

# Bancassurance vs independent financial intermediaries. Role in distribution of investment products.

Awareness <  
Product offer <  
Distribution <

Singapore, 30.10.2023  
15th Bancassurance Summit 2023



## LET ME INTRODUCE MYSELF

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- Financial market practitioner with 17 years of experience in product management, projects implementation and sales network management.
- Gaining and enriching my experience in investment fund and insurance industry in PZU - the biggest Central and Eastern Europe Insurance Group , Nordea, Allianz and Phinance – the biggest Polish multi product intermediary. I was participant in many international product and process projects.
- Economic publicist and financial market commentator - author of more than 200 articles on capital market, investment fund market and insurance industry.
- Now, for over three years I am at Phinance S.A. responsible for creating an offer of investments products and managing sales force offering these products.

### **GRZEGORZ KALISZUK**

Head of the Investment Products Department | Phinance S.A.



# AGENDA

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## INVESTMENT PRODUCT AWARENESS

| KNOWLEDGE, EXPERIENCE, ATTITUDE TO RISK

## INVESTMENT PRODUCT OFFER

| PRODUCT OFFER & SERVICES

## DISTRIBUTION

AS-IS SITUATION, DEVELOPMENT DIRECTIONS

## LESSONS LEARNED AND KEY CONSIDERATIONS

| HOW TO MAKE IT BETTER

PROS & CONS

– can to integrate them?

How to select correct strategy  
to drive sales & profitability?

Why go Multi-Agency  
over Bancassurance Model?

## INTRO [1/5]

### | MAIN FIGURES OF FINANCIAL MARKETS IN POLAND – BANCA MARKET [as of 2022]



\*\*\* as of 12.2022

\*\*\*\* investment loan, shares in SPV, investment land,  
gold, silver



- Value of the bancassurance market  
>> **PLN 5.7 billion** (PLN 3.4 LH billion + PLN 2.3 PC billion) \*\*\*
- Banca's share in gross written insurance premium  
>> LH – 15.9%, PC – 4.4% \*\*\*
- Unit-Linked's share (in Phinance) in all newly acquired assets in a given year  
>> 6.6%
- Share of open and closed-ended funds (in Phinance) in all assets newly acquired in a given year  
>> 26.2%
- Share of alternative investments (in Phinance) in all newly acquired assets in a given year >> 67.2% \*\*\*\*

- 60% of banca premiums goes to LH – this contribute to 16,0% of whole LH polish market
- 40% of banca premiums goes to PC – this contribute to 4,5% of whole PC polish market
- Then banca contribution to insurance market in LH market is almost 4 times more important than on PC side

# INTRO [2/5]

## | MAIN FIGURES OF FINANCIAL MARKETS IN POLAND – BANCA MARKET [as of 2022]

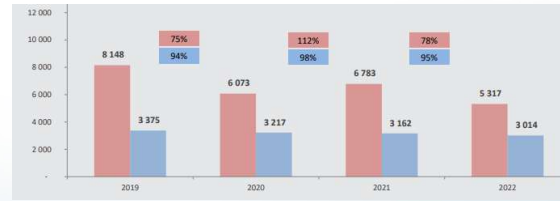
G1. Value of the written insurance premium | In bln PLN [1 EUR = 4,46 PLN]



Life insurance  
Property and casualty insurance

Source: Report of the Polish Chamber of Insurance - Polish Bancassurance Market, Q4 2022

G2. Average annualized investment insurance premium | In PLN [1 EUR = 4,46 PLN]



Contracts with single premium  
Contracts with recurrent premium

- For at least a decade we have been observing decreasing role of banca in the distribution of insurance and investment products.

- This trend is also resulting from decreasing average value of the annual premium.



- Value of banca market is shrinking and stopped at level of around 6 bln PLN for lat 5 years
- Shrinking value of banca market results also from decreasing average ticket/premium both in single and recurrent premium
- There are far less UL products on Polish market after coming into force new rule of Polish FCA – Product Intervention (these rules are mainly on how to construct product compliant to customer fairness boundary conditions)

# INTRO [3/5]

## | MAIN FIGURES OF FINANCIAL MARKETS IN POLAND – BANCA MARKET [as of 2022]

G3. Gross written premium value | In bln PLN [1 EUR = 4,46 PLN]



- We do observe decline in value of investment business in banca channel while protection business remains stable.

