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BANK INSURANCE MARKETING TO THE MIDDLE MARKET CONSUMER

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Forget what you hear about the banks' eminent demise, there are still over 8,100 banks doing business in the United States. To be fair, the top 10 have 50 percent of all the assets and the top three have 33 percent of the assets; however all of the banks regardless of size are dealing with the middle market consumer every day. Are the largest banks in the country distributing insurance to the middle market; the answer is yes.

From the banks' perspective the middle market consumer can be anyone where annual household (HH) income is above $35,000 and up to $150,000. LIMRA uses HH annual income from $35,000 to $99,999 and ages 25 to 64 as the middle market and estimates 41 million U.S. HH fall into this category. President Obama's definition concentrates on defining the highest level of annual income for the middle market as $250,000. In a recent nationalpayrollweek.com survey of close to 40,000 adults, 57 percent said that this top income level is too high and should be lower, while 32 percent of the people surveyed agreed with the Obama standard. Obviously, there is no set classification of the middle market consumer, so for this article we will use the LIMRA definition of middle market.

LIMRA indicates that one in four middle market HHs do not have any life insurance, however 72 percent believe it is a necessity and 32 percent of those that have coverage, believe that they do not have enough. The traditional agent finds this middle market consumer difficult to access cost effectively; however for the banks it is a group of people and a market they interact with daily. The banks are continuing to increase their life insurance sales but today they represent only 3 to 5 percent of the industry's total life insurance production. The question is why do the banks not have a larger penetration of the middle market life insurance sales in this country?

But perhaps the most significant difference is how far companies are willing to move traditionally back office underwriting functions to the front office–the extent to which they are breaking down the barriers between the external and internal world.

The answer to this question is multi-layered and somewhat dependent on each bank's philosophy towards the sale of life insurance, the organizational structure of the bank and the affect of both internal and external influences. Depending on the size of the bank, there may be five to 60 subsidiary companies, each targeting a different segment of the bank market; e.g., credit card, mortgage, commercial loans, etc. Theoretically each one of these subsidiaries could sell insurance to their clients. Realistically however, there are some very large impediments that need to be overcome.

Given our definition, the middle market client resides in the retail and small business segments of the bank as well as in the workplace of the commercial clients. For an example, let's assume that an insurer wants to sell a life insurance product to the retail customers of the bank. In order to accomplish the goal of having the insurance product in front of that consumer when they are ready to purchase, the insurer must deal with six different groups of people in the bank that own or manage that client's experience with the institution.

This means that the insurer needs to get agreement and buy in from a number of different people and committees. For illustration purposes, the insurer would first have to pass the compliance and due diligence requirement of the bank's risk committee. Once that is accomplished, then the insurer's product and marketing strategy has to pass muster with the bank's regional managers, marketing directors, training division, district sales manager and then the internal wholesaler. Oh, and let's not forget the person that is actually touching the client and making the sale, usually a Financial Consultant (FC) or Licensed Platform Banker (LPB). Insurance is only a small part of what the FC and LPB are responsible for selling, so the incentive to sell life insurance within the bank is not dissimilar to what motivates sales in the broader market. While each of the people in the chain plays a role, there are a few of them that must also be compensated for the sale. Incentives are a VERY BIG part of a banker's life, so the WHAM (What Here Applies to Me) Theory is one extremely important element to consider when garnering agreement within a bank to sell life insurance and should not be overlooked or discounted.

A life insurance application and sales process that takes into consideration the transactional way a Financial Consultant currently sells and what they need, means the product has a much better chance of being sold and generating sufficient volumes to make the carrier's investment worthwhile. As an insurer working in the bank market, process is equally as important as the product, people, price and promotion.

There are also a number of external influences that should be taken into consideration and will determine how the bank and insurer are selling their respective and joint products to the middle market; psychographic trends in the target market (values and motivations), technology advances, health care advances and the influence of the Internet for sales of insurance.

