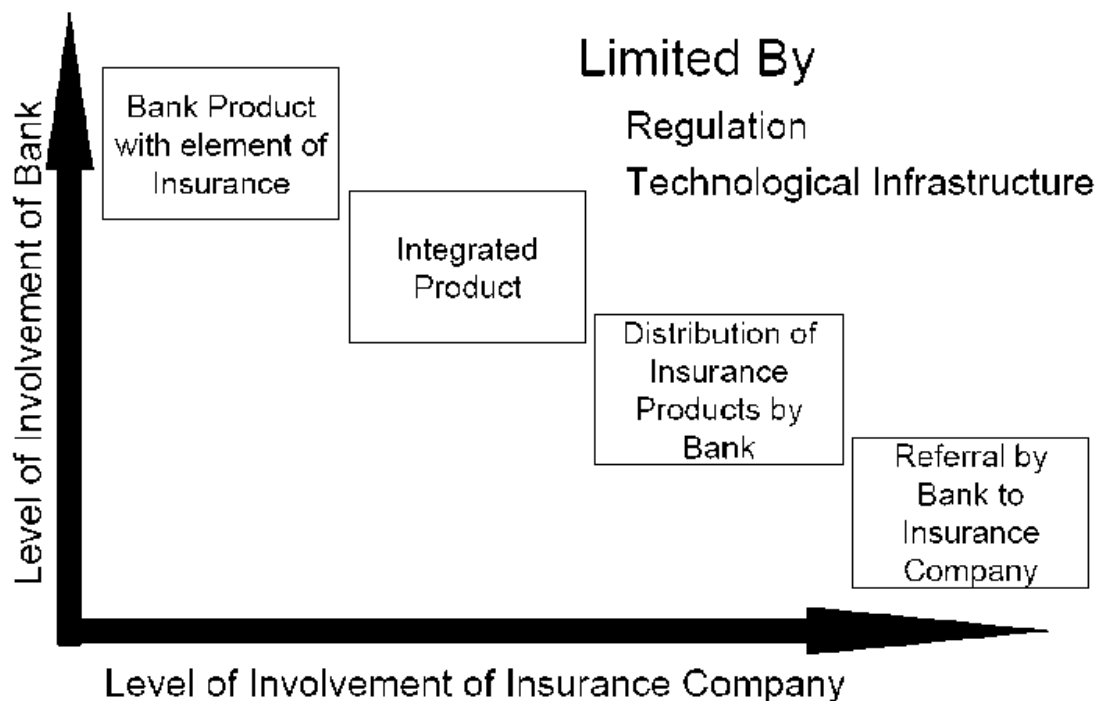


Source: bhavna verma & shivank chandra, the bancassurance dilemma, 19th india fellowship seminar June 2013, p:19.

Bancassurance has also helped in marketing of insurance services and its penetration in the country since banks are aggressively selling insurance to their customers in a bid to increase commissions and fees earned through this business. Banks have also made some insurance products compulsory for their customers, such as Motor, Fire, Mortgage Protection and Credit Life policies. Banks are also making use of their existing channels such as branch network employees, relationship managers, online/internet platforms and direct sales/contract staff to sell insurance products. Usually, these are the same staff used to sell the bank’s personal banking products to the banks customers (Muhoro, December 2011). it must be mentioned that, Complex insurance products should not sold by banks, they referred to

insurance company. Figure 06 illustrates the level of involvement of bank and insurance company while distributing the insurance products (Ghimire, 1994).

Fig.6: Level of Involvement of bank and insurance company while distributing the insurance products to customers.

