



Market Potential for Preneed Insurance

by Donna B. Stalley

Preneed products are life insurance or annuity products purchased to fund a specific prearrangement of funeral/cemetery goods and services, most often sold by a representative of the funeral home or cemetery. They may be single-pay or limited multipay (3-, 5-, 7-, or 10-pay). Such products usually have some way of increasing the death benefit to cover inflation's effect on the prearranged prices of goods and services.

Research shows total preneed premium income increased 74% from 1992 to 1996 while ordinary life premium income for the life insurance industry as a whole grew only 27%. (*U.S. Ordinary Life Premium Net Gain*, LIMRA, 1997, I/R Code 47.50 and *Preneed and Final Expense Product Sales Survey*, LIMRA, 1998, I/R Code 55.65.

Contacts

To better understand the characteristics of this growing segment of the industry, LIMRA surveyed over 3,500 U.S. households. Twenty-four percent of respondents were contacted about planning and 21% were contacted about prepaying their own funeral expenses. As you would expect, these percentages vary widely by age of respondent. Forty percent of consumers ranging in age from 60 to 74 had been contacted about planning their own funerals and 40% had been contacted about prepaying (see Table 1, page 4).

The person most likely to have contacted consumers about planning or prepaying for funeral arrangements is a representative of a funeral home (see Table 2, page 4). Cemetery representatives are a distant second. Life insurance agents come in third, although some of the funeral home representatives are undoubtedly licensed as life insurance agents. The "other" category may include lawyers, friends, relatives, trust groups, and/or telemarketers.

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Chairperson's Corner

by Edward F. McKernan

This is my first "Chairperson's Corner" for *NewsDirect*. I am honored to serve as Chairperson of the Nontraditional Marketing (NTM) Section Council this coming year. Serving in this position was the result of the confidence of my peers, your NTM Section Council, and you, the members of the NTM Section.

The NTM Section owes a debt of gratitude to Dave Seidel and Kiran Desai whose terms expired this past October. These individuals have devoted many hours from their busy schedules to support NTM Section activities during the last several years. Dave served as Chairperson of the NTM Section Council this past year, making sure we all volunteered for various duties—no one was left out, including Kiran who served as Editor of *NewsDirect*. Although they will not officially be on the Council, I am pleased that these individuals will continue to participate in Section activities as *friends* of the NTM Section Council.

It is important that we pause to remember Chuck Haskins who passed away at the beginning of the year after a long battle with cancer. He will be missed.

Activities during 1998 included planning, recruiting, and delivering a dozen sessions at the SOA Spring and Annual Meetings. We thank Steve Ostland and Carl Meier, respectively, for spearheading these efforts. In fact, since both Steve and Carl had such a great time coordinating the 1998 meetings, both have stepped up to bat for the 1999 meetings. Carl is also

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Is "Direct" Where You Want To Be?

by David C. Florian

These days, you can buy just about anything "direct"—computers, furniture, even stocks. It's no surprise this craze has caught on in the life insurance industry. In fact, the distribution channel categorized as "direct" is one of the industry's fastest growing, increasing its marketshare from 3% in 1990 to 11% in 1997. (Term Life Distribution Segmentation," Braunegg, George, Society of Actuaries—*Product Development News*, September 1998.) Furthermore, this growth is expected to continue. Most every insurance company has considered the "direct" alternative. Some are actually making it happen.

Is "direct" where you want to be? That's a good question. In this article,

we'll take a look at direct response marketing the associated costs, and the tools necessary to start building your company's presence in this developing market.

The direct market is actually not new. In fact, it's been around for quite some time. However, companies appear to be investigating alternate solutions for expanding and maximizing their production with increased fervor. Insurance companies and agencies alike share this passion. In the quest for new sources of business, both segments of the industry have begun to experiment with direct marketing. Of course, the strategic approaches might differ. Some insurers are marketing their own products directly to the consumer, while other

companies and agencies perform direct mail campaigns. Many others are operating an in-bound call center or interactive web site to which consumers can directly respond to regional or national insurance advertising. Whatever the strategy, considerable challenges and potential rewards exist. Before the benefits may be appreciated, though, the groundwork for a successful operation must first be created.

What tools are necessary to try your hand at a direct response operation? For starters, you will need a telephone line, preferably with a toll-free listing. The telephone is the life-line of a direct response agency. While some companies are experimenting with online insurance sales via their web site, this medium has yet to grow

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beyond infancy for insurance. No question, the Internet will eventually develop into a significant distribution channel. A web site is currently an excellent complement to your company, but the telephone is crucial.

Once the telephone lines are established, what is going to make them ring? Advertising, of course. Various options exist—radio, print, and/or television. Each advertising vehicle has pros and cons that should be analyzed and considered. Regardless of whether your decision is to select print or broadcast, it should be understood that advertising is not cheap. The price tag to establish company name recognition and to drive in calls should never be underestimated. However, money spent is money earned. The primary benefit of advertising in the broad-based market is the mass audience your message will reach. And, the key to a successful direct response operation is mass production.

The last essential tool for beginning a profitable execution is agents. The volume of incoming calls necessitates a staff of licensed agents. The responsibilities of a call center agent, however, vary significantly from those of a traditional agent. Customer service oriented individuals, rather than seasoned agents accustomed to prospecting, better fit the description of a call center agent. Fortunately, this individual is easier to recruit and eager to learn. Furthermore, because it is unusual for a traditional agent to possess licenses in each of the 50 states, the lack of any license truly makes little difference in the time required to bring your phone agents up to speed.

