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CURRENT TRENDS IN DISTRIBUTION CHANNELS—WHERE ARE THE BANKS HEADED?

BY CHRIS HAUSE

The following information details a presentation that was given at the New Orleans Life and Annuity Spring Meetings. Speakers at this particular session (4 PD) included:

Christopher H. Hause, president,

Hause Actuarial Solutions, Inc.

James W. Mann, reinsurance actuarial executive

Bank of America

Shaun Norris, vice president,

sales & communications,

Hibernia Insurance Agency



Christopher H. Hause is president of Hause Actuarial Solutions, Inc. in Overland Park, Kan. He can be reached at chrish@hauseactuarial.com.

Christopher opened the discussion by providing a brief history of the regulatory environment of banks and their ability to sell insurance products. Of course, the most significant event in recent history is the enactment of the Gramm-Leach-Bliley Financial Services Modernization Act. GLB changed the relationship between banks and insurers from contentious to cooperative.

Chris commented on the various forms of alliances that banks have formed with insurance producers and underwriters and commented on the characteristics and relative success of each. A chart showing the relative and overall growth of the various non-credit insurance production since GLB was presented. It was concluded that the dominant form of insurance product remains annuities. A description of various methods that insurers have used to enter the banking business revealed a much more focused and measured approach by insurers than by bank holding companies.

Jim Mann then shared the experiences of Bank of America in insurance offerings since GLB. In the first attempt at distributing personal lines insurance, an alliance was formed with a national P&C carrier, local agents were placed in the branches, and BofA received a fee for business written. This was not successful, due to the availability of only a single underwriter, lack of a referral process and a less than optimal sales process. Recognizing these shortcomings, BofA developed a licensed call center and relationships with several carriers for homeowners and auto insurance. Startup costs, licensing issues and privacy regulation were considerable obstacles in this approach. Jim then outlined the efforts of BofA in reinsurance, warranty and surplus relief and the advantages and challenges of each.

Shaun Norris followed with a revealing and detailed insight into the Hibernia Insurance Agency's experience in commercial lines property and casualty. Shaun described the challenges and advantages that the bank-affiliated agencies have in entering this market—in particular, the successes they have enjoyed in the employee benefit area, and the barriers and challenges in P&C. He described the methods of risk control, both pre-loss (avoidance, prevention, reduction and retention) as well as post-loss (claim management, disaster recovery, litigation management and subrogation). Hibernia provides valuable and unique services to its commercial clients on the areas of policy analysis, claims advocacy and loss control. A great deal of effort is put into maintaining that edge by matching expertise with clients, selling “value added” services presentations and creating products where needed.

Those who attended this meeting were treated to some very valuable insight by some “front line” pioneers in the dynamic area of banks in insurance. ■