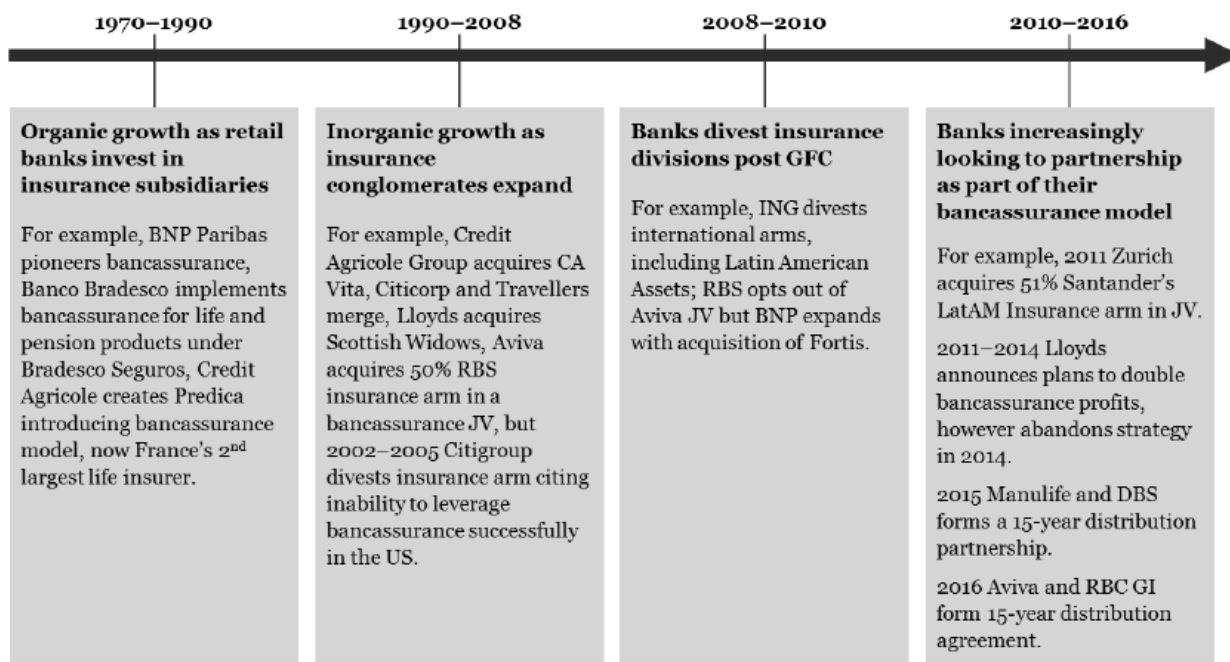


Source: Rabindra Ghimire, Bancassurance: A Tool of Integrating Insurance and Banking Industries, Published in Mirmire Monthly 344, Year 42, issue 3, 2070 Bhadra-Aswin (Vol 322), p:04.

- Learning from the past

The bancassurance model has had a very chequered past. Around the globe, the participation model has been characterised by cycles of expansion and contraction for the last 40 years. Figure 04 outlines some of the more notable deals.

Fig.7 . Timeline of notable bancassurance deals



Source: Peter Burns and Bernadette Howlett, Future of Bancassurance in Australia Is Bancassurance really the 'perennial underperformer' that many believe?, Strategy&,2016 PricewaterhouseCoopers, PwC Australia, p:03.

The past 10 or so years have shown that if the bancassurance channel is to provide growth:

- products should be simple and complementary to bank offerings – simple products gain more traction as they require less expertise to manufacture and distribute.
- successful players need to serve their customer's financial services needs and avoid a product-centric sales approach .
- investment in digital analytics is required to understand customer preferences to design campaigns and provide information in real-time during the sales conversation.
- clear and pragmatic roles and responsibilities are required in partnerships to minimise conflict and friction as captive ownership is less common.
- strong alignment is required at the senior level to leverage the capabilities of specialist providers, while a shared vision and strategy is required to deliver.
- alignment of KPIs is critical to the long-term success of bancassurance partnerships (www.strategyand.pwc.com, 2016).

- Bancassurance Challenges

These developments are expected to challenge traditional bancassurers in the following ways:

1. The shift away from manufacturing to pure distribution requires banks to better align the incentives of different suppliers with their own.
2. Increasing sales of non-life products, to the extent those risks are retained by the banks, require sophisticated products and risk management.
3. The sale of non-life products should be weighted against the higher cost of servicing those policies.
4. Banks will have to be prepared for possible disruptions to client relations arising from more frequent non-life insurance claims (Kumar, volume 2; issue 1; january 2017).
5. The success of bancassurance in our country depends mainly on co-operative attitude of bank employees. Though banks have a large pool of professionals yet they show less interest in selling the insurance products. They are also reluctant to train themselves for this additional work.
6. The customer is much more loyal, which will ultimately affect real income from such cooperation. so, we can say that bancassurance is a convenient and promising model for meeting a wide range of customer needs (Ekimovl, 2018vol. 96(3)).

