

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF COMMERCE**  
**MASTER OF BANKING AND FINANCE PROGRAMME**

**EFFECT OF BANCASSURANCE ON THE  
PERFORMANCE OF AYA MYANMAR INSURANCE**

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## **ABSTRACT**

This study focuses on the effect of bancassurance on the performance of AYAR Myanmar Insurance Company Limited. The study aims to identify the bancassurance practice in AYA Myanmar Insurance to examine the effect of bancassurance on the performance of AYA Myanmar Insurance Company. The study is based on the perceptions of 50 employees of AMI. Simple random sampling method is used. Most of the employees are middle aged and educated people. They have a lot of work experience at AMI and they know about the needs and wants of the customers. The study proves that all Bancassurance insurance products have the positive significant relationship with the performance of AMI. The study reveals that motor insurance has the greatest affect on the performance of AYA Myanmar Insurance (AMI). AMI should pay more attention to Bancassurance products as it increases the performance of the AYAR Myanmar Insurance. Among three Bancassurance insurance products, AMI should pay more attention to motor insurance and do more promotions for motor insurance since it has the greatest affect on firm performance.

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## **CHAPTER (1)**

### **INTRODUCTION**

One of the most significant changes in the financial services sector over the past few years has been the growth and development of bancassurance. With the opening up of Insurance Industry for foreign investments, the state owned insurance companies are facing tough competition. The competition is growing with the entry of global players having variety of insurance schemes to tap huge market available in Myanmar. Banks in Myanmar have a wider network with high level of confidence and trust among public. This made insurance companies to have distribution agreements with banks giving birth to the concept of bancassurance. Bancassurance is a business model in which the banks through their wide network of branches sell the insurance product of a specific company. The introduction of bancassurance is initiated with the concept that the banks with the customer base they have are able to tap the market very well.

In today's realm of customer service, reliability is an extremely important quality to have for any company. Reliability means the ability to perform the promised service dependably and accurately [Parasuraman et al., 2]. Reliability is one of the most fundamental aspects of customer retention. Because when a company fails to provide services as promised than it proves itself as unreliable. In such situation, customers will be easily persuaded to switch on to the competitor's company. Thus it is vital for a company to establish itself as reliable in service delivery. It helps to justify the customer why they should choose the company and retains the customer when tempted by offers by the competitors. Reliability is one of the most critical dimensions of service quality. It is directly related to overall service quality [Najjar et al., 2004].

In Bancassurance, reliability indicates staffs keeping accurate records such as premium records; staffs fulfilpromise in timely manner, trustworthiness of staffs, etc (Rajasekar & Kumari, 2015). Bancassurance is a knot between bank and insurance company. In this model bank sells insurance product with the help of its established network of branches. However, the banking sector in Myanmar now operates in a more competitive environment than ever before. Customers have a wider choice of less distinguishable products and they are much better informed. These elevate

customer's expectations on how companies should care for them. In this changed environment, creating new customers and retaining the existing ones have become difficult tasks for banks.

### **1.1 Rationale of the study**

Since 2013, 11 local insurers have been granted licenses to operate, while 14 foreign insurers have set up 30 rep offices in the country. In Myanmar, insurance penetration is still just under 0.1% of GDP, the lowest in this region. Banks also own two of the major combined life and non-life outfits, with KBZ Bank's IKBZ Insurance and Ayeyarwaddy Bank's AYA Myanmar Insurance. The other combined insurers are owned by holding groups or conglomerates: Grand Guardian Insurance is owned by Shwetaung Development; First National Insurance is a part of the Htoo Group of Companies.

For success and survival in this competitive environment, delivering quality service has become a step of paramount importance. This compels the banks to enhance their service quality while providing services to the customers. In terms of distribution channels, the market is developing, with a number of different models in play. For the time being the agency model will be the key channel for dealing with local customers and the preferred way to expand the operations of insurance companies in Myanmar. Bancassurance will be the next step insurance companies take to further expand their operations. An expanding market will naturally push for the development of bancassurance and I believe the regulator will legislate accordingly.

One of the challenges the insurance industry in Myanmar face is, non-educated agents those that only sell because of more commission, which they end up mis-selling the products. Myanmar is coming up with solutions now by introduction of Bancassurance.

Therefore, study on the challenges of revenue and channel diversification of AYA Bank and also suppose one stop service for customers in all financial needs. It is the rationale study on the effect of bancassurance on the performance of AYA Myanmar.

## **1.2 Objectives of the study**

The objectives of the study are as follows:

- (1) To identify the bancassurance practice in AYA Myanmar Insurance.
- (2) To examine the effect of bancassurance on the performance of AYA Myanmar Insurance Company.

## **1.3 Method and Scope of the Study**

The study is mainly focus on the effect of bancassurance of AYA Myanmar Insurance. Both secondary data and primary data are used. The primary data are collected by using structured questionnaire with 5-point likert scale. the necessary information relevant for the study. Structured questionnairie are distributed to 50 employees of 80 AMI bancassurance staff. For secondary data, official reports and records, journals, newspapers, magazines are assessed.

## **1.4 Organization of the Study**

The study attempts to explore the effect of bancassurance on the performance of AYA Myanmar Insurance. Chapter one introduces the topic with rationale, and objective of the study, theoritiae frame work, method and scope. Chapter two includes Theoretical background and research framework how to explore customers' perception of buying insurance service from bank. Chapter three presents the profile of AYA Myanmar Insurance which includes background information of bancassurance services. Chapter four includes the challenges of revenue and channel diversification of AYA Myanmar Insurance and also suppose one stop service for customers in all financial needs. Chapter five captures the summary of findings, suggestions and conclusion.

## **CHAPTER (2)**

### **THEORETICAL BACKGROUND**

This chapter presents the analysis of relevant research literature to analyze the effects of bank insurance and performance of insurance firms. The theoretical review, the empirical review and conceptual framework of the relevant variables under the study have been analyzed. This chapter consists of concepts plus their definitions on the theories and paradigms used in the research. According to Mugenda (2003), a theory is a set of statements that explain a group of facts or phenomena in which there exist a repeatedly tested or is widely accepted predictions about natural phenomena. This study on the effect of bancassurance and performance of insurance corporations will involve analyzing significance bank and insurance theories and key concepts.

#### **2.1 Bancassurance**

An effective bancassurance strategy acknowledges the fundamental cultural conflict between the bank and the insurance company by aligning the bank's interests with those of the insurance company. Without the bank's total commitment to the insurance strategy, any bancassurance program is doomed to fail. One of the more effective ways to achieve this commitment is for the bank to have an equity interest in the insurance company. With a stake in the financial results of the insurance operation, the bank has a powerful incentive to support the insurance strategy. The alternative approach, buying "shelf space" in the bank to sell insurance products, will rarely be as effective.

In any given situation, one of the four value drivers may greatly outweigh the importance of the others. In some cases, solving the cultural problem may loom especially large, while in others building an effective technology platform may be paramount. Bancassurers will need to consider all four, however, to achieve successful balance.

Bancassurance has blossomed across Europe with penetration rates ranging from 20 percent of pensions and life premiums in Germany to 73 percent in Spain, according to Data monitor. In the UK, around 10 percent of life insurance premium income is generated regularly through bancassurance channel. The success of bancassurance in European countries to date and its projected future growth are

eagerly trumpeted by investment bankers, particularly to clients considering entering the market. In their view, bancassurance is one of the primary beneficiaries of the global movement toward liberalization and subsequent integration of financial services. Clearly, the concept of one-stop shopping, or all fining, is more advanced in some European markets where the process of integration of financial services is further along. European experience shows that tax-advantaged insurance products with an emphasis on savings accumulation can be successful in the banking channel under certain circumstances. Protection products, such as pure term insurance, are rarely promoted, and the big sellers are investment products with an insurance wrapper. These products tend to compete with banking or investment products rather than other insurance products.

