NEWS RELEASE

REGULATORY CONSTRAINTS HINDERING CONVERGENCE IN THE BANKING AND INSURANCE MARKETS

Thursday, 20th Feburary, 2003: European regulatory constraints are one of the main barriers impeding the convergence of the banking and insurance industry. This is one of the issues under discussion at a joint conference **"Bancassurance – What does the future hold?"** held today by Irish strategy consultancy Prospectus and its European partner Eurogroup Consulting. Another issue was trying to understand why the French Banks have been so successful in distributing Life products in comparison to Ireland (today approximately 60% of Life products are distributed through Banks in France in comparsion to 30% in Ireland and 15% in the UK)

"Regulatory constraints remain significant and have a strong influence on the feasibility of alliances between the two industries," said Katie Burke (Head of Financial Service Practice, Prospectus)

Despite these constraints organisations which are capable of establishing insurance-financing or bank-insurance strategies have two strengths: reputation and their clients' faith in their risk or account managers.

In terms of customer approach and distribution network power, banks have more strengths for developing business in insurance than insurance companies have in adding banking products to their offer. "Banking networks have a definite advantage over insurance. They have more regular contact with their customers, see their paycheques, know their life styles. Two strategies are open to insurance - either acquire a bank or create a bank" said Katie Burke.

Two major ways of implementing bancassurance were identified at the conference– "side by side" development or the creation of a shared subsidiary.

'Side by Side' would combine the complementary elements of both businesses with the identities remaining separate. Banks are traditionally very good at serving large volume, low-profit clients, whereas insurance companies – primarily through their brokers – are very good at working with more affluent client segments with low volumes but high profits. By combining the data of both businesses in customer releationship management (CRM) systems, they could share this information to improve sales and better manage risk for both types of clients.

The second development model would involve creating a shared bank-insurance subsidiary. It is based on a global approach to client needs, all clients save, take out loans, have a car, need to protect their health and that of their family and provide for their future. Two main factors were found to ensure the success of effective service integration:

- sufficient size to control the entire chain, from the production plant to distribution
- willingness to go beyond traditional business, using specialists: for example, providing replacement equipment, where, in the event of an insurance claim, the client is provided with a replacement item within 24 hours. This type of service chain builds loyalty, because it is flexible enough to meet clients' most basic needs.

About Prospectus
Prospectus is Ireland's leading independent strategy consultancy, assisting companies build strong and profitable global businesses. Its client base crosses Financial Services, Technology, Public Sector and Healthcare sectors, where the company has a proven track record and deep industry knowledge. Prospectus combines professionalism and sectoral expertise with creativity and innovation.

About Eurogroup

Eurogroup is a French management consultancy specialising in Banking, Finance, Insurance, Industry and Services. It is the founder member of the Eurogroup Consulting Alliance, that employs over 560 people and encompasses firms located in France, Belgium, Ireland, Luxembourg, Spain, Portugal and Italy. Prospectus is a member of this alliance.

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