

## Evaluation of Bancassurance Functioning in Selected Countries of the Financial Groups Erste Group Bank and UniCredit Group

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**Abstract:** *This paper will evaluate the current state of cooperation between banks and insurance companies as well as internal integration of bancassurance products in financial groups Erste Group Bank and UniCredit Group. The evaluation is performed as of May 1, 2016. There shall be selected six countries which are part of the region Central and Eastern Europe, namely the Czech Republic, the Slovak Republic, Hungary, Romania, Croatia and Serbia. This paper aims at ascertaining whether or not there are similarities in how bancassurance functions in selected financial groups and countries. This paper shall apply a qualitative research approach. Bancassurance shall be analyzed, compared and evaluated from the viewpoint of integration of financial groups as well as of bancassurance products. A critical analysis of literature available will frame the field of bancassurance models of cooperation and bancassurance functioning. This review will provide a theoretical base for evaluating the level of cooperation between banks and insurance companies and for evaluation an internal integration of bancassurance products. The theoretical base shall be compared with the current bancassurance practice within financial groups and countries. To evaluate bancassurance practice, this paper shall use data available on web sites, financial and annual reports of financial institutions. The qualitative research shall contain a detailed analysis, sorting and comparing of set theoretical bases. Finally, this paper shall ascertain which characteristics are similar and which are different in integration of financial groups and bancassurance products.*

**Keywords:** *financial group, insurance group, bancassurance, bancassurance product*

**JEL codes:** G21, G22

### Introduction

Bancassurance is a quickly developing sales channel, which is a result of globalization and deregulation trends in the banking and insurance sector. All insurance companies based in Central European countries started to develop their distribution networks in the 1990s. The extent of their success was evaluated by their market share which had an influence on clients' trust and shareholders' satisfaction (Lím, 2012). Strategists in supranational corporations estimated that this pace of growth would slow down after 10 years and that the growth of production would stagnate and that it would be necessary to find other distribution channels which will help premium written grow continually (Lím, 2012). Although some countries have had experience with bancassurance for more than forty years, some other countries have just started discovering this trend. Especially countries in the Central and Eastern European

region (hereinafter referred to as CEE) might experience a significant future income from this distribution channel.

This paper aims at ascertaining whether or not there are similarities in how bancassurance functions in selected financial groups and countries. This research shall be conducted for two financial groups, namely Erste Group Bank (hereinafter referred to as EGB) and UniCredit Group (hereinafter referred to as UCG). The research is primarily focused on the region of CEE. The research will evaluate countries located in the CEE region in which the financial groups operate: the Czech Republic (CZ), Slovakia (SK), Hungary (HU), Romania (RO), Croatia (HR) and Serbia (RS). Similarity in bancassurance functioning is evaluated by the level of integration of financial groups (a bank and an insurance company) and by the level of integration of financial products (a bank product and an insurance product). This is the reason that this paper primarily introduced the theory of bancassurance from the viewpoint of property connections and from the viewpoint of concluding strategic agreements between banks and insurance companies as well as of integration of banking and insurance product. There shall be set theoretical bases, which will consequently be compared with a current bancassurance practice within financial groups and countries.

The crucial part of the qualitative research will be comparing theory and practice. The analysis of bancassurance functioning in practice requires that information and data are collected from the financial institutions which is extremely demanding and difficult. Neither banks nor insurance companies publish information about bancassurance, as a distribution channel, in an extent that might be anticipated supposing how much theory knows about this issue.

The bancassurance phenomenon that is unquestionably one of the most important trends in the evolution of the European financial services industry can be considered as a consequence of the progressive deregulation of the regulatory barriers to financial conglomerates (Clipici and Bolovan, 2012). Daňhel, Ducháčková a Radová (2008) consider creation of financial groups in the Czech Republic as a trend which does not represent a bank-insurance strategy in the pure form. Daňhel, Ducháčková and Radová (2007) point out that bancassurance is a significant factor stabilizing business risks of both sectors as well as the whole sector of financial services which may, as a consequence, bring more stability to economic systems and better security to clients. On the other hand, they also mention that bank-insurance is a very specific hinderer of further integration and further development of bancassurance products may be dependent on an increasing number of wealthier clients who prefer more sophisticated "tailored" products.