Over the next decade there are estimates that close to $12 Trillion will go from a relatively technologically confident generation to an extremely savvy technological generation. This is going to have an impact on how the banks sell to the younger generation as well as how the bank will distribute insurance. Everyone is aware of Twitter, Face Book, and MySpace but how many insurance marketers are aware of "Four Square"? This is planned serendipity where your 20 favorite friends can find out where you are at any given time and be given a map and directions that lead them to you. All social media needs to be understood and utilized appropriately to engage this younger technologically self-assured middle market consumer.

Health care knowledge is doubling every eight years with new methodologies, new treatments, and new pharmaceuticals. The insurance industry continues to find ways to utilize this knowledge both for pricing and for underwriting which means that new specialized software for analysis is being developed as well as specialized underwriting teams. The era of Rapid Assessment and Deployment, (RAD) and the ability to use reflective questions with a consumer to fully underwrite them at the point-of-sale and hand them a policy before they leave the bank is technological available, although it is not widely utilized.

The World Insurance Report 2008 Consumer Survey showed that the Internet is a force for selling life insurance and one out of 10 customers say they use the Internet to purchase life insurance and one out of three will use it to purchase in three years. Customers say they are extremely price sensitive and consider price when purchasing insurance.

The coalescing of the trends and influences discussed above; psychographic changes, underwriting software improvements, technology innovation and the Internet means that the middle market consumer is going to be better informed of their options. The bank then has a number of choices to make when selling insurance to the middle market consumer. In some instances, a convenient process with a higher price makes sense, however not in all cases. The well informed middle market consumer may demand a fully underwritten approach, where both a competitive price and convenience are offered.

The banks want to appear to be the trusted advisor to both their wealthy and middle market clients. To accomplish this many banks are adding a financial planning process to the FC's job description. Therefore, having the potential for fully underwritten life insurance available for sale in the bank for the middle market consumer will need to be an alternative.

The use of automated and specialized underwriting programs, available now via most reinsurers, presents a true opportunity to sell quickly, efficiently and economically to the bank's discerning middle market consumer and it would solve a problem that bankers' have articulated about selling recurring premium and fully underwritten products.

A 2008 study I completed which concurrently examines bank and insurer views and is therefore a reflection of both of their opinions, called, Bridging the Cultural Divide between Banks and Insurers, (BTCD) showed that 52 percent of all banks are planning to increase their life insurance distribution programs. However, the study points to a few barriers to fully underwritten life insurance being sold by the banks.

In the BTCD 2008 study, bankers ranked three processes as the number one problem with selling fully underwritten life insurance; different applications for multiple carriers; the length of time to complete Parts 1 and 2 of the application and the lack of feedback and underwriting outcome knowledge of the case in a timely manner.

These issues were corroborated when I conducted a "Voice of the Customer" research project with banks in 2007 and 2008. They clearly expressed that the "lack of feedback from the underwriting process is a major frustration" and it "can adversely effect my relationship with the client, so I will not take the chance."

The bankers felt that as fully underwritten insurance is good for their clients, they would embrace it if the problems enumerated above are solved. We have the technology to do so. Instead at present, what is being sold is simplified term, SPUL, SPWL, simplified Disability Income and simplified Critical Illness. The client may not get the best deal on price, but they get convenience and the FC and LPB know immediately whether the client is going to get coverage.

Today most insurers in the bank differentiate themselves by the time it takes for the FC and LPB to complete an application, or they might tout their pricing and have the sales message revolve around competitive pricing. To my knowledge there is no insurer in the U.S. bank market using their instant underwriting decision for fully underwritten business as their central sales message. This is an opportunity that is ripe for the picking. The banks are ready, the technology exists, and the middle market clients are willing to purchase from the bank. The only ingredient missing is the insurers' willingness to make fully underwritten and issued life insurance policies at the point-of-sale a reality.

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