In some countries, such as France and Spain, favorable tax treatment affords bancassurance products competitive advantages. On certain pension products sold in Europe through banks, the tax advantages are substantial, sometimes even including deductible premiums. In the United States, where bancassurance has achieved more modest success, it is openly acknowledged that the market for annuities sold through banks and insurance agents would evaporate if the government withdrew the favorable tax treatment of these products. However, annuities continue to enjoy tax advantages, and the market for these products through the bank channel is booming.

The business model for bancassurance in Europe does not necessarily transfer to the regulatory and economic environment of a developing market. 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.

In developing markets, affluent populations are much smaller than their counterparts in North America or Europe. Although distribution models geared to wealthier bank customers exist, Bancassurers who pursue this segment of the market are forced to compete directly with traditional insurers. In a developing market, a strategy focused solely on affluent customers ignores the largest group of bank customers.

A successful bancassurance strategy focused on middle and lower-middle income segments of the bank marketplace requires insurers to rethink assumptions. To fully exploit the potential of the mass-market banking channel, insurers need new types of distribution, underwriting, administration, policy issue and delivery, premium collection procedures, customer service strategies and sales approaches. In bancassurance, technology must be combined with fundamental knowledge of insurance to develop processes unique to the banking environment.

The design and implementation of the distribution model is as important, if not more so, than product design in bancassurance (except for the few clients who require customized product solutions for individual financial planning needs). If an insurance or investment product offers basic protection or the promise of reasonable return at a fair price, consumers will buy it if the product, the distribution system and the channel are compatible. Low penetration of insurance in emerging markets is not a failure of product design, but a failure of the distribution system.

The diagram below demonstrates that products at varying levels of complexity require different distribution channels and cost structures. As products become more customized, the complexity of the product and the cost of distribution (expressed as the cost-per-customer contact) increases. As a result, the product and distribution system must also change. Complicated estate or retirement planning cannot succeed via direct mail, and it's not economically feasible to sell only accidental death through an external agency force. In a traditional sales environment, neither the company nor the agent can earn adequate profits selling a low-premium product (such as accidental death) because costs are too high. Conversely, a direct mail company can be

enormously successful selling an accident product with an average premium of only \$100 because the cost per solicitation can be kept low.

To be successful, the components of a distribution model must work together; product features and benefits, distribution costs and marketing channels all should complement each other. Bancassurers can tap all the channels identified in the model: direct mail, telemarketing, platform bankers, Internet, in-house specialists, Career Agents or professional financial advisors. The most effective bancassurance strategies will be driven by customers and channels, not products, and will leverage the bank's competitive strengths.

A customer and channel driven bancassurance strategy finds and engages buyers where they are found. No attempt is made to impose a preconceived product driven strategy. Traditional life insurers are often trapped: they create a product with features attractive to agents (such as high commissions), and then let the agents find appropriate target markets. This is a type of "top-down" product development approach. However, the bank channel requires an analysis of the market that starts at the bottom, with the customers, and works up.

A "bottoms-up" approach in bancassurance works differently. A customer and channel-driven strategy capitalizes on the existing relationship of trust and familiarity between the banker and branch customer and the frequency of branch visits. In emerging markets, the lower-income customers found in bank branches are usually wage-earners or small-business owners - the same type of customers ignored by most insurance agents.

Visiting local branches frequently, these customers often develop close relationships with branch managers or tellers. (Relatively few insurance agents achieve similar levels of trust with their customers.) Even in the United States, where Internet banking and automatic teller machines (ATMs) are omnipresent, 50 percent of bank customers have monthly contact with their local bank branch. In developing markets, these contacts are more frequent and personal and often come in the form of visits to a branch to perform simple transactions such as funds deposits or withdrawals.

The type of distribution channels that a company uses affects the design and pricing of its products, as well as the way in which the products are promoted and perceived in the marketplace. Some bancassurers started out by selling simple products which could be sold in large volumes, but which usually had low margins to

cover expenses and profits. If we compare how products and distribution are related to the profits of an organization, we will come to the conclusion that the more complex the products sold are, the higher the required margins will need to be.

Many banks entered bancassurance with a defensive strategy in their attempt to avoid market share erosion by insurance companies. Very soon, though, they realized that they could gain market share if they expanded their product range, developed a sales culture within their organizations, created a multi-channel distribution structure and exploited the potential of the customer information that can enable the identification of customer needs.

The managers of banks and of life insurance companies can come from quite different cultures. There may be differences in the way of thinking and business approaches of bankers and managers of insurance companies. These differences create a communication and implementation problem in bancassurance operations. Banks are traditionally demand-driven organizations with a reactive selling philosophy. Life insurance organizations are usually need-driven and have an aggressive selling philosophy.

It has been observed that this friction at the level of bank employees and life insurance salespeople arises from differing philosophies towards selling, the jealousies of bank employees regarding remuneration of life sales staff and fears of "cannibalization" of deposits, e.g. the bank employee fears that the salesperson encourages withdrawal of bank deposits, putting the bank employee's job in greater jeopardy. As a result the team spirit is negatively influenced and, since this is a crucial factor for the success of any operation, it has to be confronted.

Cultural differences between the banking and the insurance industries must be understood, respected and lived with in order for the bancassurance venture to succeed. The development of a single culture is another possible solution, but this requires a very strong commitment from the top management. This commitment must be continuously conveyed to all bank employees and life insurance agents. One way of achieving this is to develop a "statement of mission" for the new organization and to get the staff to commit to fulfilling this statement. This can help to ensure that there is a common path for the bank and the life insurer.

It seems very difficult for a single distribution channel to successfully reach the bancassurer's goals and specific target markets. Many bancassurers are using

multiple distribution channels. This way they avoid becoming locked into one channel and they can offer services to a greater number of target markets. Multiple distribution channels provide another valuable feature. They enable the enterprise to offer customers multiple options for access. Therefore, if a customer wants to see someone about a particular service on one day but wants to transfer funds at a later date, e.g. on a Sunday night, the availability of both branch office and 24-hour telephone access increase the service value to that customer.

However, conflicts may arise among the various channels and also within channels under a multi-channel system. To avoid this, it is necessary to ensure the following:

- (a) colleagues within a channel are motivated to cooperate
- (b) there is communication of the importance of every link in the distribution process
- (c) cultural differences are communicated and respected
- (d) the goals of every partner in the distribution process can be fulfilled by the process
- (e) the specific role and performance expectations of each channel member are clearly stated, understood and accepted
- (f) communication between channels is encouraged
- (g) channel leadership is strong and committed to success.

By completely integrating their distribution channels in accordance with an established model, companies can achieve substantial cost savings, improve productivity and ensure that all stakeholders, shareholders, customers and staff are satisfied.

The future of integrated distribution calls for the customer to be placed at the heart of the distribution network. The call centre and the agency no longer operate as separate channels. Rather a synergy is realised through realignment of roles and responsibilities and the creation of a new sales integrated sales process, maximising lead generation activity. Whatever the combination of distribution channels, the financial services company must seek to always improve the customer experience and deliver the service more cost effectively.

## **2.2 Products & Services of Bancassurance**

The strategic joint effort of banks and insurers to provide insurance services to bank's customers is an emerging concept that is growing globally and more so in the developing nations. The number of Kenyans with insurance is dismal and the industry has barely scratched the surface in terms of potential earnings. Majority of the insurance companies have and are utilizing bancassurance effectively as a distribution strategy by partnering with banks like Faulu Bank and UAP, Equity, Co-operative, NIC and KCB among others.

