

# AMERICAN BANKER<sup>®</sup>

THE FINANCIAL SERVICES DAILY

Wednesday, October 22, 2003

## **Banks, Insurers Differ on Life Sales Priorities**

**By Lee Ann Gjertsen**

Insurers and banks have some significantly different opinions about what works and what doesn't in life insurance sales, and facing up to these differences could help the business grow, industry observers say.

"There is no single magic bullet," acknowledged John T. Gies, the director of individual life insurance sales through financial institutions at Hartford Financial Services Group. However, he said, "we view banks as great partners and partners for the long term. What we've found helpful is to develop programs that really help the banks and help us bridge the various cultural gaps that exist between banks and the insurance companies."

In a recent study by the American Council of Life Insurers, CF Efron Co. LLC, Baker & Daniels, and KPMG LLP, banks' and insurers' differing perspectives emerged on life insurance products, distribution methods, and carrier support. Though most agreed on the basic issues confronting life insurance sales efforts, insurers and banks differed markedly on the importance of certain factors.

Betsy Cosgrove, a senior vice president of Liberty Life Assurance Co. in Boston, a subsidiary of Liberty Mutual Insurance Co., said one key finding was that the needs of the "wide variety of banks ... can be very different."

Insurers have "a strong responsibility for flexibility," she said, and must work with each bank to make sure it is getting the services it needs. For example, she said, larger banks may already have training teams, making a "train the trainer" approach apropos, but smaller banks may need the insurer to work directly with platform reps.

Insurers and bankers can use this study "as a basis for discussion," said Carmen Efron, the president of the CF Efron consulting firm in Westport, Conn. The findings were presented this month at the ACLI's annual conference, where the researchers could get comments from bank and insurance executives.

"I think there was some real surprise in the administrative areas - at least that's the feedback," she said. "They didn't realize that maybe they were putting some of their resources in the wrong direction."

For example, though both banks and insurers considered a lack of senior management support to be an obstacle to insurance sales, insurers considered it the No. 1 problem, but bankers ranked it No. 7 - after such things as a silo mentality, the need for a specialized sales force, and an inadequately motivating compensation plan.

Another key issue for bankers was the need for more "transaction-oriented" life insurance products for customers who are somewhere between the mass market that buys term life insurance and the wealthy people who want high-end estate planning, Ms. Effron said.

"The biggest issue in selling life insurance through the bank is that it's another underwriting-type product, not something that can be automatically delivered at the platform," said Peter K. Mulligan, the senior executive vice president of retail banking at Webster Financial Corp. in Waterbury, Conn. He called the new automatic-issue products a big advance toward stimulating life insurance sales in the bank because they let reps sell policies without asking a lot of medical questions.

The Hartford has developed a set of life insurance products for banks with a simplified underwriting process, most of which is handled over the phone, Mr. Gies said. Banks have identified the emerging affluent as "a key space" for product sales, he said. The Hartford has also created a policy review program that "enables the banks' employees to conduct a very simple life insurance coverage assessment on the client," he said.

Ms. Cosgrove pointed out that her company was an innovator with these kinds of transactional products but said the key is not just one kind of offering but providing "the type of service and products that the institution wants to offer the customers."

Both banks and insurers considered connectivity between their companies to be important, but banks were less satisfied overall, according to the study. Respondents were asked both to rank the importance of certain items and to quantify their satisfaction on a scale of 1 to 10.

Banks are saying, "you are just not where we need you to be," Ms. Effron said. Banks want to be able to offer their customers all their products on one statement; they want to be able to accept commissions electronically; they want to be able to send information seamlessly to the carriers - and most carriers are just not there yet - she said.

Though both banks and insurers considered fee income and customer retention to be major motivators for bank life insurance sales, 40% of banks considered "one-stop financial shopping" a very significant reason to sell insurance, compared with 18% of insurers. The larger the bank, according to the study, the greater the emphasis on one-stop financial shopping as a reason to sell insurance.