Bancassurance is an obvious example of convergence between banks and insurance companies. It is associated with the idea that one-stop shopping may be a crucial point in the selling proposition of modern insurance companies. There are several reasons why insurance companies may be interested in bank-led distribution channels. Insurance companies may hope to exploit the important competitive advantage of banks, consisting of the wide customer base, the many available branches and the stickiness of the relations between banks and clients, and at the

same time save on the large training and maintenance costs associated with a captive distribution channel. (Beltratti and Corvino, 2008)

Bancassurance is a relatively new type of services and operations which will probably further develop in the future. It is important to consider whether bancassurance has only advantages. From the clients' vantage point, widespread development of bancassurance may be a step backwards. The main disadvantages may be found in simplification and unification of insurance products. Bancassurance is present in every developed economy and it opens up an immense space for a non-price competition among banks. (Čejková, Martinovičová and Nečas, 2011)

Development of bancassurance in individual European countries depends on various factors; most importantly on each country's specifics. Such specifics are dealt with by Polouček (1999) who points out that the strategy of bancassurance is recommended, considered proven and applicable in other countries and regions on the international scale. It also seems to be important to mention that the development of bancassurance is affected by each country's specifics and particularities which has been proven by various researches on bancassurance (Polouček, 1999).

The common denominator of all available definitions of bancassurance is the structured sale of combined financial products to targeted groups of clients. A very high effectiveness can be found in internally interconnected bancassurance product which represents an additional utility value for the end user of such a product as it is tailored for him based on what this end user needs. (Daňhel, Ducháčková and Radová, 2007)

According to Řezáč (2009) bancassurance can be defined as "effective creation and distribution of bank and insurance products for a common group of clients". When selling bancassurance products, the more the insurance product is rooted into the pillar product of a financial institution, the more it will become its organic part and the better sales it will achieve. (Lím, 2012)

Illeško (2002) also warns that the term of bancassurance is often defined and understood incorrectly. According to him, bancassurance should not be confused with what should be referred to as cross-selling. The sale channel of bancassurance can be understood as a channel of selling the financial product which is internally integrated with the financial product and it brings an addition utility value for the end client of the financial institution. The insurance product is sold as a collective policy. An insurance company and a financial institution conclude a collective policy agreement which directly specifies conditions of the policy including insurance conditions.

Banks tend to be the most sought-after partners for sales of insurance products. Banking and insurance sector are two dominant parts of the financial system and they complement each other. In general, there are not as many banks as there are insurance companies willing to cooperate. Around the world, there are many integrated groups and strategic partnerships which, on a national level, do not allow partners cooperate, at least not in a larger extent, with other subjects, no matter how better or more favorable. (Lím, 2012)

Integration of insurance and banking sector and also of other financial services takes place not only in the area of product sales but also in the area of approximation and property integration of financial institutions. For this reason, we sometimes talk about a creation of financial conglomerates which may have very various structures. Integration of financial institutions can be in the form of a total integration, a partial integration with a parent universal bank, an integration with a banking or insurance parent company or a holding structure. The total integration is the highest form of integration. It means an integration of various financial services within one company. All activities are then financed using one capital. This form of integration is more or less constructed by theory. A partial integration with a parent universal bank leads to an organization of financial conglomerates in which the universal bank covers commercial and also investment banking. Utilizing daughter companies, these conglomerates offer other financial services including insurance policies. Integration with a banking or insurance parent company is a type of a structure in which the parent company owns, either completely or partially, its daughter companies and through these, it provides clients with financial services (investment banking, insurance policies, other financial services). Finally, a holding structure is a type of organization in which an independent parent company owns all or most shares in independent daughter companies and each of them offers independent financial services. (Ducháčková and Daňhel, 2010)

