

# The Level of Bank Customers' Knowledge about Bancassurance Services in Poland

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**Abstract.** The aim of the work is to determine and characterize the level of knowledge of bank customers about bancassurance services in Poland. The basic source of data for analysis and conclusions was primary information from our own research (CAWI, 570 respondents). In order to achieve the set goal, structure indicators and a non-parametric "chi" square test were used. The results of the analysis are presented in a descriptive and graphical form. According to the analysis, the majority of bank customers claimed that they had never met the concept of bancassurance, despite the fact that some of them used a joint offer of banks and insurance companies during the analyzed period. Most often, the term was associated with bank fraud. Only one person in three could correctly explain the meaning of the term. A higher level of knowledge of the term "bancassurance" was characteristic of men, people up to 35 years of age, with secondary education and customers of commercial banks. Almost every second respondent in the discussed period benefited from the purchase of insurance in a bank. The most frequently purchased product was credit insurance. An area of knowledge that requires urgent educational activities is the knowledge of institutions dealing with consumer rights protection in the financial market.

**Keywords:** Bank, Bancassurance, Insurance Awareness.

## 1 Introduction

Insurance awareness is an important element of a well-functioning insurance market. It allows the society to make rational use of the available insurance offer, which provides protection against the risk of adverse random events [5].

Many definitions of the term "insurance awareness" can be found in literature. According to T. Szumlicz [13], insurance awareness is the knowledge and skills enabling the rational use of insurance coverage. It is a derivative of legal, economic and social awareness. A consumer's insurance awareness can also be defined as a mental state in which they are aware of various phenomena concerning insurance occurring on the market and then are able to react appropriately to them [4].

A more comprehensive definition of insurance awareness is provided by A. Szromnik [12], which considers that the level of insurance awareness includes, among others: perception of risks, knowledge of services meeting security needs, knowledge of insurance companies and the products they offer, knowledge of the rights and

obligations of insured persons and the ability to assess the use of services in relation to the needs.

Insurance education plays an important role in shaping and developing insurance awareness. In the European Commission's communication on financial education of 18 December 2007, the main emphasis was put on two principles of education in the field of financial services: the principle of lifelong learning and the principle of appropriate addressing of educational activities to meet specific needs and target groups [2]. Therefore, it is important to conduct research to assess the level of knowledge of different groups of citizens about insurance services, as well as to identify their needs in this area.

The aim of the work is to determine and characterize the level of knowledge of bank customers about bancassurance services in Poland. The results obtained may be a source of information for entities involved in insurance education. Currently, more and more banks and insurance companies include the financial education of citizens in their responsible business strategies.

## 2 Methodology

The basic source of data for analysis and conclusions was primary information from our own research. The research was based on the Computer Assisted Web Interview (CAWI) technique. The questionnaire consisted of two parts. The first part included questions about consumers' knowledge of bancassurance products (8 closed-ended questions), the second part was a certificate (7 questions). The survey was conducted in 2018 on a group of 570 respondents selected deliberately.

Among the persons who participated in the interview, 52% were women and 48% men. Only adults (over 18 years of age) took part in the survey. Nearly 50% of the respondents were persons aged between 18 to 35. The share of respondents aged 36-55 was 40%. The remaining respondents were over 55 years of age. Persons with a higher education constituted almost 50% of the analyzed group. Every fourth respondent had a secondary education. Other survey participants declared a vocational education. The dominant group of respondents were employed persons (69% of respondents). Every tenth respondent was a pensioner. Farmers also took part in the survey (9%). The remaining persons constituted 12% of the respondents (students, unemployed, etc.). 55% of the respondents were city dwellers, 45% lived in rural areas. All the respondents had a bank account. Most of them were clients of commercial banks (74%).

In order to achieve the set goal, structure indicators and a non-parametric "chi" square test were used.

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^s \frac{(n_{ij} - np_{ij})^2}{np_{ij}}$$

(1)

where:

$n$  - sample size,  $r$  - the number of quality characteristics  $X$ ,  $s$  - the number of quality characteristics  $Y$ ,  $p_{ij}$  - hypothetical probability,  $n_{ij}$  - the number of sample elements having the  $i$ -th number of quality characteristics  $X$  and  $j$ -th number of quality characteristics  $Y$ .