Webster's Mr. Mulligan said that his thrift wants to be able to give customers a full range of products, including insurance, that fit their needs. Part of doing that successfully is motivating employees to bring customers whatever product fits best. With the appropriate compensation system, "to the planner it doesn't matter if they sell a mutual fund or an annuity or a life insurance policy," he said.

Though some banks have said they are winnowing their insurance partners, many still work with numerous companies. Sixty-one percent of banks worked with five to 20 life insurance carriers, and 22% worked with 50 or more. Insurers are less likely to customize products and procedures for a bank if they are just one of dozens of carriers, Ms. Effron noted.

"The trend is more to partner with manufacturers or insurers on the mass marketing side," Mr. Mulligan said, working with a small set of insurers who can provide training, technology, and products. However, he said, on the high-net-worth side, banks want to have "a stable of manufacturers" so they can meet the diverse needs of these customers.

Training was another divisive issue, according to the study. "There's such a divergence in the way people want to train," Ms. Effron said.

In addition, though third-party marketers have been strong in the training arena, not all banks want to share their commissions with a third party just to get support, she said.

Because so many banks work with so many insurers, "there's not enough streamlining of the products and the process," she said. Each carrier uses its own applications and forms, for example, she said, and this makes training reps even harder.

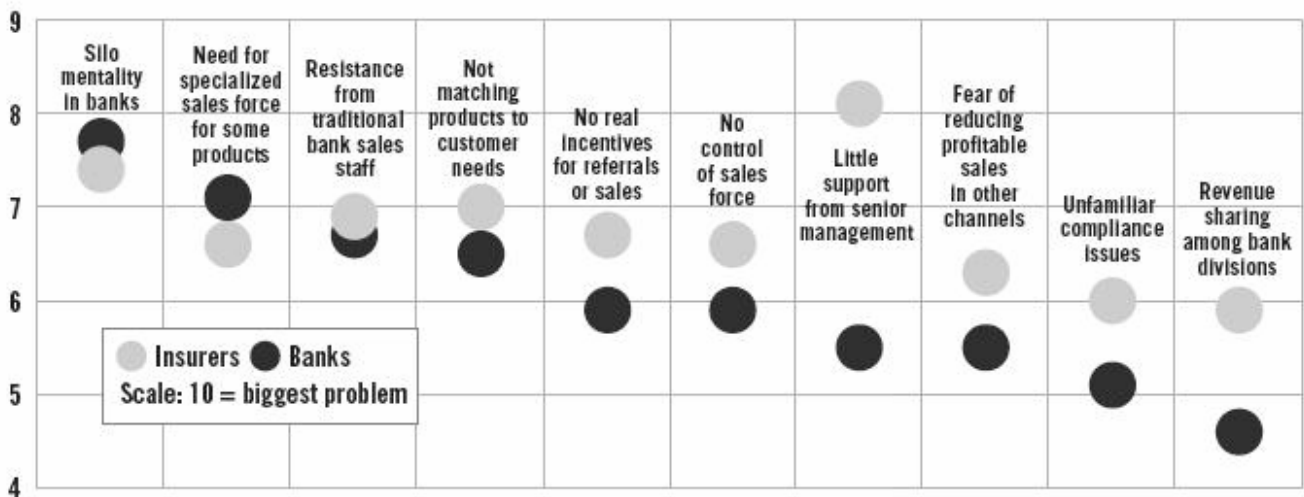
Ms. Effron said that she, the ACLI, and the Financial Institutions Insurance Association are trying to set up a series of meetings at which bankers and insurers could talk through these issues.

"The bankers are a great distribution channel. Look at how much business is going through them today," Ms. Effron said, and it is important for insurers to listen to what bankers are saying.

But building a strong bank life insurance sales program takes time, she said. The study found that banks that had been selling insurance for seven years or more were the most pleased with the way things were working out, she noted. That bodes well, if banks and insurers are willing to put in the effort to iron out the issues that concern them most, she added.

## Obstacles to Distribution in Banks

Bank and life insurance executives differ on the significance of some issues



Sources: American Council of Life Insurers, CF Effron Co., Baker & Daniels, and KPMG