## **1 Methodology and Data**

This paper aims at ascertaining whether or not there are similarities in how bancassurance functions in selected financial groups and countries. This paper uses a qualitative approach to ask: **What sort of integration is present in financial groups and countries? What is the level of internal interconnectedness of a bank product with an insurance product in financial groups and countries? Is there a similarity between the type of integration and the level of internal interconnectedness of bank and insurance product in these financial groups and countries?**

In order to be able to evaluate the integration of the financial group, the sorting method created by Ducháčková and Daňhel (2010) is used. This paper focuses on and evaluates bancassurance (not assurfinance) from the perspective of internal integration as defined by Ileško (2002). The internal integration (Ileško, 2002) is evaluated based on these characteristics: Is there a general contract for the bancassurance contract? Does arranging an insurance policy depend on arranging of the insurance product? Are there discounts on insurance products granted for clients of the bank? To answer these questions the following analysis was performed:

In the first part of the research, this paper evaluates property structures of EGB and cooperating insurance companies in selected countries. Because EGB has concluded a strategic partnership with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (hereinafter referred to as VIG), the partnership cooperation between EGB and VIG is specified. Data was taken from the web sites and annual reports of financial institutions as of 2015.

The second part of the research evaluates the property structure of UCG and cooperating insurance companies. UCG concluded a strategic partnership with ERGO Group (hereinafter referred to as ERGO). For this reason, this partnership cooperation is specified as well. Data was taken from the web sites and annual reports of financial institutions as of 2015.

The third part of the research briefly compares financial groups (EGB, VIG, UCG and ERGO) by selected summary indicators. Indicators were selected according to their availability on web sites and in annual reports. These indicators shall be: total assets, total premium, number of branches and number of employees. The comparison shall help determine size and province of financial groups. Data is taken from web sites and from annual reports of financial institutions as of 2015.

The final part of the research shall include an analysis of bancassurance products which are offered by banks. They are evaluated as well as the rate of internal integration according to Ileško (2002). Information is taken only from web sites of individual insurance companies as annual reports, and does not include this sort of information. Finally, this paper discusses ascertained results to answer the previously set research questions.

## **2 Results and Discussion**

### **2.1 Integration of the Financial Group Erste Group Bank**

Erste Bank was founded in 1819 as the first Austrian savings bank. EGB went public in 1997 with a strategy to expand its retail business into CEE. Since then EGB has grown through numerous acquisitions and organically to become one of the largest financial services providers in the Eastern part of the EU in terms of clients and total assets. "DIE ERSTE österreichische Spar-Casse - Bank AG" merged with "GiroCredit Bank Aktiengesellschaft der Sparkassen" and changed its name in "Erste Bank der oesterreichischen Sparkassen AG" operating under the name "Erste Bank" in 1997. The customer base was 600.000. The new bank went public at the Vienna Stock Exchange in November 1997. The important changes were in 2008. The separation of the Holding and Erste Bank Oesterreich took legal effect. The registered company name of the Holding is "Erste Group Bank AG". Ever since, the registered company name of split-off Erste Bank Oesterreich is "Erste Bank der oesterreichischen Sparkassen AG".

Total assets of EGB are €201.2 billion. Customer base is 15.8 million around 2,500 branches in 7 countries in Europe. EGB has about 46,600 employees. EBG's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards.

The following table no. 1 shows banks and cooperating insurance companies in selected countries as well as their property structure.