The null hypothesis  $H_0$  was formulated thereby assuming the independence of the studied characteristics. If an inequality  $\chi_e^2 \geq \chi_{\alpha}^2$  was observed after carrying out the test, the  $H_0$  hypothesis, assuming independence, was rejected in favor of the  $H_1$  hypothesis which assumed the dependence of the characteristics considered. All null hypotheses were verified at a significance level of  $p=0,05$ . In addition to primary sources, secondary sources were employed in the analysis. The results of the analysis are presented in a descriptive and graphical form.

### **3 Selected Financial Behavior of Bank Customers on the Market of Bancassurance Services in Poland**

Cooperation between modern banks and insurance institutions was initiated in the 1970s in Germany by the Sparkasse savings bank. The main reasons for the creation of such links were the lower and lower profits from traditional banking activities. However, the full development of bancassurance did not start until 20 years later, when French entities began to introduce and shape new forms of cooperation between banks and insurance companies [8,11].

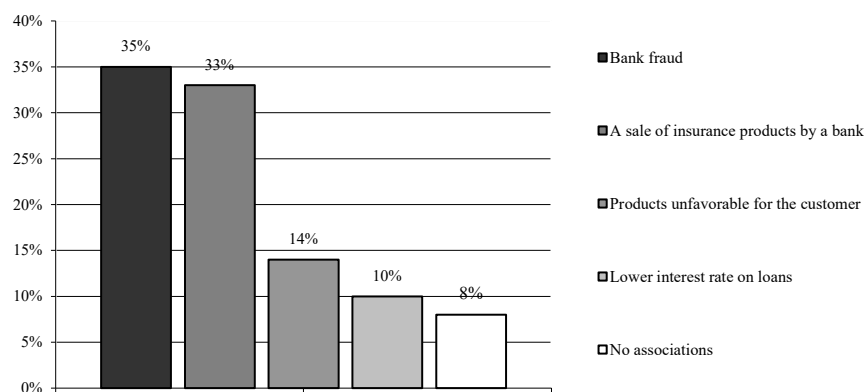
According to A. Koras [7], bancassurance means the activity consisting in using the bank - its outlets, services and customers - to sell insurance, mainly life insurance and pension insurance. A. Glodek [3] points to the cooperation of banks and insurance companies consisting not only in the actual sale of insurance products through banking distribution channels, but also all factors related to the offering of insurance by banks, such as, among others, legal, tax, cultural and social conditions. The P.V. Burdon [1] approach is also noteworthy. Burdon, which by this term means the design, creation, distribution and sale of traditional insurance services and investment products and services involving banking services, for a common base of existing and potential customers who meet their credit, investment and protection needs.

The Polish bancassurance market is constantly changing. Its dynamic development was particularly visible in 2013-2017, when insurance companies enthusiastically started cooperation with new entities. The partnership was based on the desire to increase the efficiency of resources and the income generated by them.

Despite the systematic increase in the level of financial and insurance awareness of citizens in Poland, a significant part of bank customers have never heard the term bancassurance (64% of respondents). Other people knew that there was such an offer on the financial market (36%). The results obtained are higher than those obtained by other authors, because in this case the subject of the analysis were only persons using banking services, who on average have a higher level of assurance literacy than persons who do not use any financial services [9,10]. In the conducted research, a higher level

of awareness was observed among men, people aged 18-55 years, respondents with a vocational and higher education, city dwellers and customers of cooperative banks.

In the next question the respondents were asked what they associate the term "bancassurance" with? The correct answer that it is a sale of insurance products by a bank was given by only one in three respondents (fig. 1). The term "bancassurance" was most often associated with "bank fraud" (35% of indications). Nearly 15% of the respondents indicated that these products are unfavorable for the customer. Every tenth person participating in the survey stated that they associate bancassurance products with lower interest rates on loans. It can be stated that respondents who indicated such an alternative also gave the correct answer because one of the forms of banking and insurance ties is cross-selling, i.e. sale in a package combining banking and insurance products. Very often, a borrower buying 2 products (loan + insurance) can negotiate a lower interest rate of the loan. Other people (8%) marked the answer: "No associations".