### **2.2.1 Bancassurance Life Insurance Products**

Life insurance is a way of creating an immediate estate for one's dependents. Insurance companies are financial institutions that function in the economy as part of the financial service industry. The industry is made up of banks, building societies, insurance brokers, pension funds, fund management companies, stock brokers, real estate companies, savings and credit societies etc. It has an important effect on the performance of Kenya's economy contributing approximately 11% of the Gross Domestic Product (GDP) with insurance contributing 3% to the GDP (IRA, 2012).

Insurance promotes financial stability of individuals, families, and organizations by indemnifying those who suffer loss or harm. An investigation on the role of bancassurance in Indian life insurance business was carried out by Paramasivan and Naidu (2014). The study adopted descriptive research design to understand the role of bancassurance, customer awareness, satisfaction, awareness and perception towards life insurance. Through SWOT analysis the study revealed despite huge uninsured population, innovative products development and cheaper channels of distribution there were low levels of consumers' awareness, inflexible products development, heavy premiums and negative perception towards insurance products. Since there was a new target population of 70%, trusted banking channel distribution approach and positive response towards new products showed that there was need to develop innovative methods of selling insurance products, motivate employees to distribute insurance products and create investment options to draw more customers. An investigation on the effect of bancassurance on the performance of insurance firms in Kenya was carried out by Chepkoech and Omwenga (2016). The study hypothesized that bancassurance had significant influence on liquidity,

profitability and customer base. In this study descriptive research design was adopted, primary data collected through use of questionnaires and simple random sampling was used to select 87 respondents who hailed from 10 insurance companies. Descriptive and regression analysis were used to analyse the data. Results of the study revealed positive and significant relationship between bancassurance and customer base, liquidity and profitability. It would have been appropriate to adopt exploratory factor analysis prior to regression analysis. The use of a sample of 87 may not have been a true representative of insurance beneficiaries of bancassurance products. Since insurance companies have differentiated products it would have been appropriate to have its influence on specific insurance products.

An analytical investigation was carried out on the influence of life insurance in relation to bancassurance by Verma and Balla (2012), the study specifically explored factors such as low insurance penetration, huge untapped market, increasing population growth and financial liberalization. By adopting panel research design the study drew secondary data from annual financial records, the study findings revealed significant influence of Indian economy and financial regulators. The study concluded on the need to have a consensus on policies geared towards increasing insurance penetration as such to yield a win-win situation to both service providers and regulators. It would have been appropriate to carry out both short run and long run relationships examination. Moreover, diagnostics tests ought to have been carried out prior to fitting the hypothesized model.

### **2.2.2 Bancassurance Motor Vehicle Products**

The motor vehicle insurance products are the most form of embraced policy in the insurance market, due to liability and government policy in which every motor vehicle owner must be insured. Through the years, it has been noted that there exists cut-throat competition in the insurance industry. In specific, motor vehicle comprehensive insurance rates have been changing over the years. In 2007, the rate employed on motor vehicle comprehensive insurance was 7.5% of the motor vehicle value, whereas in 2014, this rate had gone as low as 3.5% of the motor vehicle value. In contrast, the motor vehicle third party insurance rates have been constant at a rate of Ksh 2,500 per month for a small vehicle and Ksh 7,500 per year for the same motor vehicle. Premium pricing especially for the motor vehicle class of insurance is not risk based and hence not in tandem with insurable risk for example expected claims.

An empirical examination on the effects of bancassurance in performance of insurance companies in Kenya was carried out by Nyawiri and Muoni (2015). Specifically, the study sought to examine the effect on employee skills, revenue growth, customer base and competition. The study hypothesized that through exploitation of an already existing customer database insurance companies are able to gain competitive edge on their product lines, retain and attract more customers and increase their revenue base. By adopting descriptive research design, purposive sampling and use of questionnaires the study collected primary data from employees hailing from Jubilee, CIC and UAP insurance from their respective marketing department. Descriptive and inferential statistics revealed that bancassurance had significant effect on revenue growth, customer base and competitive advantage. It would have been paramount to adopt both exploratory factor analysis and regression analysis instead of chi square test to examine the effect. Through regression analysis it would have been possible to show the nature of the effect. It would have been appropriate to adopt both simple and cluster sampling instead of purposive sampling to draw the respondents as such to give all respondents equal chances of being selected and scientifically select them depending on insurance size as per employee numbers.

Dionne (2009) isolates the major risk management problems in motor vehicle as lack of incentive contracts in the presence of informational asymmetry, poor valuation of structured products by rating agencies, poor pricing of complex financial products and poor regulation of structured finance. Kuzrma (2007) concluded by saying that motor vehicle risk management includes minimizing the risk as well as maximizing the firm's value. Companies and motor vehicle owners can use internal activities to protect themselves from risk that will also be beneficial to insurance companies; however, the risk positions of motor vehicle to insurance company exposes their customers to a great risk despite the institutions intending to increase their return.

Kiptis and Wanyoike (2016) investigated the relationship between bancassurance and financial performance of insurance companies in Nakuru town. By adopting descriptive research design, simple and purposive sampling to select 180 employees hailing from 8 commercial banks, further, structured questionnaires was used to collect primary data. Both descriptive and regression analysis were used to analyse the data. Results of the study revealed that bancassurance had significant

influence in performance of commercial banks in Kenya. It would have been appropriate to segregate bancassurance products into different insurance products services and evaluate independent influence of each product. Since this is a strategic move to distribute insurance it would have been paramount to evaluate its influence on level of information asymmetry in motor vehicle related products.

Kamau, Karimi and Kinyanjui (2016) examined the nexus between bancassurance awareness and performance of commercial banks in Kenya. The study used descriptive research design, simple random sampling to select 288 respondents hailing from 12 commercial banks which had adopted bancassurance. Primary data was collected through use of structured questionnaire. Both descriptive and regression analysis were used to analyse the data. Results of the study revealed a positive and significant relationship between bancassurance awareness and performance of commercial banks. This study was in support of financial intermediation theory and it lowered transaction cost and minimized risk exposure since information asymmetry was evaluated through use of existing database. Although, the study investigated the nexus of bancassurance it would have been paramount to evaluate the effect of bancassurance on specific type of insurance policy offered.

### **2.2.3 Bancassurance Fire Products**

Property is an alternative investment which does not possess the risk and returns characteristics of traditional investments such as quoted shares and fixed income and are therefore used to diversify investment portfolios (McKeown, 2008). Property investments include both land and permanent fixtures such as buildings that categorically falls within home property. The gains from property investments contribute to the overall investment income of an insurance company.

Investment income is one of the two major components which contribute to the overall profit before tax on the income statement of an insurance company with underwriting profit from insurance operations being the other. During periods of low housing investments margin performances, it is essential that the investment income generated through property and other asset classes are sufficient to make up for the underwriting losses for insurance companies. Everis (2009) notes that insurance companies with large asset bases report more investment income, gains through property investments and as a result a higher amount of profits before tax compared to

smaller firms. Investment income for these larger firms takes up a larger portion of the overall profits compared to underwriting profits which are generated purely through insurance business.

An examination of the factors influencing demand of corporate insurance in Iran. By adopting panel research design, secondary data was retrieved from annual financial statements on hypothesized factors which were “transaction costs, expected bankruptcy costs, tax optimization, firm size and share ownership, debt to asset ratio (leverage), under-investment and type of industry”. Results of the study revealed that there was a significant relationship between firm size, transaction costs and insurance uptake. To minimize operational costs the study recommended adoption of alternative distribution methods which are geared towards minimization of operational costs.