**Table 1** Shareholder's Structure of Erste Group Bank

Country	Erste Group Bank			
	Bank and shareholders		Insurance company and shareholders	
CZ	Česká spořitelna (CS CZ)	EGB (98.97%)	Kooperativa pojišťovna, VIG (KOOP CZ)	VIG (96%)
			Pojišťovna České spořitelny, VIG (PCS CZ)	VIG (90%) KOOP CZ (5%) <b>CS CZ (5%)</b>
SK	Slovenská Sporiteľna (SS SK)	EGB (100%)	KOOPERATIVA poisťovna, VIG (KOOP SK)	VIG (94%)
			Poisťovňa Slovenskej sporiteľne, VIG (PSS SK)	VIG (90%) KOOP SK (5%) <b>SS SK (5%)</b>
HU	Erste Bank Hungary (EB HU)	EGB (100%)	ERSTE, VIG (ERSTE HU)	VIG (90 %) UNION HU (5%) <b>EB HU (5%)</b>
			UNION, VIG (UNION HU)	VIG (100%)
RO	Banca Comerciala Romana (BC RO)	EGB (93.58)	OMNIASIG, VIG (OMN RO)	VIG (99%)
			BCR Asigurari de Viata (BCR RO)	VIG (94%) <b>BC RO (5.5%)</b>
HR	Erste & Steiermärkirche Bank (EB HR)	EGB (59%) Steiermärkische Bank and Sparkassen (41%)	Erste osiguranje, VIG (ERSTE HR)	VIG (90%) WIENER HR (5%) <b>EB HR (5%)</b>
RS	Erste Bank Novi Sad (EB RS)	EGB (74%) Steiermaerkische Bank and Sparkassen (26%)	Wiener Städtische Osiguranje (WIENER RS)	VIG (100 %)

**Source:** Summarized by authors based on website and annual report of financial institutes (2016)

In all countries, the bank is owned by EGB, with a majority share. EGB cooperates solely with insurance companies belonging to the VIG group. VIG operates in all analyzed countries. None of the insurance companies is a subsidiary company of a bank or EGB group. In all countries, except for Serbia, one of the insurance companies has a 5% share.

### Partnership Cooperation of Financial Groups EGB and VIG

**VIG** was established by Georg Ritter von Högel Müller as the k.u.k. priv. wechselseitige Brandschaden Versicherung in 1824. During its existence, it has become the largest Austrian insurance group whose majority owner is Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung.

VIG expanded into Central and Eastern Europe (CEE) in 1990. The cooperation between *EGB* and VIG began in Slovakia in 2003. In 2005, the cooperation was extended to the Czech Republic and Croatia. 2008 then VIG acquired the entire

insurance business of Erste Bank for EUR 1.45 billion. In Central and Eastern Europe, this made VIG the market leader. Additionally, a mutual distribution agreement designed to run for at least 15 years was concluded. This "preferred partnership" makes it possible for both groups to use the potential client base of the other and give preference to the other's products in sales. *EGB* is a strong partner for VIG. It also operates independently, has the same values and follows a similar growth strategy. The two companies benefit equally from a long-term cooperation agreement concluded in 2008 for Austria and the CEE region. *EGB* distributes VIG insurance products, whereas VIG companies offer *EGB* banking products in return.

Acquisition of the insurance operations of the *EGB* at the beginning of 2008, VIG acquired the entire insurance business of the *EGB* in Austria, the Czech Republic, Slovakia, Hungary, Croatia and Romania. As a result of this acquisition, VIG has risen to the top position among insurers that are internationally active in the CEE region and is a leading provider of life insurance. Furthermore, VIG founded a Group reinsurance company in the Czech Republic in 2008. The formation of the company VIG RE that has its registered office in Prague is a clear signal for the CEE region as core market of VIG with excellent growth potential. In 2009 the corporate name was changed to "VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG." In effect since 3 August 2010, the company's operational insurance business in Austria became legally segregated from the holding functions of the Group. WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, as the largest single company, therefore continues to handle the property/casualty, life and health insurance business in Austria. Besides exercising the usual international control functions of a listed group, VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is also active in the reinsurance and international wholesale insurance business. In the course of the reorganization the listed holding company gets the new company name "VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe".

VIG with its registered office in Vienna, Austria, is one of the largest international insurance groups in CEE. By entering the markets of Montenegro in 2010, Bosnia and Herzegovina in 2011 and Moldova in 2014, VIG gained access to the last blank areas of the map of Central and Eastern Europe. Meanwhile, the VIG became successfully active in 25 markets with around 50 companies and about 23,000 employees.

