

BANK ASSURANCE AND WEALTH GAIN ALLOCATION –AN ALTERNATIVE OF ECONOMIES OF SCOPE

Ilir HOTI¹ ,Ada ALIAJ²

Dean of Faculty of Bussiness, “Aleksander Moisiu” University Durres,Albania
Lecturer at Faculty of Bussiness, “Aleksander Moisiu” University Durres,Albania

Abstract

This paper investigates efficiency in the Albanian insurance industry aiming to assess if bancassurance will impact positively the existing financial market. Evidences in favour of bancassurance are expected to be significant from the cost of risk side. Furthermore, the pure risk content of bank products effects the non-performing loans portfolio, and consequently the banks appear less profitable than insurance. As a consequence, the bank assurance adjusts the risk mix considering the cost of ex-ante (adverse selection) and ex post (moral hazard concerns). In many countries, the cross-selling of insurance products through banks has become the second largest marketing channel particularly for life insurers. Using a unique panel data set, this paper investigates whether the life insurers who will be involved in Bancassurance activities really increase their efficiency. The indications confirm that Bancassurance plays an important role and has positive impacts on the technical efficiency, scale efficiency and overall efficiency. Bancassurance products tend to complement existing bank products, which can in turn lead to a additional selling opportunities. Worldwide, insurers have been successfully leveraging bancassurance to gain a share in markets with low insurance penetration and a limited variety of distribution channels. The opportunity to integrate banking and insurance can help to lower costs and maximize synergies.

Keywords: *insurable risk, bank assurance, cross selling, cost of risk, synergy.*