Kiyak and Pranckevičiūtė (2014) carried out causal survey on purchase of non-life insurance in Lithuanian. By adopting descriptive research design, primary data was collected through use of structured questionnaires. Simple random sampling was used to select a sample of 420 respondents. Descriptive analysis, Pearson Chi-square test and Cramers V were used to analyse the data. Results on the study revealed that the purchase of insurance products is inhibited by high costs and unclear set conditions. Further, the results of the study revealed there was no significant relationship between decisions to be insured and knowledge to understand pricing of insurance products. The study recommended the purchase of insurance products can be intensified through improvement on distribution networks.

An investigation of the determinants of flood insurance purchase amongst home owners in Malaysia was done by Aliaga et al. (2014). Through, discriminant analysis the study revealed that the choice of insurance product was mainly influenced by flood risk exposure, subjective risk perception and socio-economic factors. The main determinants of purchase of insurance was mainly influenced by flood exposure, it was recommend that to intensify the uptake of insurance products there was need to improve on the channels of distribution. Through alternative channels of distribution such as bancassurance it would be easier to evaluate the risk exposure by use of past history in financial services access.

### **2.3 Performance of Bancassurance**

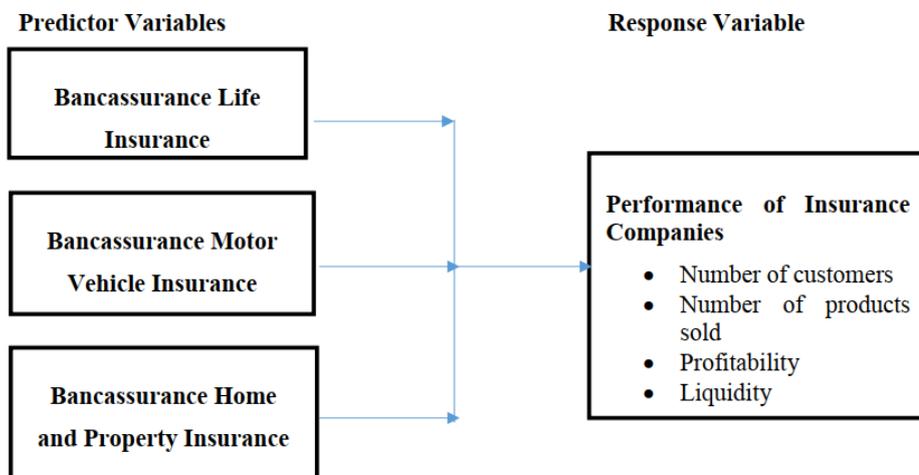
Competition and excessive risk in the financial sector have risen steadily leading to financial crises in many parts of the world. As a result, this triggered the development of literature on ways to minimize risk in financial intermediation and improve financial stability of banks. A number of approaches and strategies to effective risk management in the financial sector have been adopted. Various commercial banks and other entities in the financial sector have adopted portfolio diversification as a means of enhancing their overall financial performance.

The global banking industry and financial sectors have experienced turbulent market conditions, market deregulation, stiff competition, technological advancements and reduced trade barriers thereby necessitating banking product diversification. As such, many commercial banks have resorted to diversifying their portfolios in order to stay afloat and maintain or enhance their profitability. Nonetheless, bank performance still remains to be an issue of concern since, lately, not all the banks have maintained or significantly improved their performances (Otieno, & Moronge, 2014). Bancassurance is one of the diversification strategies adopted by commercial banks in Kenya. Whereas a number of studies have been conducted in developed economies on the influence of bancassurance on bank performance, scanty empirical evidence exists on the developing economies like Kenya. However, there is evidence to the effect that the Banking sector in Kenya has experienced insignificant growth and unstable financial performance. For example, the aggregate financial performance of the banking sector in Kenya has been recorded below the industry estimates since in less than a year, some banks have registered poor performance, three banks have been put under receivership and others acquired. However, listed commercial banks have recorded Earnings Per Share (EPS) growth in the financial year 2016 rated at 4.4% compared to 2.8% in the previous financial year and a 5-year average of 13.9% still falling below the expected 14.6% growth rate. Besides, the banks gross loans and advances as well as deposits grew at slower rates compared to the expected five-year average growth rate of 14.6% despite the attempts by the banking sector to resuscitate the banks' financial performance through portfolio diversification.

## 2.4 Previous Studies

Previous studies are important in order to develop the conceptual framework for the current study. Njeri (2017) did the research titled “Effect of Bancassurance on the Performance of Insurance Companies in Kenya”. The study sought to analyze the effect of bancassurance on the performance of insurance companies in Kenya. The specific objectives of the study were to determine the effect of bancassurance in life insurance, motor vehicle and home and property products on the performance of insurance companies in Kenya. The study was hinged on theory of push and pull and market mix theory. Simple random sampling was used to draw 106 respondents from 55 insurance companies in Kenya, from whom primary data was collected with a structured questionnaire. Descriptive, correlation and regression analysis were used to analyse the data. Figure (2.1) presents the conceptual framework developed by **Njeri (2017)**.

**Figure (2.1) Conceptual Framework of the Study**



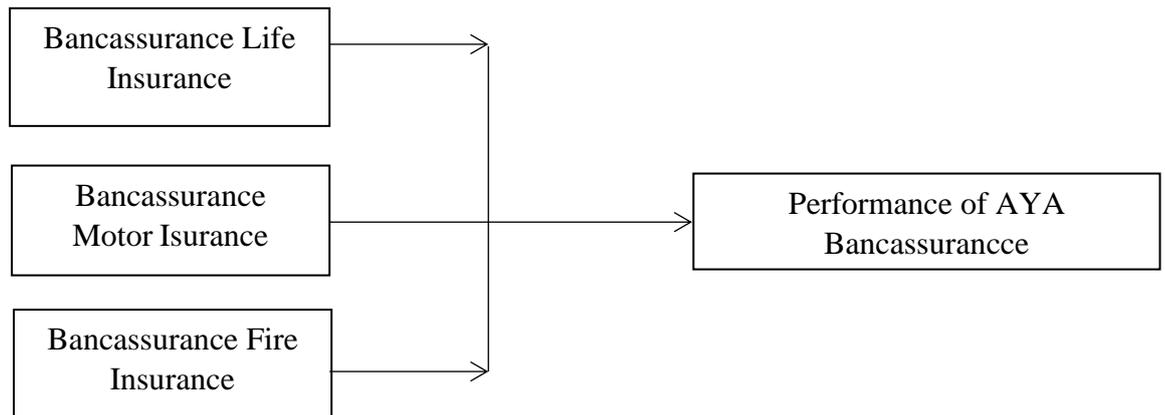
Source: Njeri (2017)

Results of the study revealed a positive and significant relationship between bancassurance life insurance products, motor vehicle insurance products and insurance performance while home and property insurance had positive and not significant relationship.

## 2.5 Conceptual Framework of the Study

The conceptual framework is developed based on the previous study and literature review. The conceptual framework is considered to meet the objectives of the study. Figure (2.2) presents the conceptual framework of the study.

**Figure (2.2) Conceptual Framework of the Study**



**Source: Adapted from Njeri (2017)**

According to Figure (2.2), there are three independent variables namely bancassurance life insurance, motor insurance and fire insurance while dependent variable is the performance of AYA Bancassurance. This study finds out the relationship between independent variables and dependent variables by using regression model in SPSS version 22.

## **CHAPTER (3)**

### **PROFILE OF AYA MYANMAR INSURANCE (AMI)**

This chapter describes are concerned with the study on the background condition of AYA Myanmar Insurance and it services. There are four sections the insurance industry service in AYA Myanmar, corporate profile, mission and bancassurance product and services provided by AYA Myanmar Insurance.