## **2.2 Integration of the Financial Group UniCredit Group**

While the banking group's history dates back as far as 1473, in which year Rolo Banca was created, the contemporary history of UCG begins from a merger of nine leading Italian banks, the subsequent integration with the German HVB Group and, most recently, with the Italian Capitalia. In 1999, acquisition of Bank Pekao of Poland launched the Group's expansion (at that time, under the name UniCredito Italiano) into CEE. Growth continued over the next few years with purchase of the Pioneer Investments group, the subsequent formation of Pioneer Global Asset Management, and then further strategic acquisitions gradually carried out in Bulgaria, Slovakia, Croatia, Romania, the Czech Republic and Turkey. UniCredit merged with the German group HVB in 2005. By merging in 2007 with Capitalia, the third-largest Italian

banking group, UCG further consolidated and strengthened its position in one of its most important markets, Italy.

The total assets of UCG are more than €1,028 billion. The customer base is over 40 million in around 22 countries and 10,000 branches. UCB operates in 17 countries of Europe and has about 168,000 employees. In the CEE region, UCG operates the largest international banking network with around 4,000 branches and outlets, at which some 83,000 employees serve more than 28 million customers.

**Table 2** Shareholder's Structure of UniCredit Group

Country	UniCredit Group			
	Bank and shareholders		Insurance company and shareholders	
CZ			Generali Pojišťovna (GEN CZ)	Generali CEE (100%)
			Allianz Pojišťovna (ALL CZ)	Allianz SE(100%)
			Česká pojišťovna (CP CZ)	Generali CEE (100%)
			AXA životní pojišťovna (AXA CZ)	SOCIETE BEAUJON (100%)
SK	UniCredit Bank (UCB CZ-SK)	UCB Austria (99.96%)	ERGO poisťovna (ERGO SK)	ERGO Austria International (85.53%) ERGO Versicherung Aktiengesellschaft (14,47%)
			Union poisťovna (UNION SK)	Achmea (99.97%)
			Poisťovňa CARDIF Slovakia (CARDIF SK)	PNP Paribas Cardif (100%)
			Generali Biztosító (GEN HU)	Generali CEE (100%)
HU	UniCredit Bank (UCB HU)	UCB Austria (100%)	ERGO Életbiztosító (ERGO HU)	ERGO Austria International (100%)
			CIG Pannómia Életbiztosító (CIG HU)	Domestic private individual (50.11%) Domestic entity (45.52%)
			ERGO life Insurance (ERGO RO)	ERGO Austria International (99.99%)
RO	UniCredit Bank (UCB RO)	UCB Austria (95.62%)		
	Zagrebačka Banka (ZB HR)	UCB Austria (84.47%) <b>Allianz SE (11.27%)</b>	Allianz (ALL HR)	Allianz SE
HR			BNP Paribas Cardif osiguranje (BNP HR)	BNP Paribas Group
	UniCredit Bank (UCB SR)	UCB Austria (100%)	Generali osiguranje (GEN SR)	Generali CEE
RS			Wiener Städtische Osiguranje (WIENER RS)	VIG (100%)

**Source:** Summarized by authors based on website and annual report of financial institutes (2016)



The insurance group ERGO has concluded a strategic cooperation agreement with UCG in all countries except for Serbia. The table no. 2 shows banks and cooperating insurance companies in individual countries from the viewpoint of ownership. It was not possible to find exact ownership share with some insurance companies. UniCredit Bank has been offering bank products and services as "UniCredit Bank Czech Republic and Slovakia, a. s." in the Czech Republic and Slovakia since 2013.

In all countries, the bank is owned by UCG, with a majority share. Only in Croatia, ZB is owned by the Allianz SE group, with a share of 11%. Contrary to expectations, banks in individual countries do not cooperate merely with insurance companies belonging to the ERGO group. They cooperate with other insurance companies, which shall be further analyzed in the final part of the research.

### **Partnership Cooperation of Financial Groups UCG and ERGO**

**ERGO** was established in 1997/1998 as a merger of experienced German insurers. In 2001 ERGO started exclusive Sales cooperation with German HypoVereinsbank (today a member of the UCG). Acquisition of German direct insurer KarstadtQuelle Versicherungen (today's ERGO Direkt Insurance) realized in 2002. German D.A.S. Company merged into ERGO Versicherung, brand D.A.S. maintained in 2015.

