

New Survey Quantifies Cultural Divide Between Banks And Insurers

By Carmen Effron

The perception of insurers is that banks' lack of senior management support, commitment to production goals and access to the banks' client base inhibit the successful sale of life insurance through banks, a new study conducted for the American Council of Life Insurers, Washington, finds.

The study attempts to quantify the philosophical or cultural differences between the two types of financial institutions. Recognizing these differences is a necessary prelude to identifying and understanding ways to bridge the cultural divide that may be inhibiting insurance sales through banks.

How do you measure the perceptions of life insurers and banks? And how much do the differing perceptions prevent the two institutions from working effectively together to sell life insurance?

The ACLI study, recently completed by the author with strategic partners KPMG LLP and Baker & Daniels, Indianapolis, explores these and many other issues.

The study is the first in- depth look at the cultural differences between the two industries in a statistical meaningful way by employing gap-analysis techniques. Essentially the same questionnaire was given to the banks and life insurers, allowing us to make ready comparisons between the bank and insurance company responses.

Banks and insurance company senior executives from around the country scored each of 25 core questions. Each question was comprised of a number of individual elements that were rated on a one-to-10 scale, where 10 represented the best score. The questions were designed around six subjects: distribution, marketing and sales, product design, risk and profitability, administration and operations, and effectiveness.

Typical of the findings are those illustrated in the accompanying table, which displays results for the administration and operations parts of a question. The question first asked was how the respondent would characterize 17 elements in optimizing a bank/insurer relationship. Then it asks the respondent to rate his or her satisfaction with the implementation.

The results on each of those facets of the questions ranged from high importance and high satisfaction to relatively low importance and low satisfaction.

Depending on results, these responses highlight areas where banks or insurers may have invested too many, not enough or about the right amount of attention and resources.

	Banks		Insurers	
	Importance	Satisfaction	Importance	Satisfaction
Products integrated into bank's procedures/systems at point of sale	7.5	4.6	6.8	6.0
Insurer training of bank sales staff	7.4	5.4	7.2	7.3
Integrated administrative process between insurer and bank sales staff (electronic link)	7.0	4.2	7.0	6.3
Insurance compliance expertise	6.9	4.8	7.0	7.3
Insurer licensing solutions for bank sales staff	5.9	4.5	6.7	7.2
Bank-customer database management expertise	5.4	4.1	5.7	5.1

Source: American Council of Life Insurers

As the table shows, the element, "having products integrated into the bank's procedures at the point of sale," has the largest gap between banks and insurers. Therefore, this area presents a significant opportunity for improvement.

Although insurers ranked this area closely in both importance and satisfaction, banks' satisfaction score on product integration was very low at 4.6, creating a significant gap of 2.9 between the importance and satisfaction score of the bank. There was also a gap of 1.4 in satisfaction levels on this point between banks and insurers.

Although insurers seem to be making progress on developing transaction-oriented, simple underwritten products for sale through platform and investment representatives, the study found, there is still a need to integrate products and processes at the point of sale. This is especially true in reaching the underserved middle-tier and emerging-affluent customers in the banks' retail base. (These are defined in the study to be individuals with net worth of \$100,000 to \$500,000.)

Banks had several reasons for distributing life insurance, the study found: first, to generate fee income and strengthen existing relationships and second, to provide one-stop shopping for their customers.

Given these motivations, banks tend to view insurance as just another commodity offering in their bouquet of products to woo and retain customers. Therefore, it becomes more essential for insurers to blend the life insurance sale into the bank's existing product set.

One way to simplify the process is to develop standardized applications and forms that are printable at the point of sale and, as much as possible, to include all the paperwork at the same time that the insurance product is purchased at the bank.

For their part, banks might support this effort by working with fewer carriers. The study found that 61% of the respondent banks worked with six to 20 carriers, and 22% worked with 50 or more. This results in an unnecessary complication not only for forms but also for process integration and for development of technology, systems and training.

One carrier in a long-term relationship with a bank would be justified in spending the money needed to integrate its application process with the bank's. Being one of 50 carriers, however, provides little or no incentive to be responsive to bank requests.

In other areas of the study, the banks indicated that they are looking to develop a partnership relationship with the carriers, not simply a general agent relationship. This suggests that banks and insurers need to integrate products and processes to accomplish that goal.

The lack of a partnership mentality is highlighted by another element on the accompanying table: "training by the insurer."

Both banks and insurers rank this as an important piece of the puzzle of how to increase life insurance sales. However, both sides diverge on satisfaction levels. The insurers in the study are relatively satisfied with their own training delivery, while the banks' satisfaction level is almost two points lower, a significant gap.

Overall, 72% of the insurers felt they were providing significant or considerable training through wholesalers, while 33% of the banks felt that insurers were providing no or partial training.

Training is a crucial element where more time, energy and conversation between the two types of financial institutions are needed to discern the real desires of the bank and the cost of accommodating those desires.

If the bank doesn't provide the time needed for the staff to learn either about referrals or sales, then a lack of senior bank management commitment is evident, and the life insurance program has little chance of success. On the other hand, if the insurer is not supporting a vigorous training program due to cost, then perhaps the use of a third party to create an acceptable training cost structure may alleviate the problem.

The examples cited are just two of the 140 elements in this data-rich study that measures the divergence in perception between banks and insurers. Understanding the cultural differences revealed is the first step. The study's goal is to provide a basis for continued discussion.

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