#### **3.1 Corporate Profile of AYA Myanmar Insurance**

Since inception in 2013, AMI has been a leading insurer in Myanmar for both Life and General Insurance. AMI is committed to helping individuals and families in Myanmar to live in helathier and happier lives. They aim to deliver heigh quality service and innovative products through internal and external distribution channels to assist both individual and corporate customers to protect their lives and assests from the uncertainties of tomorrow.

AMI also engage in talented workforce with both domestic and internation exposure and maintain human capital development as our utmost priority in order to ensure ling term sustainable growth of the company and the industry for the benefit of all stakeholders. As your Parner for Life, AMI amis to ensure the country's key lifelines by providing professional and reliable service, footed on a rock-solid financial background. Through it experience, the company understand the needs of clients and aim to play an integral role in assuring their furtures. AMI is beyond an insurance company; it form a part of shaping Myanmar's furture.

AMI provides a wide range of services nationwide through our business channels – Head Office in Yangon, Regional Offices in Mandalay and Nay Pyi Taw and at more than 50 AYA Bank branches across Myanmar. AMI aim to conduct businesses based on 3 main pillars; innovation, capacity building and creating insurance awareness across Myanmar. AMI cater to all age groups and businesses, providing protection against uncertainties. The company provide utmost convenience to customers by ensuring easy and simple underwriting processes, premium payment can be made nationwide across all AYA Bank branches or through mobile or internet banking anytime, anywhere. For the convenience of motor insurance customers, it provide customers with a wide range of workshops at different regions in Myanmar.

The customer Service Team is available 24 hours to assist with your needs, providing with customer support 24/7.

AMI is the insurer of choice for individual and corporate customers who are looking for efficient, reliable and personalized service of utmost convenience. The company aim to deliver high quality service and innovative products through internal and external distribution channels to assist both individual and corporate customers to protect their assests from the uncertainties of tomorrow. It also engage in talented workforce with both domestic and international exposure and maintain human capital development as our utmost priortiry in order to ensure long term sustainable growth of the company and the industry for the benefit of all stakeholders.

The outlook of 2018 Myanmar insurance industry seems positive as plices to liberalise the market that were not implement in 2017 could probably materialize by the end of this year. In the “Aian Insurance Market Report 2018” the global multinational risk management, insurance brokerage and advisory company says that it is also expected, local private insurers would be able to transact outward reinsurance to manage their risk which will then create greater opportunities for the overseas market.

The industry believes, the entry of foreign insurance companies, either as joint ventures or independently, will provide the major long-term advantages and will also inject much needed knon-how and capital to enable the sector to meet the needs of the population. Despite the presence of numerous foreign and locl players, the market stands in a stable-holidng pattern presently, awaiting more of equitable regulations to free up the major demands in end-state controlled pricing and range of products, two key areas that most local private insurers find challenging. While waiting for authorities to implement the needed and liberalized laws of the industry, many players in the local market are now emphasizing on training staff, building up IT and management systems in preparation for the sector’s future gains.

AMI currently ranked 3<sup>rd</sup> position among private insurance companies in Myanmar by offering a full range of insurance products, including Life and General insurance, Property & Casualty and Health for both individual and group customers. As AMI aims to fulfill of customers’ needs and to be reggonized as your Partner for Life. AMI now operates at more than 39 cities across Myanmar with equal and

mobilized career opportunities to over 440 employees in service nationwide through our business channels.

### **3.1.1 Corporate Values**

At AMI, the company is guided by the following corporate values, RICE and they describe our company as it want it to be. Our decisions and actions reflect these values that are instilled in us and believe that in putting these values into our practices, it create long term benefits for company's shareholders, customers, employees and the communities that it serve.

**(i) Reliable**

The company can be trusted to plan for your life and protect it against the uncertainties of tomorrow

**(ii) Innovation**

AMI continuously strive to improve products and services to serve customers better

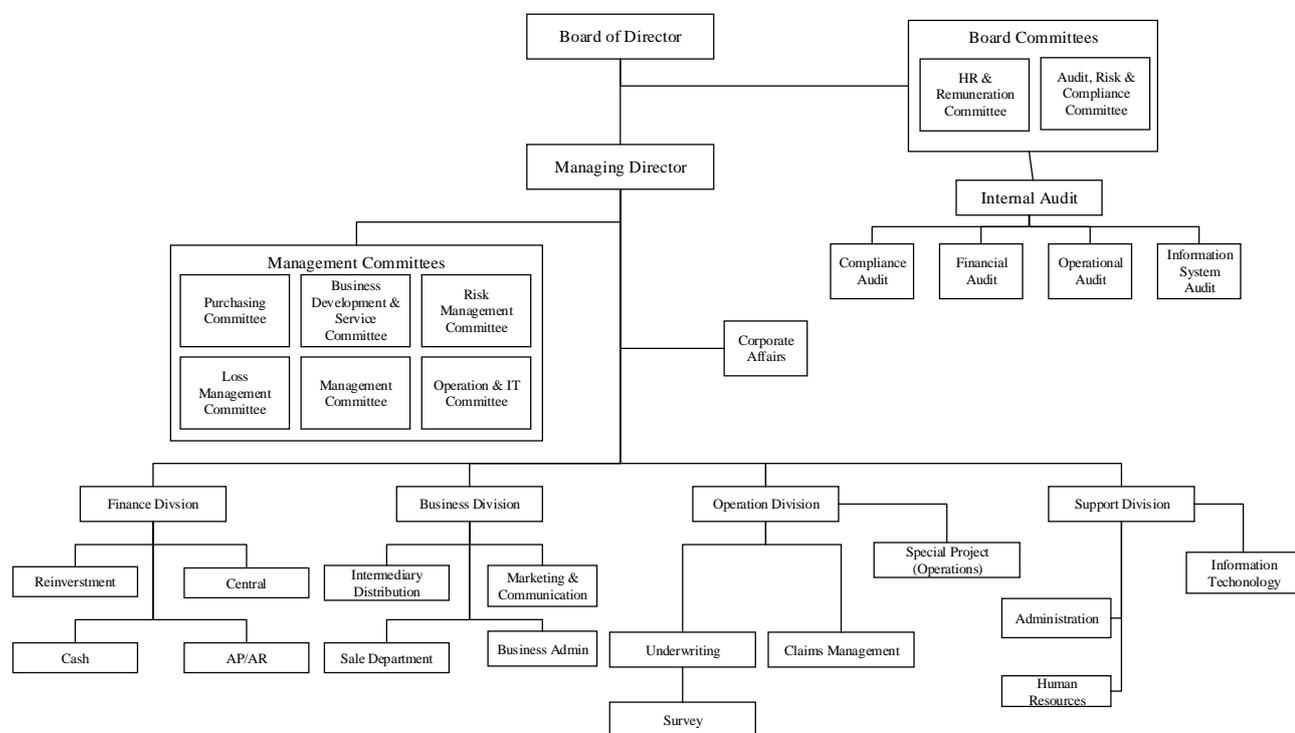
**(iii) Customer-Centric**

Company undertand the customers' needs and provide them with the best solutions at the highest level of convenience to our customers.

**(iv) Ethical**

AMI conduct it business with the highest standard of behaviour, acting in honesty and fairness in all aspects of work. The company fulfill commitments as responsible citizens and employees. The company will consistently treat customers and company resources with the respect they deserve.

### 3.1.2 Organization Structure of AYA Myanmar



Source: AYA Myanmar Insurance (2018)

## 3.2 Bancassurance Products and Services

AYA Myanmar Insurance is one of the first insurers to obtain an approval from the regulators to initiate Bancassurance pilot project, a provision of AMI distribution channels to sell insurance products through AYA Banks in late 2017. Despite the natural convergence between AYA Bank and AMI service centers in all major cities across Myanmar, AMI believes the adoption of bancassurance as a distribution channel would boost a significant growth to Myanmar Insurance penetration and will bring comprehensive insurance and financial advisory services under one roof with an easy access for claims as customers visit banks regularly.