ERGO is one of the major insurance groups in Germany and Europe. Worldwide, the Group is represented in over 30 countries and concentrates on Europe and Asia. In its home market of Germany, ERGO ranks among the leading providers across all segments.

ERGO is a subsidiary of Munich Re and part of the Munich Re Group, one of the leading reinsurers and risk carriers worldwide. With a premium income of over €18,000 million, ERGO is one of Europe's major insurance groups. Over 48,000 people work for the Group either as employees or as self-employed sales representatives.

The strategic goal of the ERGO is to expand its insurance sales via banks. Bancassurance is a primary objective in the strategy of ERGO. Working together with the major European bank UCG means that ERGO has access to an extensive sales network throughout Germany as well as CEE. Life and Non-Life insurances are being sold in Slovakia, Hungary, Slovenia, Czech Republic, Croatia and Romania under the ERGO brand. The UCG and Volksbank are acting as cooperation partners.

The cooperation of ERGO and UCG is related to their long-term business cooperation in Germany.

**ERGO Austria International AG** (hereinafter referred to as ERGO Austria), an insurance holding based in Vienna, was set up in 2007. ERGO Austria is one of Austria's five largest insurance groups. It operates in Austria and also has subsidiaries in a number of countries in CEE. The operating insurance company in Austria is ERGO Versicherung. The company offers insurance solutions for private and commercial provisions, hedging the risks of everyday life and also long-term asset accumulation. Their main target groups are the customers of Bank Austria/UniCredit Group and Volksbank.

ERGO Austria has taken on a key role in expanding the company's insurance activities in CEE. In this region, ERGO Austria is making good use of its many years of bancassurance experience gained in Austria. The focus is on developing existing bank partnerships and the evaluation and tapping of new markets. CEE is a major growth market with great potential and significantly higher growth rates compared to Western Europe.

### 2.3 Comparison of Financial Groups

Table no. 3 compares all financial groups, namely EGB and UCG, VIG and ERGO according to selected indicators. It is clear that UCG, but also cooperating with ERGO, are more prominent financial groups in all monitored total indicators.

**Table 3** Comparison of Financial Groups EGB and UCG, VIG and ERGO

<b>Indicator</b>	<b>Erste Group Bank</b>	<b>UniCredit Group</b>
<b>Total assets, € billion</b>	201.2	1,028
<b>Customer base, million</b>	15.8	40
<b>Number of countries</b>	7	22
<b>Number of branches</b>	2,500	10,000
<b>Number of employees</b>	46,600	168,000
	<b>VIG</b>	<b>ERGO</b>
<b>Total premiums, € million</b>	9,019.76	17,867
<b>Number of countries</b>	25	34
<b>Number of employees</b>	23,000	48,000

**Source:** Summarized by authors based on website and annual report of financial institutes (2016)

### 2.4 Evaluation of the Level of Integration of Bancassurance Products

Table no. 4 shows a comparison of bancassurance products of both financial groups. The number of insurance products (hereinafter referred to as IP) is monitored as well as the level of integration according to presence of a general contract (hereinafter referred to as GC), discounts and availability of products of clients of banks. Some information about products is not available on web sites of some financial entities, it is either incomplete or too brief. This is the reason why it was not possible to perform more detailed analysis for some products.

**Table 4** Comparison of Insurance Products Offered by EGB and UCG

Co.	Erste Group Bank				UniCredit Group			
	Insurer	No. of IP	GC	Note	Insurer	No. of IP	GC	Note
CZ	KOOP	5	3	Discounts	GEN	5		For bank clients
	PCS	6	3	Free account	CP	1	1	Common product Advantaged interest rate
					AXA ZP			
					ALL	1		
SK	KOOP	1		For bank clients	ERGO	3	1	Advantaged interest rate Discounts
	PSS	7	4	For bank clients	UNION	1		For bank clients
					CARDIF	1		For bank clients
HU	ERSTE	2		With credits	ERGO	4		For bank clients
	UNION	3		With credits	GEN	2		With credits Discounts
					CIG	1		For bank clients
RO	OMN	3		Interconnectedness of products unclear	ERGO	2		For bank clients
	BCR	4		For bank clients Discounts				
HR	ERSTE	3		Offer of products only	ALL	5		For bank clients
					BNP	1		For bank clients
RS	WIENER	4		With credits	WIENER	1		For bank clients
					GEN	1		