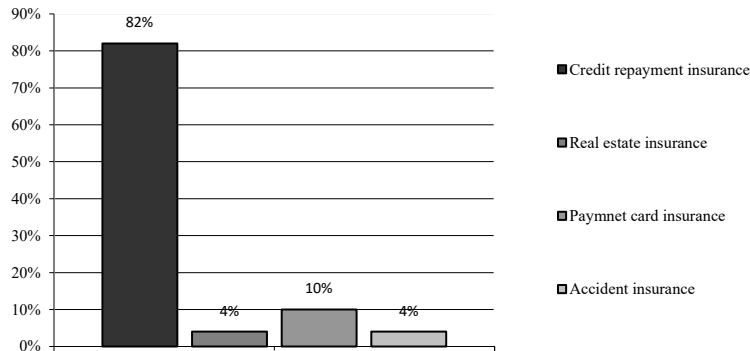
**Fig. 1.** Structure of respondents' answers to the question: "What do you associate the term bancassurance with?"

According to the statistical analysis, men ( $\chi^2=5.92$ ;  $df=1$ ), the youngest persons ( $\chi^2=7.77$ ;  $df=2$ ) with a secondary education ( $\chi^2=6.08$ ;  $df=2$ ), respondents running their own business ( $\chi^2=11.7$ ;  $df=4$ ) and clients of commercial banks ( $\chi^2=8.64$ ;  $df=1$ ) were characterized by a higher level of knowledge of the bancassurance term. There was no differentiation of respondents' answers regarding their place of residence ( $\chi^2=1.24$ ;  $df=1$ ).

Over half of the respondents did not make use of the possibility to buy insurance at the bank, justifying the lack of such a need. Other persons used bancassurance services (48%). The services offered by banks were most frequently used by women (64% vs. 51%), people aged 18-55 years (58%), with higher education (63%), working on a full-time basis (54%), the best earners (71%).

All insurance agreements signed were related to the purchase of a cross-selling product. There was no case of purchase of insurance alone (so called stand-alone strategy). As can be seen from the 2 figure, the most popular insurance product was

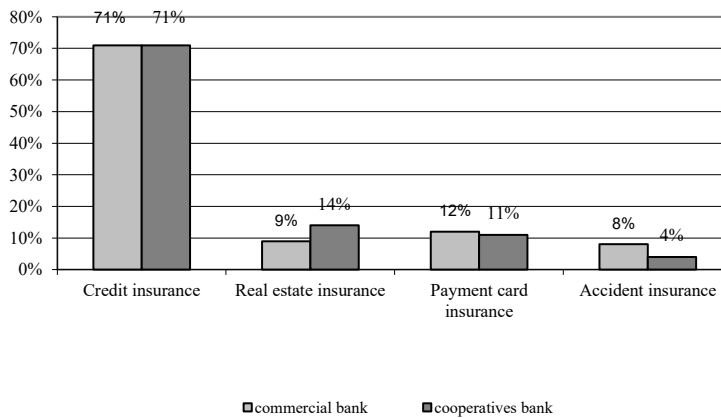
credit insurance (86% of all insurance products). In the case of credit insurance, a distinction is made between credit repayment insurance (life insurance, unemployment insurance, bridge insurance) and property insurance (real estate) in the case of mortgage loans. In the surveyed group, 82% of purchased insurance policies were credit repayment insurance, the remaining 4% were non-life insurance.



**Fig. 2.** Types of insurance used by respondents.

Every tenth consumer has purchased payment card insurance. In accordance with the regulations currently in force in Poland (as at 25.09.2018), the bank is fully liable for all unauthorized transactions carried out on the customer's account, provided that they occurred after the card was stopped. However, in the case of transactions performed before the card stoppage, the bank is liable only for transactions above EUR 150. In the case of contactless cards, the bank takes responsibility for amounts higher than EUR 50. After fulfilling certain conditions specified in the agreement, the insurer returns money stolen as a result of an unauthorized transaction in the amount of at least "own contribution to the loss". - i.e. EUR 150 in the case of debit cards and EUR 50 in the case of proximity cards to the bank's customer. The remaining 4% of agreements are accident insurance policies offered by banks for holders of bank accounts.