### 3.2.1 Comprehensive Motor Insurance

With the increase in number of cars on the road, it is vital that you have your vehicle insured to safeguard against loss resulting from unforeseen incidents and

accidents. Comprehensive Motor Insurance package provides you with all the necessary coverage for you and your vehicle.

At AMI provide all the essential covers for different types of vehicles. These are private cars, commercial vehicles, buses & coaches, agriculture & forestry tractors.

**(i) About**

Vehicle owners and joint-owners are eligible to purchase Comprehensive Motor insurance to protect its own vehicles. The policy provides protection against loss resulting from unforeseen incidents and accidents.

**(ii) Benefits**

Compensation for loss of or damage to the policy holder's vehicle; the claim payable is up to the total repair cost of the insured vehicle borne by the insured.

Death & Injury Benefit for the Passengers of the insured vehicle, death benefit – Lump Sum payment of 1,000,000 kyats and Injury benefit – Compensation is payable according to scale of injury prescribed by the Regulatory Body subjected to certified doctor's assessment.

**Third Party Compensation**

- (a) Death benefit – For loss of one life of 3rd Party, the maximum claim payable amount is 1,000,000 kyats.
- (b) Injury benefit – Compensation is payable according to scale of injury prescribed by the Regulatory Body subjected to certified doctor's assessment
- (c) Losses or Damages of property owned by 3rd Party – The claim payable is up to a reasonable cost of repair for the damaged property, or value of the lost property.
- (d) 3rd Party liability is limited to maximum amount of 50,000,000 kyats for one event.

**(iii) Coverage**

- (a) By accidental collision or overturning
- (b) By fire, external explosion, self-ignition or lightning
- (c) By impact damage
- (d) By malicious act

- (e) Whilst in transit by road, rail, inland waterway, lift or elevator

**(iii) Additional covers**

- (a) Windscreen (Compulsory)
- (b) SRCC (Strike, Riot and Civil Commotion) (Compulsory)
- (c) Acts of God (Flood, Windstorm, Earthquake and etc.)
- (d) War risks
- (e) Theft

**(iv) Insured Period**

The term of the policy will be from 3 months to 1 year and can be renewed on a yearly basis

**(v) Footnotes**

Total sum insured amount may vary depending on usage, value and engine cubic capacity of the vehicle. Customer can also buy additional covers by paying additional premium. Customer is not eligible to claim for the damages when unlicensed or unauthorized person is driving the vehicle and causing an accident. Customer is not eligible to claim for the damages when driving under the influence of intoxicating liquor or drugs

**(vi) Eligibility**

Any vehicle owner is eligible to buy the coverage are private cars and commercial car

- (a) Goods carrying vehicles
- (b) Hired cars
- (c) Buses & coaches
- (d) Vehicle of special construction (Special Types)
- (e) Agriculture & Forestry tractors

**(vii) Premium**

Premium amount may vary depending on usage, value, engine cubic capacity of the vehicle and the insured period of the vehicle. For Private car, Premium amount will be around 0.8% to 1% of total sum insured and must be paid by lump sum payment yearly. For Commercial car, Premium amount will be around 1.4% to 1.6% of total sum insured and must be paid by lump sum payment yearly. If a customer

insures above 10 vehicles, there will be fleet discount of 10% on the basic premium under the same ownership.

**(viii) No Claim Bonus**

A No-Claim-Bonus is a discount on the insurance premium as a bonus for not having made a claim against one’s policy.

**Table (3.1) No-Claim Bonus**

Policy Year	Private Car	Commercial Car
1st Year	No Bonus	No Bonus
2nd Year	25% of Basic Premium	15% of Basic Premium
3rd Year	30% of Basic Premium	20% of Basic Premium
Subsequent Years	40% of Basic Premium	25% of Basic Premium

Source: AMI (2019)

**(ix) Required documents for comprehensive motor insurance**

Owner book, Wheel tax, Driver’s driving license and other necessary documents

**(x) Application Process**

- (a) Contact AMI or Authorized Agents
- (b) AMI receives and verifies information
- (c) AMI staff or Agent introduces policies
- (d) Understand customers’ needs
- (e) Detailed explanation on required policy
- (f) Complete proposal form and necessary documents
- (g) Vehicle inspection and approval process
- (h) Premium payment
- (i) Customer evaluates recommendation & selects preferred policy  
Upon confirmation, staff will follow-up with checks/ assessments.
- (j) sign up & policy takes effect

**(xi) Claim Process**

- (a) Inform AMI immediately hotline phone no. (09-429305224)
- (b) AMI evaluate the case
- (c) AMI verifies all necessary information
- (d) Claim approved
- (e) AMI paid out the claim

**(xii) To inform AMI immediately if the following changes occur:**

- (a) Change of the ownership of the vehicle
- (b) Variation of the value of the vehicle
- (c) Changes on the location of the vehicle's owner

**3.2.2 FIRE INSURANCE**

To protect property from loss occurrence arising from fire and lightning, it is important that the company insure its properties. Fire Insurance protects businesses and homeowners against unexpected losses of real and personal property due to fire or lightning. Owner, Joint Owner, Spouse of Owner, Mortgagee and Mortgager of the property are entitled to purchase this policy. At AMI provides a comprehensive coverage for your property including stocks, equipment and furniture.

Fire insurance policies insure businesses and homeowners against unexpected losses of real and personal property due to fire or lightning.

**(i) Benefits**

Total Loss can obtain compensation up to the amount of sum insured for total losses of or damage to the insured property.

Partial Loss compensation up to the actual value of the property destroyed by fire or insured perils will be paid to the insured.

**(ii) Insured Period**

The term of the policy will be from 10 days to 1 year and can be renewed on a yearly basis.

**(iii) Footnotes**

Total sum insured may depend on the building class and current market value of the property. Fire insurance provides coverage for the following assets based on (a) agreed value or (b) market value of the property. Building, Stocks & other contents, Machinery equipment, Movable and immovable fittings, On stock-in-trade and Household goods & furniture.

The following losses of property are covered under Standard Fire Policy:

- (a) Loss of or damage to the property directly caused by water or other extinguishing agent.
- (b) Damage to the property during the removal of property from the burning building.

(c) Damage to the property due to the demolition by the firefighters in order to deter the spread of fire.

Customer can buy additional covers by paying additional premium

- (a) Riot Fire, Riot Strike damage including fire and malicious damage (0.06%)
- (b) Aircraft damage (0.10%)
- (c) Impact damage (0.10%)
- (d) Subsidence and landslide (0.10%)
- (e) Earth-quake fire, fire and shock damage caused by Earth-quake (0.10%)
- (f) Explosion (0.10%)
- (g) Spontaneous Combustion (0.08%)
- (h) Storm, Typhoon, Hurricane, Tempest (0.20%- 0.25%)
- (i) Flood and Inundation (0.10%)
- (j) Burglary (0.25%-1.00%)
- (k) War Risk (0.10%)

The insured is entitled to be indemnified the total loss or partial loss and benefits mentioned.

**(iv) Eligibility**

Any person who owns a property or who has a legal obligation over safety of a property can buy the coverage

**(v) Premium**

The premium amount may vary depending on building class, occupation of building, surrounding of the building and total sum insured. Premium amount will be around 0.28% to 3.6% on total sum insured and must be paid by lump sum payment yearly

**(vi) Premium payment**

Premium must be paid by lump sum.

**(vii) No Claim Bonus**

A No-Claim-Bonus is a discount on the insurance premium as a bonus for not having made a claim against one's policy.