- Recommendations of the study

Algerian insurance and like other sectors and institutions have seen and still see reforms, which providing consolidation strategies insight to improve bancassurance performance for banks sectors and insurance sector which is wicketed by a several elements and factors that can be eliminated by bancassurance strategy. therefore There is an awareness and the urge to use and try to develop a new products to harness the real bancassurance potential in Algeria and benefit from its advantages to develop the insurance sector. Algerian companies must give importance to the services marketing, reducing uncertainty, creation of insurance culture and the quality of services which can be created by the adoption of the bancassurance strategy and care and about its Process (how the bancassurance vision and strategies turn into reality). in addition of that the combining of bank and insurance services in one financial institution, brings multiple benefits to all involved sides and create a win-win strategy. finally, It is concluded that, Algerian economy where the insurance sector is wicketed by a several factors can be boosted by the bancassurance strategy as a new emerging challenge that need to be developed to beat or reduce the factors leading to the weak growth of the Algerian insurance sector.

After all, it is critical that the partnership model is aligned with both the bank's and insurer's capabilities and strategies. This includes fundamental issues, such as the desired customer experience, sales approach, and expected financial returns. Secondly, the partnership must be closely managed from the highest levels. It is imperative that senior management of the two companies liaise closely, that mutual targets are set, and that expectations are managed from day one. The benefits of bancassurance may take longer-than expected to emerge, and a good relationship will endure through the sometimes tricky early stages. Banks and insurers remain animals with very different risk profiles and capital needs.

They also often focus on different time horizons. A well-thought-through partnership between the two species is thus fundamental to success.

5. CONCLUSION

Many countries, especially developing countries, have been reforming their financial systems over the past two decades. These reforms have involved the removal of barriers to entry, the reduction of portfolio restrictions and lowering of directed lending requirements, and the general removal of many product limits. One of the most significant changes in the financial services sector over the past few years has been the appearance and development of bancassurance. Bancassurance is a consequence of the overall integration trend of the financial services sector. Banking institutions and insurance companies have found an interesting and profitable complement to their existing bancassurance activities. The success of bancassurance in Europe has been the impetus for many mergers and acquisitions around the world. The concept of bancassurance in Algeria is still in its emerging stage. But an incredible potential reveals that bancassurance in Algeria has a very bright future. Recently various innovations have taken place in the insurance sector to suit and satisfy the growing needs of various customers. So, there is every reason to be optimistic that bancassurance in Algeria will play a long inning. So, bancassurance; as a consolidation strategy, will definitely play a defining role as an alternative distribution channel and will change the way insurance is sold in Algeria. Then, the future bancassurance model in Algeria must be defined by a complex combination of strategic choices on each of the three axes (insurers, banks and customers). Algerian banking insurers must therefore define the most appropriate transformation strategy given their position and priorities, and identify, among the strategic priorities outlined in this report, which ones should be addressed first and at what pace. In addition of that, the global evolution of bancassurance in the last 3 decades has proved that it could assume many structures depending on the country of operation. Bancassurance, the result of insurance companies tying up with multiple banks, has emerged as a very important channel for distributing their products with nearly third or more of their premiums.

In Algeria, this new situation which is seen as a strategy that allow to creates new links between the two emerging activities, the establishment of a new dynamic, and even the emergence of win-win partnerships. By opting for this new mode of distribution, Algeria expects to realize the actual take-off of its bancassurance and thus catch up the cumulative delay. This desire for success is reflected in the announcement of important agreements between banks and insurance companies, both national and foreign, for the sale of insurance products on the Algerian market. As in all business situations, a proper strategic plan drafted according to the company internal and external environmental analysis and the objectives of the organization is necessary before any decision is taken. From the analysis of Algerian case, bancassurance is a promising direction of cooperation of the Algerian insurance company and the bank and still see reforms, which providing consolidation strategies insight to improve bancassurance performance for banks sectors and insurance sector which is wicketed by a several elements and factors that can be eliminated by bancassurance strategy. therefore

There is an awareness and the urge to use and try to develop a new products to harness the real bancassurance potential in Algeria and benefit from its advantages to develop the insurance sector. Algerian companies must give importance to the services marketing, reducing uncertainty, creation of insurance culture and the quality of services which can be created by the adoption of the bancassurance strategy and care and about its Process (how the bancassurance vision and strategies turn into reality). in addition of that the combining of bank and insurance services in one financial institution, brings multiple benefits to all involved sides and create a win-win strategy.

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