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Session 119PD
Tailoring Products and Services for the Bancassurance Market

Track: Nontraditional Marketing

Moderator: MARIA N. THOMSON
Panelists: BELINDA MONAT†
ALAN WADE‡
Recorder: MARIA N. THOMSON

Summary: The speakers, an actuary, an insurance administrator, and a bancassurance agency head, discuss how products and services are tailored for in-bank insurance sales. Particular emphasis is placed on the middle-income market. Particular issues include product design, underwriting, issue, sales support, and field and customer access to the home office for service.

"Insurers must tailor their products and services to meet the needs of banks and their customers," said Maria Thomson, FSA and Member, AAA, a panelist at a session addressing this issue at the 2000 SOA Annual Meeting. "This approach is essential for insurers wishing to form successful partnerships with banks and sell effectively in the bancassurance market." The managing principal of Thomson Management Solutions, an international bancassurance consulting firm based in Brimfield, Massachusetts, Thomson was directing her remarks specifically to the matter of how to tailor products for the bank market. Her two co-panelists, Alan Wade, CLU, also of Thomson Management Solutions, and Belinda Monat, president of Mynd's outsourcing division, explored related areas, including bancassurance sales (Wade) and service requirements for the bank market (Monat).

Reviewing the sales perspective, Wade explained how banking and insurance have been steadily converging as computers and the Internet replace banks' traditional businesses, and as insurers struggle with distribution and shrinking margins. "Though insurance and banking can provide real solutions for each other, this convergence isn't happening as quickly as it could," Wade said, "chiefly because of mistakes being made on both sides."

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†Ms. Monat, not a member of the sponsoring organizations, is President of Mynd's Outsourcing Division of Policy Management Systems Corporation in Columbia, SC.

‡Mr. Wade, not a member of the sponsoring organizations, is with Thomson Management Solutions in Bay Village, OH.

Note: This is an article written for *News Direct* and is not an exact transcript of the session.

Wade then listed a variety of typical insurer mistakes, including:

- Unreasonable expectations for short-term results there must be a long-term commitment to this market.
- Neglecting to consider, "What's in it for the banker?"—Wade said to remember to enlist the support of the branch managers.
- Failure to understand banking culture—"Most insurers don't!"
- Traditional products & underwriting nontraditional distribution approaches require special products and servicing.
- Servicing as a product provider only—"Banks need lots of help with selling."
- Confusing life with annuities protection products are a tougher sale for banks than investment products.
- Being difficult to deal with—"Remember to make it easy for a bank to work with you."
- Long-term only the insurer should be willing to wait for profits, even while trying to get their bank partners a quick return. Bankers' business tends to be oriented around quick profits.
- Overreacting to Europe—"While we can learn from Europe's successes in bancassurance," Wade commented, "their environment is quite different from ours. Be very cautious in drawing conclusions from their experience."

To work well with banks, insurers really must consider just how banks are different, Wade added. For example, they are generally more conservative and risk-averse than insurers, and also much more concerned about offending their customers. Bankers are transaction-oriented and not very sales oriented. They think short-term and fail, for the most part, to fully understand the insurance market. They are also often reluctant to "fact-find."

To ease the merger between these two differing operations, Wade stressed the criticality of matching insurance products to the businesses of the banks. For retail banking, an insurer should offer easy-issue life & disability insurance (DI), personal lines property & casualty (P&C), annuities, and long-term care (LTC). The trust/private banking area on the other hand is good for traditional upscale life, traditional DI, LTC, and annuities, while the commercial/small business banking area could sell corporate-owned life insurance, group and voluntary work-site, and commercial P&C products. For lending, term life, homeowners, and auto are likely options. Finally, Wade remarked that a bank's credit card area could be used to offer direct-mail products.

Concurring with Alan Wade's remarks on the need for product tailoring, Maria Thomson led a discussion of product features most attractive to banks and their customers.

Bank management prefers proprietary products, she said, either designed to their specifications or wrapped around bank funds. Revenue enhancements also appeal to banks and can be offered by letting the bank do some of the policy servicing by providing profit sharing and production bonuses.

For upscale and corporate market customers, standard products work fine, Thomson said. The downscale market, however, requires products to be simple and affordable, and make the sales process faster. Sales reps like a faster issue process, both because compensation comes more quickly and because a speedy process means less likelihood they'll lose a sale because of lengthy waiting periods. Sales can be speeded up in a number of ways: limiting the volume of medical questions, utilizing simple needs-analysis software, or employing sophisticated point-of-sale (POS) software (a developing area). Improved POS programs will feature, in addition to needs analysis, underwriting capabilities, a medical information bureau link, and policy printing ability.

Thomson feels that an additional key to affordable products is to streamline them by offering fewer bells and whistles. Thus any special features should be placed within riders tacked on to a base policy. This allows the agent to further tailor a product offering in a complex sale situation. The riders can be also be added on post-sale via direct-mail marketing or by the salesperson during a follow-up review with the policyholder.

Winding up her comments, Thomson explained that flexible products (universal life, for example) can be packaged into a few basic premium and benefit combinations that, once again, will simplify the sale. Distribution techniques should be tailored, she said, to the type of product: face-to-face distribution for upscale products and somewhat complex downscale products, seminars for LTC, and direct response for term life and auto.

Belinda Monat explained how insurers can offer superior service for the bank market. "Market expectations for bank service now consist of self-service (the ATM model), connectivity (consolidated financial services), speed (zero time), and knowledge (available, accessible)," she said. To meet these expectations, insurers must strive for POS service, integration with banking functions, and service customization by product.

To speed up the sales process, qualify prospects with a few simple questions. Applications can be filled out on computers, with bank data utilized to pre-fill some of the fields, and by electronically transmitting signatures directly to the insurer, along with a fund transfer or electronic check of the initial premium, both premium and application can then be in an insurer's hands on the same day as the sale.

Regarding underwriting, Monat maintained this can be accelerated with teleunderwriting, expert systems, and a paramed service. Applications can be routinely approved at time of sale, either by utilizing POS software or via a ready link to the insurer's underwriters. A policy can then be printed at the bank or e-mailed.

For in-force service, which the insurer must provide directly, Internet access can provide links to and from the bank Web site, giving the customer ready access to his or her policy data and values. This also allows transactions to be performed on-line. When the customer calls, interactive voice response technology can permit the customer to enjoy most essential services on a self-service basis. However, live customer service representatives (CSRs) must be available too for callers who want human access. These CSRs should be trained in the "bank view"; that is, they should know what bank the customer is with.

For insurers who do not yet have technology or processing procedures in place to provide superior bank service, Monat explained that there are many outsourcing solutions available. Also, when services are developed internally, insurers should remember to take advantage of existing bank facilities and technologies.

All three panelists agreed that people will definitely buy insurance from banks, listing many reasons why: everyone has a bank relationship, people trust banks sufficiently, banks have convenient locations, and banks are perceived as a natural fit for insurance product sales. If insurers only take proper steps to provide tailored, desirable products and services for bank customers, the panel concluded that both banks and insurers, and customers of both, will come out clear winners.