### **3.2.3 Health Insurance**

To provide coverage for cost of hospitalization

#### **(i) Eligible Person**

Any person whose age is between 6 to 65 years old , Myanmar Nationality, Foreigner who is living in Myanmar and for person age between 6 – 18 years, parents (guardians) must buy the policy for them

#### **(ii) Beneficiary**

Policy holder or parents (guardians) if insured person is age between 6 to 18 years and a person designated as the recipient of funds if policy holder pass away during the treatment

#### **(iii) Insured Period**

1 year from the date of premium payment until 12:00 midnight on the last day of policy.

#### **(iv) Premium Rate**

MMK 50,000 per annum per unit (Max. 5 units per customer)

#### **(v) Benefits**

For one unit of medical insurance MMK 15,000 per day for any hospital stay (Up to 30 days in a year) and MMK 1,000,000 for any accidental death and death during hospitalization period Eligible to purchase maximum of 5 units to get higher coverage

#### **(vi) Hospital**

Hospitals in Myanmar authorized for inpatient treatment by Ministry of Health, Myanmar

#### **(vii) Exclusions from Benefits**

Hospitalization for birth, abortion and any other pregnancy related treatment and person who has pre-existing health problem or who has received instruction from a certified doctor to get a treatment 3) Hospitalization due to mental illness

- (a) Any other medical check-ups Any consultation and medication for treatment to get a child
- (b) Any dental care and dental surgery except for the accidental injury
- (c) Any vision care except for the accidental injury
- (d) Any cosmetic surgery except for the accidental injury
- (e) Using of Hearing Device

- (f) Any hospitalization or operation cost regarding the congenital or anomalous disease
- (g) Any hospitalization or death due to usage of addictive drugs
- (h) Any hospitalization or death due to involvement in crime activities
- (i) Any hospitalization or death due to AIDS/HIV
- (j) Any hospitalization or death at foreign country
- (k) Any hospitalization, injury or death due to war and any related activities
- (l) Any hospitalization which is less than or equal to 3 days 17) Other fraudulent claim

**CHAPTER 4**  
**EFFECT OF BANCASSURANCE ON PERFORMANCE ON PERFORMANCE OF**  
**AYA MYANMAR INSURANCE COMPANY**

This chapter presents the profile of the respondents and employee perception towards the products that affect on the performance of AYA Myanmar Insurance (AMI) Company.

**4.1 Research Design**

This research is empirical in nature and it is conducted through questionnaires. This study measures the effectiveness of bancassurance on the performance of AYA Myanmar Insurance. It will be answered with the help of a questionnaire in which all the important variables are included. Since the study is related to the effectiveness of agriculture credit of the customer so the targeted population in order to collect the data, is the employees of AYA Myanmar Bancassurance. The study is mainly focus on the effect of bancassurance of AYA Myanmar Insurance. Both secondary data and primary data are used. The primary data are collected by using structured questionnaire with 5-point likert scale. the necessary information relevant for the study. Structured questionnairie are distributed to 50 employees of 80 AMI bancassurance staff. The results are presented by mean and standard devitation scores for the second part. If the mean score is higher than 3.0, the repondents have a positive perception with the questions.

**4.2 Profile of the Respondents**

The profile of the respondents who are currently working at the AYA Myanmar Insurance Company Ltd. Table (4.1) presents the demographics data of the respondents.

**Table (4.1) Demographic Data of the Respondents**

Sr.No	Particular	No. of Respondents	Percent
	Total	50	100
1.	Gender : Male Female	25 25	50.0 50.0
2	Education : Post Graduate Master	37 13	34.26 65.74
3.	Experience :1-2 years 3– 5 years 6- 9 years	16 25 9	32.0 50.0 18.0
4.	Age : Less than 25 years 26 - 35 years 36 - 45 years Over 46 years	14 18 12 6	28.0 36.0 24.0 12.0

Source: Survey Data, 2019

According to Table (4.1), among 50 respondents, males and females equally work at AYA. Most respondents are between 26 and 35 years old followed by the people who are less than 25 years old. It is found that all respondents are educated. Regarding education, majority of the respondents are post graduate degree and second dominating group represents master degree holders. Most of the respondents are working at the AYA between 3 to 5 years.

### **4.3 Effect of Bancassurance on the performance of AYA Myanmar Insurance**

In this part, three bancassurance products of AYA Myanmar Insurance are examined by the perception of employees. Those three Bancassurance products are life insurance, motor insurance and fire insurance.

#### **4.3.1 Bancassurance Life Insurance Products**

The study identifies the AYA employee perception towards the life insurance products that are offered by AYA. Table (4.2) presents the perception of AYA employees towards Bancassurance life insurance product.

**Table (4.2) Bancassurance Life Insurance Products**

Sr.No	Statement	Mean Score
1.	6-65 years old cover.	3.38
2.	Hospitalization cover.	2.74
3.	Death of illness cover.	2.34
4.	Death of accident cover.	3.62
	Overall Mean	3.02

Source: Survey Data, 2019

According to the Table (4.2), most of the respondents are satisfied with the application process which is easy to buy life insurance with reasonable price when comparing to other competitors. Concerning with people awareness, the respondents state that more and more people are aware of life insurance since it covers up the financial expenses and helps to reduce their financial risks. On the other hand, the respondents state that premium payment can not be made nationwide across all Aya bank branches or through mobile or internet banking anytime, anywhere, thus, Aya bank needs to focus on public advertisement. According to the overall mean score, many AYA employees think AYA life insurance moderately affects on the firm performance.

#### **4.3.2 Bancassurance Motor Insurance Products**

This section presents the perceptions of employees towards Bancassurance motor insurance products. Table (4.3) presents the perceptions of AYA employees towards Bancassurance motor insurance.

**Table (4.3) Bancassurance Motor Insurance Products**

Sr.No	Statement	Mean Score
1.	Comprehensive Cover	3.54
2.	Ordinary Cover	2.84
3.	Additional Cover.	3.44
4.	Selected Cover.	2.42
	Overall Mean	3.06

Source: Survey Data, 2019

According to Bancassurance Motor Insurance Products in Table (4.3), the majority of the employees' state that customers understand the comprehensive Motor Insurance can help to reduce accidental collision. Moreover, people are pleased with Bancassurance because the staff are so supportive and are able to provide one stop service. On the other hand, employees state that people are not happy for not getting cash for the loss or damage or repair or replace Motor Vehicle or spare parts for vehicle damaged because insurance service pay directly for the repair to the car workshop. The respondents are not pleased with the range of the car workshops in different regions in Myanmar, since some customers do not find the recommended workshops in their locations. According to overall mean score, the AYA employees moderately have good perception towards Bancassurance Motor Insurance Products because people become more interested and understand the benefits of Bancassurance motor insurance.

#### 4.3.3 Bancassurance Fire Insurance Products

This section presents the perceptions of employees towards Bancassurance motor insurance products. Table (4.4) presents the perceptions of AYA employees towards Bancassurance fire insurance.

**Table (4.4) Bancassurance Fire Insurance Products**

Sr.No	Statement	Mean Score
1.	Home and dwelling cover.	3.74
2.	Stock cover.	3.76
3.	Machinery cover	2.76
4.	Factory and Ware house cover	2.10
	Overall Mean	3.09

Source: Survey Data, 2019

According to Table (4.4), most of the AYA employees state that people especially owners are aware of fire insurance since the fire insurance reduces the risks for those people such as owners, joint owners etc. Most respondents state that fire insurance could protect the valuable assets such as building, furniture and valuable things and most customers are also aware of it. On the other hand, most employees

state that they could not do the compensation to the customers since there are some policies to investigate the fire occurrence and estimated loss. In additions, employees state that there are non-claim bonuses for customers during the specific period. According to the overall mean score, the AYA employees think the fire insurance policy moderately affect on customers and the performance of Bancassurance.