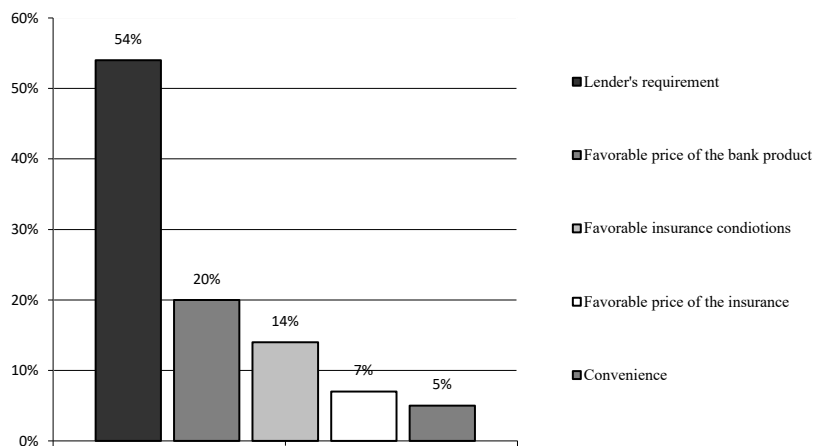
Bancassurance services were used equally by the customers of commercial banks and cooperative banks, while differentiation of the purchased insurance depending on the bank was observed (fig. 3). In the structure of insurance products both types of banks were dominated by credit insurance (71% of all policies). In commercial banks, the share of insurance against accident as compared to cooperative banks was twice as high as well as a lower share of real estate insurance policies (5% difference).



**Fig. 3.** Types of insurance policies in commercial and cooperative banks.

Respondents were asked about the main motive behind their decision to buy insurance from a bank. As can be seen from the 4 figure, more than half of the respondents stated that it was a lender's requirement. It should be remembered that credit insurance is only a requirement and not an obligation. As a result of the so-called U recommendation introduced in 2015 by the Polish Financial Supervision Authority, it is the law of the bank to present two offers to the customer - without additional insurance and with insurance policies. The customer has the right to familiarize themselves with this offer, consider its terms and conditions and make his own choice. The customer may also resign from the policy at any time, taking into account the fact that it will change the credit terms and conditions [6].

One in five respondents indicated that they decided to buy insurance from a bank because of the more favorable price of the bank product. This is particularly visible in the case of loans. Banks offer more favorable credit terms (e.g. lower interest rates, lower commission or margin) in exchange for the customer's use of the proposed insurance. Nearly 15% of respondents chose the bancassurance offer due to favorable insurance conditions. For 7% of the respondents, the main motive for purchasing a banking and insurance product in one package was a more favorable price of the insurance product, compared to alternative offers on the financial market. As another motive, respondents mentioned convenience (5%). When buying insurance in a bank with a banking product, the customer does not have to deal with any additional formalities (e.g. medical examinations in order to conclude an insurance contract).



**Fig. 4.** Motives of the respondents, which guided them when deciding to buy insurance in a bank.

The possibility of choosing an insurance company by the customer in a bank depends on the number of insurance companies with which banks cooperate. According to the conducted research, in most of the analyzed cases banks offered insurance products of only one insurance company (86% of indications). Nearly 15% of respondents had a choice, because the bank whose services they used cooperated with at least 2 insurance companies. According to the statistical analysis, customers of commercial banks more often than cooperative banks had a choice of insurer (7 p.p. difference).

According to the respondents, the weak point of combined sales of banking and insurance products is the low level of knowledge of some bank employees regarding the policies offered. Nearly 40% of respondents did not receive reliable and understandable information about insurance policies. These results coincide with those of other surveys [5].

