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Bridging the Cultural Divide between Banks and Life Insurers

By Carmen Efron

What are considered to be the most significant obstacles that impede the sales of life insurance within banks and how can they be overcome? These questions and 140 others are asked and answered in the most recent study from the American Council of Life Insurers (ACLI) conducted by **CF EFFRON COMPANY** in collaboration with strategic partners **Baker & Daniels** and **KPMG**.

The study is the first in-depth look at the cultural and philosophical differences between banks and life insurance companies using statistical tools like "gap analysis" techniques. Essentially the same questionnaire was given to banks and life insurers allowing for quick comparisons to be made between the bank and the insurer's responses. Each of the 25 core questions had a number of elements that were rated on a one-to-ten scale, where ten represented "the best or most". The questions were designed around distribution, marketing and sales, product design, risk and profitability, administration & operations and effectiveness.

The questions were designed to measure the effectiveness of the process being employed to deliver insurance. Ninety-two percent of the insurers cite the lack of senior management support as the most significant obstacle to selling insurance to bank customers, rating it an 8.4; while the banks disagree rating it 5.1, a statistical variation of 3.3 points, which is significant.

The banks rated the lack of sales staff time and shelf space for understanding and selling insurance as the most important obstacle; failure to make insurance a preferred product integrated into the sales goals and rewards was rated as the next most crucial obstacle, scoring it at 6.3. The insurers feel that the lack of integration and reward is even more of an obstacle, rating it 8.3 for a significant gap in perception of 2 points.

Lack of shelf space and understanding of life insurance product as well as the lack of meaningful rewards are all elements that relate back to senior management support. The lack of senior management support as a critical element for a successful life insurance program is a recurring theme. It is touted as a problem essentially because many of the insurers tend to view the banks as large general agencies and the banks would like to be treated as partners. To overcome this perceptual problem, the study offers a few recommendations. Among them:

- Reduce the number of carriers that banks are working with currently. This will allow more frequent and regular interaction and dialogue between banks' and insurers' senior management and build a more dynamic system of understanding and cooperation between institutions.
- The payment of bonuses, referral fees, productivity credits and other incentives to motivate bank personnel is essential, as is the restructuring of training and how it is delivered.

Supportive of these measures, the continued introduction of simplified "transaction products" that meet the needs of the emerging affluent (defined in the study as those with \$100,000- 500,000 of net worth) allows the insurance point-of-sale- process to merge with the transactional nature of bank product delivery.

These recommendations and the recognition of the cultural and perceptual differences between banks and insurers are the prelude to more in-depth discussion, which will continually identify and refine the ways that the cultural divide can be bridged.

The study can be ordered with a 10 % discount to ABIA members by calling the ACLI at 1-800-589-2254. **In addition, ABIA will be holding a Best Practices Conference Call to discuss the study and its finding on January 22, 2004 at 1:00 p.m., EST.**

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