#### **4.3.4 Performance of Bancassurance of AYA Myanmar Insurance**

The section identifies the performance of Bancassurance of AYA Myanmar Insurance is presented in Table (4.5).

**Table (4.5) Performance of Bancassurance of AYA Myanmar Insurance**

Sr.No	Statement	Mean Score
1.	The number of insurance products has increased since the introduction of Bancassurance.	<b>3.04</b>
2.	The number of customers has increased since the introduction of Bancassurance.	<b>3.06</b>
3.	Profitability of our insurance company has improved since adoption of Bancassurance.	<b>3.12</b>
4.	Liquidity of our insurance company has improved since adoption of Bancassurance.	<b>3.06</b>
	Overall Mean	3.07

Source: Survey Data, 2019

According to Table (4.5), most AMI employees state that the profits of the company has increased since bancassurance products are launched as people want to get one stop service. They also agree that number of customers and liquidity of the AMI are also increased. As the whole, most AMI employees believe that bancassurance products have increased the firm performance.

#### 4.4 Effect of Bancassurance Products and Performance of AYA Myanmar

##### Insurance

This section explores which predictor variables have the significant relationship with the response variables by analysing survey data by regression. Table (4.6) presents the regression result between predictor variables and response variable

**Table (4.6) Effect of bancassurance products and Performance of AYA Myanmar Insurance**

Influencing Factors	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std Error			
(Constant)	2.477	.292		8.490	.000
Life Insurance Mean	.249***	.085	.380	2.930	.005
Motor Insurance Mean	.696***	.157	1.004	4.441	.000
Fire Insurance Mean	.353**	.162	.493	2.182	.034
R Square	.381				
Adjusted R Square	.341				
F value	9.441***				

Source: Survey Data (2019)

\*\*\* Significant at 1% level, \*\* Significant at 5% level, \* Significant at 10% level

According to Table (4.6), the value of  $R^2$  is almost 38 percent thus this specified model could explain about the variation of social factors on the conative component towards insurance. The overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain almost 34 percent about the variance of the independent variable and dependent variable because Adjusted R square is 0.341.

Among independent variables, life insurance is positively related with the performance of Bancassurance. According to the regression result, positive relationship means that the better life insurance service from AMI leads to more effects performance of Bancassurance performance of AMI as customers feel safe by Bancassurance life insurance. Bancassurance life insurance reduces the risks for life thus most respondents have the positive perception.

Bancassurance motor insurance has the positive relationship with the performance of Bancassurance of AMI. The better product facility and service, the more performance of Bancassurance will be achieved. If AMI reduces premium price and better promotions, this will attract customers and increase the performance of AMI since people are trying to reduce the risks of car accidents and there are many accidents on the streets.

Fire insurance has the positive relationship with the Bancassurance performance of AMI. The better service of the fire insurance will increase the performance of the AYA Myanmar insurance as people are more aware of fire issues and risks.

Among three Bancassurance types, motor insurance has the greatest contribution to the performance of AYA Myanmar insurance since it achieves the highest Beta values among three insurance types.

## **CHAPTER 5**

### **CONCLUSION**

This chapter includes three sections. The first section presents the finding and discussions based on the survey results. The second section presents the recommendations and suggestions based on the findings. The last part covers the further study.

#### **5.1 Findings and Discussion**

The main objectives of this study are to identify the Bancassurance practice in AYA Myanmar Insurance and to examine the effect of Bancassurance on the performance of AYA Myanmar Insurance Company. This study is done by gathering the perceptions of 50 AMI employees to analyze the Bancassurance on the performance of AYA Myanmar Insurance (AMI).

The findings reveal that males and females are equal number. Most of the respondents are educated and middle aged employees. They have a lot of work experience at AMI thus they could evaluate the Bancassurance products and services. In additions, they are the touch points with the customers. They have the feedbacks and inquire from customers.

The survey result points regarding Bancassurance life insurance. Most employees state that AMI has easy procedures to buy the life insurance with reasonable price. Respondents think people are getting aware of life insurance as the mean of reducing their financial risk and expense. On the other hand, people do not feel totally safe mind with life insurance. In additions, employees state customers have difficulty for the premium payment as many of the employees explore that they have complaints. People could not pay the premium price easily at all branches and via mobile banking or internet banking. As the whole, most employees believe that their Bancassurance life insurance gets moderate level of satisfaction from customers and the product has the moderate affect on the performance of AMI.

Regarding Bancassurance motor insurance, AMI employees state that this insurance type could reduce the risk when motor collides. They usually recommend customers to buy the motor insurance at AMI as one stop service. On the other hand, AMI employees admit that they could not offer the workshops across the city to repair the

damaged vehicles. In additions, employees state that the customers could not get the compensation amount in cash at once since there are some procedures and AMI sometimes offers to repair at their partner workshops. As the whole, AMI employees believe that the Bancassurance fire insurance some degree of affect on the performance of AMI.

According to the survey results, AMI employees state that most of the customers perceive that Bancassurance fire insurance could protect their valuable assets like building etc. Thus, most owners and joint owners buy the products in order to reduce the risk for their shares and organizations. Employees reveal that many customers are not satisfied with the compensation process since people want to get reimburse immediately for their loss. In additions, employees state that they get the complaints about no bonus offered for no claims during the specific period. As the whole, AMI employees believe that the Bancassurance fire insurance moderately affect on the performance of AMI.

According to the regression result, all Bancassurance insurance products have the positive significant relationship with the performance of AMI. Among three insurance types, motor insurance have the greatest affect on the performance of AYA Myanmar Insurance (AMI) since there are a lot of cars on the streets and some people drive without following the rules and regulations. In additions, sometimes, bad people steal the cars and take the parts. Thus, people are interested and buy the motor insurance recently.

## **5.2 Suggestions and Recommendations**

AYA Myanmar Insurance (AMI) should pay attention to what employees state as they are the touch point with the customers and they know well about the performance of each Bancassurance products. Demographics data of the employees include people with various age, education and working experience. Thus, AMI could get different opinion of various levels of employees.

Regarding Bancassurance life insurance, AMI should do more promotions about the products and services of life insurance. In additions, AMI should clearly make the flyers that includes about the product guarantee and need to explain the customers about the terms of the products so that customers will feel safe to buy the Bancassurance life insurance. AMI should also focus for premium payment by allowing with mobile banking, internet banking, account transfer etc. AMI should reduce the process and procedures as many as possible to smooth the process.

Regarding Bancassurance motor insurance, AMI should find out the reliable workshops across the country and need to make partnership since some customers could not find the AMI partner workshops at their region. Furthermore, AMI should do the inspection and evaluation process quickly so that customers could get the compensation as soon as possible. AMI should pay the cash compensation if the customer place is very far and he could not carry his damaged vehicles to the AMI authorized workshops. AMI should check the estimated repairing cost and approve by evaluating the damage level.

Regarding Bancassurance fire insurance, AMI should evaluate the loss amount as soon as possible and process the compensation process quickly. Besides, AMI should offer no claim promotions for some customers who buy the fire insurance for the long time and no accidents are reported. AMI should reduce the premium price or give some incentives for those customers.

Finally, AMI should pay more attention to Bancassurance products as it increases the performance of the Ayar Myanmar. Among three Bancassurance insurance products, AMI should do more promotions for motor insurance since it has the greatest affect on firm performance.

### **5.3 Needs for Further Research**

This study focuses only on the Bancassurance offered by Ayar Myanmar Insurance (AMI) in order to find out whether AMI Bancassurance affect on firm performance. This study does not cover the other products and types of AMI and customer satisfaction. This study only is done by gathering the perception of the employees who are currently working at AMI. The further study should focus on the other products types and services of AMI and analyze the customer satisfaction levels.