■ Investment premium in banca channel  
■ Protection premium in banca channel

- Share of protective products bundled with banking products is growing at the expense of decline in share of investment products

G4. Share of particular insurance groups in the premium (LH)



■ Investments  
■ Bundled with bank product  
■ Not-bundled with bank product

Source: Report of the Polish Chamber of Insurance - Polish Bancassurance Market, Q4 2022



- Pure protection banca insurance products push investment insurance products out of bancassurance business
- It is also clearly visible the share of insurance products offered in stand-alone formula is steadily growing

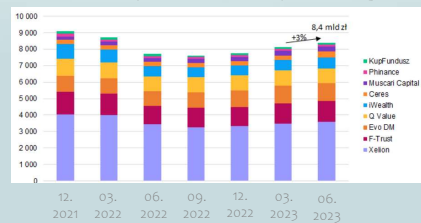
# INTRO [4/5]

## MAIN FIGURES OF FINANCIAL MARKETS I N POLAND – INVESTMENT FUND MARKET



- Number of brokerage accounts >> **1.67 million** (5.1% of adult Poles)\*
- Number of active Asset Management Companies/registered by Polish Financial Supervision Commission >> 39/62\*
- Number of investment fund participants >> **5.6 million** (2.2 million -> regular registers >> **6.7%** of adult Poles; 3.4 million > employee capital plans - PPK)\*
- Net asset value of investment funds (PLN **303 billion**)\*\* [1 EUR = 4,46 PLN]
- Open and closed-ended funds assets of independent distributors >> PLN 8.4 billion (market share 2.8% and growing)

G5. Assets of independent distributors | In mln PLN [1 EUR = 4,46 PLN]



Source: Anality.pl

\* as of 08.2023  
\*\* as of 09.2023  
\*\*\* as of 12.2022



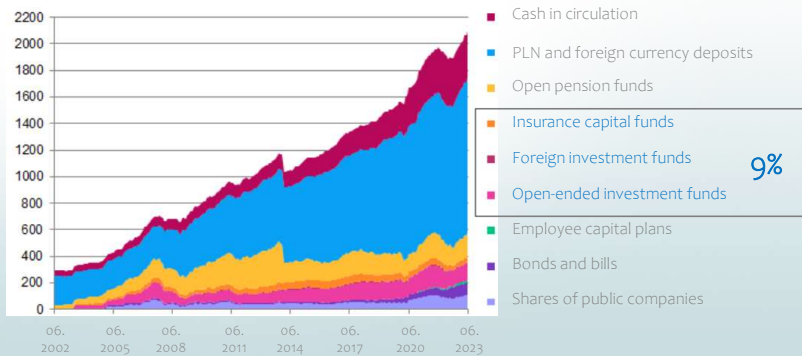
- What is most building the distribution power of independent intermediaries is growing and accounts to 2,8% (rest comes from banks, insurance companies, private investors directly, employee capital plans)

# INTRO [5/5]

## MAIN FIGURES OF FINANCIAL MARKETS IN POLAND – HOUSEHOLD FINANCIAL SAVING BREAKDOWN STRUCTURE



G6. Polish Household Financial Savings Breakdown Structure | In bln PLN [1 EUR = 4,46 PLN]



Source: Anality.pl

- Strong dominance of deposits and cash >> 72%
- Fixed share of capital market share >> 28%



- Around 72% of financial savings are not located most effectively since the yearly return on capital is always less the inflation
- Banks has direct impact on 76% >>  $(72\% + 43\% \cdot 9\%)$  >> go to slide #13) of polish financial savings



# INVESTMENT PRODUCT AWARENESS <sup>[1/3]</sup>

| KNOWLEDGE, EXPERIENCE, ATTITUDE TO RISK

Main market challenge >> customer awareness of financial market, related opportunities and risks. Results of Survey\*: **Level of Financial Knowledge of Poles 2023** are presented below.

The main areas of economic knowledge gaps are: \*

- cybersecurity (44% of respondents)
- **investing (33%)**
- loans and credits (24%)
- tax system (23%)
- pension system (13%)
- cashless payments (12%)

Respondents indicate the best sources of economic knowledge: \*

- **educational films and video materials (43% of respondents)**
- direct stationary meetings (40%)
- articles and infographics in the press or online (39%)

According to the respondents increase in economic knowledge will mainly contribute to: \*

- **better understanding of the mechanisms of the economy (53% of respondents)**
- better management of the household budget (48%)
- greater sense of financial security (45%)

Among the most well-known ways of saving for retirement, respondents indicate:\*

- **Employee Capital Plans (88% of respondents)**
- Individual Retirement Accounts (73%)
- Employee Retirement Plans (50%)
- Individual Retirement Security Account (33%)



\* Survey: **Level of Financial Knowledge of Poles 2023** organized for the sixth time by the Warsaw Banking Institute Foundation and the Warsaw Stock Exchange Foundation

## INVESTMENT PRODUCT AWARENESS <sup>[2/3]</sup>

| KNOWLEDGE, EXPERIENCE, ATTITUDE TO RISK

The main market challenge is customer awareness of the financial market, related opportunities and risks. Results of Survey\*: [Level of Financial Knowledge of Poles 2023](#) are presented below.

