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Successful Bancassurance Sales Model from England

by Maria Thomson and Alan Wade

We traveled to Spain and England this summer to see if we could observe successful bancassurance operations and learn about what makes them work. We have learned a lot. In Spain, for example, we discovered that there has never been any requirement for separation of financial services institutions, so the Spanish industry has evolved into one in which large institutions do it all — banking, insurance, and securities. Their models, we quickly decided, did not seem to fit with our environment.

In England, however, we found that development has proceeded more closely to our U.S. system; that is, at least until the British government passed a version of financial services deregulation law that finally made bancassurance possible 20 years ago. Thus, they have had 20 years to work through those issues that our banks and insurers are struggling with today.

Success Principles

Some of the successful principles in operation in England that we discovered include:

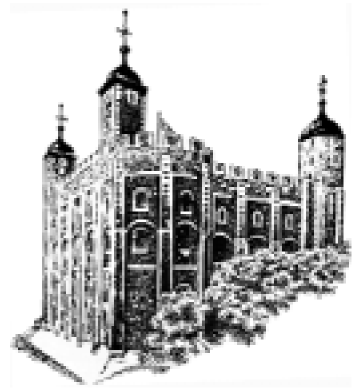
1. **Appropriate compensation plans – critical to bancassurance success**
   Use of the traditional salary-plus-bonus plan for bankers and a mainly commission plan for agents will not make for bancassurance success, we were told. Instead, a hybrid plan, one that rewards everyone for good results created by all, works best.
2. **Complex products and underwriting must go**
   The best approach is a limited portfolio of simply designed products. And it's time to move underwriting into the 21st century. One company in Europe, for instance, does ALL its underwriting on-line, approving 96% of the applications.
3. **ONE person can (and must) sell all products – insurance, investments, banking**
   We've a few regulatory hoops to jump through in this country in order to make this happen, but clearly this is the model to follow. It will, of course, demand from us both simple products and excellent training.
4. **Banks are the key to the middle markets**
   The middle income market has been abandoned by most insurers in the U.S. as most companies try to position themselves in the small and over crowded affluent market. But both Spain and Britain have demonstrated that the middle market can be lucrative and that it can be developed effectively by banks.

The Sales Model

Most members of the NonTraditional Marketing Section understand the middle market. Thus, the requirement for simply designed products, more efficient underwriting, and faster application processing will not surprise you.

The conundrum is how to develop an effective sales model. This is where we found the British examples most instructive. They are developing fully integrated financial services operations in which bank tellers often refer customers to the bank's financial planners. In the first meeting, a full financial questionnaire usually is filled out. The adviser then discusses products that would be appropriate for the client: securities, mortgages, CDs, insurance, ISAs (like our IRAs). The key to their ability to do this is training and product simplicity. Interestingly, they do not have computer tools to aid them in the sales process.

As we see happening here, British banks are trying to drive transactional business out of the lobby by encouraging



the use of ATMs and the Internet. The result will be bank offices staffed primarily with financial advisers. To enable banks to succeed with this new model, it is essential that compensation policies encourage promotion of the banks' products and services and that all personnel receive appropriate training.

Clearly, in the United States we cannot have insurance sales people also taking loan applications. However, we believe they can recommend a mortgage to their client and refer them to a loan officer.

And what is particularly interesting is that unlike here in the U.S., most banks in England are not yet targeting the affluent market for their financial planning services and investment/insurance products. They still see this as the province of independent agents. A few banks are just now considering developing an advanced cadre of advisers to work with the affluent (partly by moving up their better existing financial advisers). They apparently view this as a secondary market, rather than as their primary market. Ultimately, this may well prove to be the surest route here as well.

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