**Note:** GC - general contract. IP - insurance product. Other abbreviation for insurers – see Table 1 and Table 2.

**Source:** Summarized by authors based on website of financial institutes (2016)

### Evaluation of Cooperation of EGB with Insurance Companies

EGB cooperates exclusively with insurance companies belonging to the VIG group (see table no. 4). The largest interconnectedness of products is present in the Czech Republic and Slovakia. Especially in Slovakia, there are four complex interconnected products offered. These are arranged through the general contract. Also in Hungary and Romania, bancassurance products are offered. However, their number is lower and interconnectedness is at a lower level also. General contracts are not offered. In Croatia and Serbia, integrated bancassurance products are not present.

## **Evaluation of Cooperation of UCG with Insurance Companies**

UCG does not cooperate merely with insurance companies belonging to the ERGO group. Table no. 4 shows a wide range of cooperating insurance companies in individual countries. This is the reason why evaluation must be divided into two steps. In the first step, it will be necessary to concentrate merely on the range of cooperating insurance companies and to find reasons for cooperation and consequences for the interconnectedness and number of bancassurance products. This evaluation excludes Serbia as the ERGO group does not operate in this country.

An exclusive cooperation with the ERGO insurance group is present merely in Romania. On the contrary, there is no cooperation with the ERGO group in the Czech Republic and Croatia. It is necessary to say that the bank has the same province in the Czech Republic and in Slovakia and in Slovakia, the bank cooperates with the group ERGO.

If cooperation with insurance companies should be evaluated merely by the range of cooperating companies, the most cooperating insurance companies are present in the Czech Republic and in the Slovak Republic, followed by Hungary. Judging from the number of offered products in the Czech Republic and Hungary, it is clear that cooperation with the GEN insurance is a strong one. The insurance company ALL shows a strong cooperation with UCG in Croatia. In the Czech Republic, the insurance company GEN and the insurance company CP belong to the same insurance group – GENERALI Holding. A question suggests itself – What is the reason for cooperation between UCG and the insurance companies GEN and ALL?

The insurance company ALL offers mortgage loans from six banks operating on Czech market in the Czech insurance market. One of them is UCB. From the viewpoint of sales of ALL's insurance products, there is more cooperation with UCB. This cooperation is actually becoming strategic. The insurance company ALL in the Czech Republic is a 100% subsidiary of Allianz New Europe Holding GmbH and it is part of the prominent global insurance group ALLIANZ. It entered the Czech market in 1993 and has gradually become one of three largest Czech insurance companies. Allianz New Europe Holding GmbH through its subsidiaries provides insurance and financial services. The company is based in Vienna, Austria. Allianz New Europe Holding GmbH operates as a subsidiary of Allianz SE.

The insurance company ALL has operated in Croatia since 1999. In that year, the insurance company ALL, together with the ZB HR bank took over the former Adriatic insurance company. The insurance company ALL is the second largest on the Croatian insurance market. The insurance company ALL concluded a strategic partnership agreement with the bank ZB HR in 2001 and took part in the pension reform.

The reason for cooperation between GEN and UCG might be, not only in the Czech Republic but also in Hungary, their common inception on Italian financial market and their firm position on the current insurance market. In the Czech Republic, GEN has been cooperating with UCB since 2007 – thus since the bank's inception in the Czech Republic. GEN is the third largest insurance company on the Czech insurance market. GEN was the first foreign insurer in the former socialist

countries after the year 1989 in Hungary. GEN is the second largest insurance company on the Hungarian insurance market.

What might be the reason for the wide range of insurance companies cooperating with UCG on the Czech and Slovak market? Possibly the cooperation of the bank (UCB CZ-SK) with the company Partners Financial Services, a. s. (hereinafter referred to as PARTNERS). The name "Partners banking services – brand UniCredit Bank" represents cooperation of bank products, services and financial planning and services of UCB, which significantly widens the bank's sales network. Sales of products were launched in 2010. Under this name, through PARTNERS consultants, bank products and services are distributed, which UCB provides in cooperation with PARTNERS. "Partners banking services – brand UniCredit Bank" is part of the distribution network of the bank and is not an individual subject.