T1. Self-assessment of Poles' economic knowledge according to the Survey \*

Level of economic knowledge	RATING	2019	2020	2021	2022	2023
I.1   VERY BIG	*****	2%	3%	1%	4%	4%
I.2   RATHER BIG	****	7%	9%	11%	26%	27%
<b>I. TOGETHER   VERY BIG AND BIG</b>		<b>9%</b>	<b>12%</b>	<b>12%</b>	<b>30%</b>	<b>31%</b>
<b>II. AVERAGE</b>	<b>****</b>	<b>42%</b>	<b>36%</b>	<b>38%</b>	<b>33%</b>	<b>31%</b>
III. 1   SMALL	***	35%	35%	35%	29%	29%
III. 2   VERY SMALL	**	14%	17%	14%	8%	9%
III. 3   HARD TO SAY	*	0%	0%	1%	0%	0%
<b>III. TOGETHER   SMALL AND VERY SMALL</b>		<b>49%</b>	<b>52%</b>	<b>50%</b>	<b>37%</b>	<b>38%</b>

Source: Own study based on the Survey\*

\* Survey: [Level of Financial Knowledge of Poles 2023](#) organized for the sixth time by the Warsaw Banking Institute Foundation and the Warsaw Stock Exchange Foundation



- It is clearly visible the growing proportion of those who assess their knowledge as big and very big
- In lieu of the same reason the proportion of Poles assessing their economic knowledge as small and very small is decreasing significantly
- The reason of so are numerous programs, broadcasts we have had on TV stations on detrimental role of inflation and growing debt servicing cost

## INVESTMENT PRODUCT AWARENESS <sup>[3/3]</sup>

| KNOWLEDGE, EXPERIENCE, ATTITUDE TO RISK

How independent financial intermediaries and banks can address this challenge:

- Provide customers with **access to wide range** of financial instruments
- Build awareness of **need to build retirement savings**
- Use **preferred knowledge carriers**, such as webinars to educate and provide knowledge about mechanisms ruling the economy
- **Cooperate on educational programs** with the Polish Financial Supervision Authority, the Ministry of Finance, the Warsaw Stock Exchange, implementing, among others, the provisions of the Capital Market Development Strategy
- **Cooperate on educational programs** within associations such as: Chamber of Fund and Asset Managers (P), Association of Independent Financial Institutions (P), Chamber of Brokerage Houses (P), Chamber of Commerce of Pension Companies (P), Polish Chamber of Insurance (P), Association Polish Banks (P), European Fund and Asset Management Association, European Securities and Markets Authority and others



\* By decision of Polish Senate, establishing 2024 as the Year of Economic Education

## INVESTEMENT PRODUCT OFFER <sup>[1/1]</sup>

### | PRODUCT OFFER & SERVICES

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Investment and protection product offer should be wide, well-selected and best suited to the needs, knowledge and experience of our clients.

- Distributors should **select offer available on the market** taking into account the risk factors related to the issuer of the financial instrument and the financial instrument itself.
- The role of distributor cannot be limited only to offering the instrument >> it must primarily focus on **examining the client's needs** based on the adequacy survey and suitability survey [MIFID].
- Distributor must also **examine insurance needs** based on a customer needs survey, also taking into account ESG factors
- Distributor may also offer a **free investment advisory service**, adapting the offer to the current economic situation, indicating offer due to selection and allocation rules
- Advantage of independent distributors and multi-agencies lies in **access to very wide range** of solutions that do not involve sales KPIs and a large number of financial advisors, which results in fewer clients per advisor and therefore, better post-sales service.
- Independent distributors are already **taking full advantage of remote service tools using AI elements**, thus catching up with bank sales systems.



- Investment product offer is all about:
  - ✓ Provider Selection
  - ✓ Examining product needs
  - ✓ Free Advisory Service
  - ✓ Remote sales process

## DISTRIBUTION <sup>[1/2]</sup>

### | AS-IS SITUATION, DEVELOPMENT DIRECTIONS

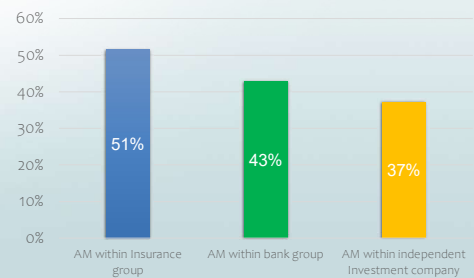
We do observe growing role of independent distributors in area of education, product offer diversity and sales volumes.