An important issue from the point of view of financial or insurance awareness of consumers is their knowledge of institutions that deal with consumer protection in the banking and insurance market. On the financial market in Poland, the most important institutions of this type are: The Office of Competition and Consumer Protection, Polish Financial Supervision Authority, Financial Ombudsman and Municipal Consumer Ombudsman. According to the research conducted, bank customers have little knowledge about where they can submit complaints on banking or insurance services. Only every twentieth person participating in the survey was able to list all four basic institutions. Nearly 15% of respondents indicated 3 institutions. Every fourth participant of the survey was able to name only 2, and every third one of them.

The literature mentions the various advantages for banks and insurance companies of selling insurance through a bank (possibility of generating additional profits, use of new distribution channels to sell insurance services), as well as the customers themselves [8]. Another question asked by the respondents concerned their indication of the advantages of the bancassurance offer. According to the respondents to the study,

the biggest benefit is time savings. Such an answer was provided by almost 40% of respondents (fig. 5). Nearly 30% of respondents indicated a reduction in financial costs in the form of lower interest rates, margins, commissions or lower insurance premiums. Nearly 20% of survey participants mentioned the complementarity of financial products. Every tenth person indicated convenience. The answer "I do not see any advantages of buying a banking and insurance product in one package" was indicated by 4% of respondents.

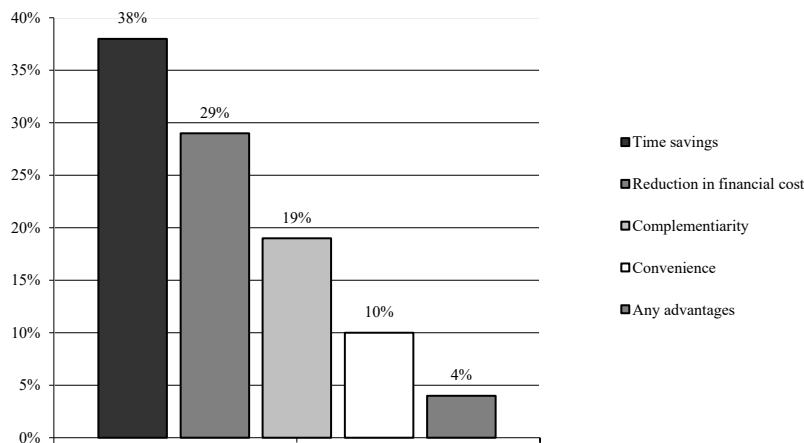


Fig. 5. Advantages of the bancassurance offer for bank customers.

## 4 Summary

Consumers' knowledge of insurance services is one of the elements of insurance awareness. The conducted research allowed to characterize and assess the level of knowledge of bank customers about bancassurance services. According to the analysis, the majority of bank customers claimed that they had never met the concept of bancassurance, despite the fact that some of them used a joint offer of banks and insurance companies during the analyzed period. Most often, the term was associated with bank fraud. Only one person in three could correctly explain the meaning of the term. A higher level of knowledge of the term "bancassurance" was characteristic of men, people up to 35 years of age, with secondary education and customers of commercial banks.

Almost every second respondent in the discussed period benefited from the purchase of insurance in a bank. The most frequently purchased product was credit insurance (credit insurance and real estate insurance), which is one of the possibilities of securing a bank credit. Bancassurance services were most often used by women, people aged 18-55 years, with higher education, employed and best earning.

An area of knowledge that requires urgent educational activities is the knowledge of institutions dealing with consumer rights protection in the financial market. According



to the conducted research, few bank clients know these institutions. The presented research results indicate that the current way of promoting financial knowledge conducted by various entities in Poland is not very effective. There are no campaigns that could popularize basic knowledge about consumer rights on the market in the whole society. Properly conducted educational activities increase the insurance awareness of market participants. Consumers are better prepared for contacts with the insurance company, they know more about their rights and are more and more effectively able to enforce them, also using institutional forms of assistance.

Due to the high level of complexity of bancassurance services and the lack of fuller knowledge about them among bank customers, employees of financial institutions should be the first to receive insurance education. According to the conducted research, almost 40% of customers using cross-selling of banking and insurance products drew attention to the incomplete knowledge of bank employees regarding the insurance products sold.

Taking into account the growing level of consumers' awareness of bancassurance services, it would be interesting to conduct research in subsequent periods in order to determine the dynamics and directions of changes taking place..

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