If cooperation of UCG with insurance companies should be evaluated according to the mere level of interconnectedness of bancassurance products, then it is possible to state the following: The largest number as well as the strongest interconnectedness of products can be found in the Czech Republic and in the Slovak Republic. Clients of banks are offered general contracts as well as discounts. Insurance products are offered in connection with a bank product. Bancassurance products are also offered in Hungary and Croatia. However, their number is lower and the interconnectedness (see table no. 4) is not as significant as in the Czech and Slovak Republic. General contracts are not offered. Integrated bancassurance products are not present in Romania and Serbia. Available information is too brief and it is thus not possible to perform further detailed evaluation.

## Conclusions

This paper aimed at ascertaining whether or not there are similarities in how bancassurance functions in selected financial groups and countries. This paper applied a qualitative research approach to investigate the following research questions: What sort of integration is present in financial groups and countries? What is the level of internal interconnectedness of a bank product with an insurance product in financial groups and countries? Is there a similarity between the type of integration and the level of internal interconnectedness of bank and insurance product in these financial groups and countries? Six countries located in the CEE region were selected, namely the Czech Republic, the Slovak Republic, Hungary, Romania, Croatia and Serbia. Both selected financial groups are present in these countries.

**What sort of integration is present in financial groups and countries?** Based on the performed research, it is possible to conclude that, in selected countries, there is no form of integration as described by Ducháčková and Daňhel (2010) present. None of the insurance companies is a subsidiary of a bank. Cooperation of banks (within EGB and UCB) with insurance companies exists on the basis of concluded strategic agreements. EGB exclusively cooperates with VIG whilst UCB cooperates with the insurance group ERGO, but also with ALL and GEN.

UCG widely cooperates with the insurance company ALL in the Czech Republic and in Croatia, on the basis of strategic agreements. In the Czech Republic, the cooperation started when mortgage loans of UCB began to be offered. UCB offers insurance products of ALL. In Croatia, cooperation with the insurance ALL has a historic origin. The insurance company ALL together with the bank ZB HR took over the former Adriatic insurance company in 1999. The insurance company ALL concluded a strategic partnership agreement with the bank ZB HR in 2001 and participated in the pension reform.

The reason of cooperation between GEN and UCG might be, not only in the Czech Republic but also in Hungary, that they both started operating at roughly the same time on Italian financial market and another reason might be their firm position on the current insurance market.

What caused that UCG has concluded strategic agreements with several insurance companies and that it does not exclusively cooperate with only one insurance company? The reason for this might be found in creation of financial institutions in the countries (Czech Republic, Hungary), then obligations from the past (Hungary), but also cooperation with the company PARTNERS (Czech Republic and Slovakia), which represents a specific distribution channel of UCB.

**What is the level of internal interconnectedness of a bank product with an insurance product in financial groups and countries?** The research found out that the highest level of internal interconnectedness from the viewpoint of financial groups and countries is reached on the Slovak financial market followed by the Czech and then Hungarian financial market.

**Is there a similarity between the type of integration and the level of internal interconnectedness of bank and insurance product in these financial groups and countries?** The type of integration is the same in all the countries and it is based on strategic cooperation. From the viewpoint of financial groups, a higher level of integration of bancassurance product within EGB is observable. From the viewpoint of countries, it is possible to observe a higher level of integration in the Czech Republic and in the Slovak Republic.

In accordance with the set target it is possible to state that a similarity can be found in the existence of strategic cooperation of banks and insurance companies in all countries and within both financial groups. Another similarity can be found in integration of interconnectedness of financial products of both financial groups in the Czech Republic and in the Slovak Republic.

## **Acknowledgments**

Research behind this paper was supported by the Czech Science Foundation within the project 16-17796S 'Affiliation with financial conglomerate as a determinant of performance and risk of banks'.

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