At the same time there is still strong dominance of investment product offer provided by companies within insurance and banking groups

- Funds managed by AM firms within **insurance group** (51% AuM\*) are distributed mainly by :
  - >> *banks*
  - >> *independent intermediaries*
- Funds managed by AM firms within **banking group** (43% AuM\*) are distributed mainly by:
  - >> *banks*
- Funds managed by **independent** AM firms (37% AuM\*) are distributed mainly by
  - >> *independent intermediaries*

\* Out of PLN 303 billion as of 09.2023

G6. AuM AM firms origin breakdown structure – product provider perspective\*



Source: Own study based reports provided by Analizy.pl

## DISTRIBUTION [2/2]

### | AS-IS SITUATION, DEVELOPMENT DIRECTIONS

Independent distributors provide increasingly rich offer, well-selected, non-standard and not related to banking products.

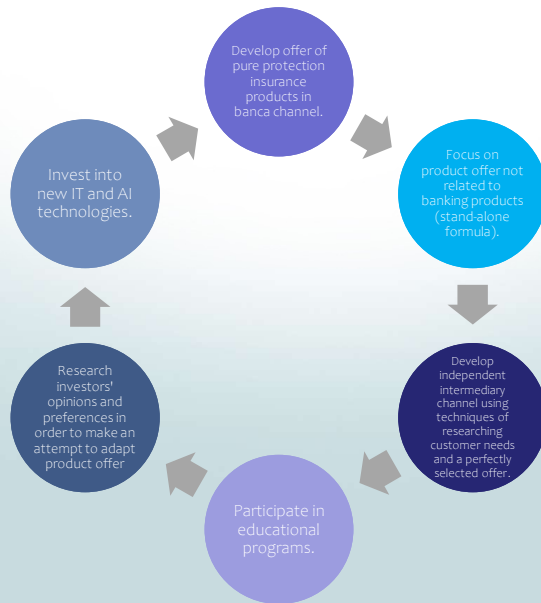
- Distribution volume of investment products (of insurance nature >> unit link) in banca channel is shrinking.
- Distribution volume of investment products (non-insurance open-end investment funds/stand alone offer) is still dominated by banks, but role of independent financial intermediaries in this respect is increasing (go to graph 5).
- Independent financial intermediaries provide wide range of investment products that are not funds, such as investment loans, shares in SPV, investment land, gold, silver and brokerage products (shares, bonds, structured certificates, closed-end investment funds of non-public assets).
- Willingness of independent distributors to implement new investment solutions remains much greater compared to banks. They follow trends and investor preferences.\*
- In addition to direct customer service, independent distributors also use remote tools widely.
- Independent financial intermediation market is seeing very large expenditures on IT in order to build relational databases, intelligent CRM systems, transaction platforms as well as product portfolio management platforms.



\* e.g. results from the Polak Investor Study: [www.polak-investor.pl](http://www.polak-investor.pl) (Appendix no.1 to this presentation)

# LESSONS LEARNED AND KEY CONSIDERATIONS [1/1]

| HOW TO MAKE IT BETTER



Thank you for your  
attendance & attention

Grzegorz Kaliszuk



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# APPENDIX 1

## | SURVEY „POLE INVESTOR” - RESULTS\*

### Statistical Pole...

- Invests but irregularly (**33% of answers**).
- Knows something about investments, but still not much (**37% of responses**).
- Makes investment decisions several times a year (**40% of answers**) based on analysis and knowledge (**40% of answers**).
- What motivates him to invest most is need to protect value of accumulated capital from inflation (**70% of responses**).
- Would start investing in an unknown instrument provided transparent information and a low entry amount (**over 50% of responses**)
- Trusts in a given financial instrument thanks to a transparent offer and solid expert analyzes (**over 50% of responses**) and obtains information about the investment market online (**60% of responses**) on specialist portals (**33% of responses**)

### In general:

- Subsidies from state and employer would encourage statistical Pole to save within Employee Capital Plan (**over 50% of answers**)
- Capital invested (excluding real estate) range from PLN 100,000 to PLN 500,000. PLN (**27% of answers**), and the value of real estate investments is up to PLN 100,000. PLN (**48% of responses**)
- New investor's portfolio would include Real Estate (**24% of responses**), Treasury bonds (**21% of responses**) and metals (gold, silver) (**20% of responses**).
- War in Ukraine resulted in prudent investment decisions and careful observation of the geopolitical environment (**45% of responses**)



\* results from the Polak Investor Study: [www.polak-inwestor.pl](http://www.polak-inwestor.pl) (Appendix no.1 to this presentation)