It is important to note that while this new breed of agent is critical to a direct response operation, neither the traditional agent nor the traditional distribution channel will be replaced. These two distinct distribution

methods—direct response and traditional—can and will co-exist in the future. There is, in fact, little overlap in the consumers who purchase via each channel. There will always be an abundance of consumers who require the personal, hands-on attention and advanced insurance product knowledge that only a traditional agent can provide.

Whether the consumer requires estate planning or universal life, the traditional agent is best equipped to facilitate this sales process.

A direct response agency will be sought out by those “do-it-yourself” individuals able to conduct their insurance purchases without the face-to-face presence of an agent. These consumers desire a quick, simple purchase of a simple insurance product—the type of sale perfectly suited to a direct marketing organization.

The key word, obviously, is “simple.” Therefore, the product of choice by most direct marketing operations is term life insurance, typically a product only used as a last resort by traditional agencies due to its low premium and commission. Essentially, term life has become a commodity, with price being the product’s primary competitive feature. In this volatile market with prices decreasing, life insurance companies have slashed premiums by decreasing commissions in order to remain competitive. The obvious winner is the consumer who now has access to an easy-to-understand product with a miniscule price tag. Insurance companies and agencies also win in that these “low-load” products can be used to target the previously ignored and hard to reach middle and lower income markets.

For several years, the proposed XXX regulation has loomed over the

term industry like a black cloud. Should the majority of states adopt this regulation, the direct segment of the market would definitely be impacted. How much of an impact? The answer to this question is somewhat uncertain since several new XXX proposals are currently in front of the NAIC.

“Most every insurance company has considered the ‘direct’ alternative. Some are actually making it happen.”

If or until this regulation is adopted, direct marketers will have their hands full complying with the myriad of other state insurance regulations and newly created IMSA guidelines. Direct or not, this is no easy feat for any insurance agency.

One advantage that a direct response organization possesses over the traditional “field” agency is greater control over the agents. With an in-bound call center structure, each of the direct marketer’s agents are located in-house, rather than in the field. Agents are immediately notified of new and pending state regulations. Established internal procedures verify that insurance transactions are always in compliance. Telephone calls are recorded to document the accuracy of conversations. Regardless of what internal programs you establish, the result is clear—greater control, lesser market conduct, and compliance worries.

It is a sure bet that nearly every insurance company has contemplated building an in-house direct marketing operation. Some insurers, such as Zurich Direct and Fidelity, have succeeded in their direct-to-the consumer marketing efforts. The majority of insurance companies, however, have not yet attempted this

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Is "Direct" Where You Want To Be?

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of isolating the existing field force or perhaps disinterest in creating a back-office for the business, many insurers have avoided the risk of direct marketing. There is an alternative to completing the operation entirely in the home office. Through third party marketing arrangements (TPMs), you can create perception in the consumer's mind that you are direct marketing your insurance products. This model promotes efficiencies as the insurer completes what they do best—underwriting, policy issue, and assumption risk—while the agency focuses on their strengths—advertising and selling.

The direct marketing distribution channel may be small in relation to the older, more mature channels, but it is growing. And, it's growing fast. Is "direct" where you want to be? If your answer is yes, move quickly. Make decisions. Build an in-house direct marketing operation. Market through a direct response independent brokerage. Or, contract with a Third Party Marketers to market direct to the consumer.

David Florian, ASA, is the President of Pivot,™ a direct marketing agency, in Columbus, Ohio.

Market Potential for Preneed

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TABLE 1
Percentage Contacted About:

	Age			
	Under 45	45—59	60—74	75 and over
Planning	14%	29%	40%	36%
Prepaying	12%	27%	40%	33%

TABLE 2
Who Contacted You?

	Planning	Prepaying
Funeral home representative	62%	61%
Cemetery representative	33%	30%
Life insurance agent	10%	9%
Clergy	2%	NA
Other	12%	11%

Interest

Overall, 31% of consumers said that planning and prepaying for their own funeral is something they would be interested in. Interest does not vary significantly by age of the respondent, but gradually declines with increasing income (see Chart 1, page 6).

Current Arrangements

Seven percent of the sample already have signed contracts with funeral homes specifying their own funeral arrangements. As expected, the incidence rises sharply with age (see Chart 2, page 6). It also varies by income, but to a lesser degree (9% of respondents with household income less than \$25,000 vs. 4% with household incomes greater than \$50,000).

Widows/widowers are much more likely to have a signed contract with a funeral home (19%) than are consumers who are married (6%), divorced, separated, or single (5%). This is not surprising since the

widowed are more likely to have built a relationship with a funeral home while arranging their spouse's funeral.

The percentage of consumers who have a signed contract with a funeral home is much greater for those who had been contacted about planning and prepaying; than for those who had not more than 20% of those contacted now have a contract versus only 2% among those who were not contacted. Less than 10% of consumers contacted about planning only (not prepaying) have a contract. This is a clear indication that contacting consumers does result in policy sales but that discussing prepayment options in addition to planning increases sales significantly.

Thirty-six percent of the respondents who currently have a contract with a funeral home indicated they bought an insurance policy to pay for the funeral at the same time they made the arrangements. Fifty-five percent

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Chairperson's Corner

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serving as Vice-Chairperson on the NTM Section Council this coming year.

We also have established an NTM Section page on the Society of Actuaries Web site under "Special Interest Section—Nontraditional Marketing Section." On the web page, you can post questions, comments, or suggestions to various NTM Section Council members. If we do not have the answer, we will find it. This achievement is largely the result of the efforts of Kiran Desai. In addition, the NTM Section just wrapped up the "Emerging Markets for the

New Senior Citizen" seminar in mid-November, which was well received by its attendees. NTM Section Council members responsible for the seminar included me, Dave Seidel, and a friend of the NTM Section, Rick Bergstrom. As difficult as it is some-

times, we achieved our goal of publishing three editions of *NewsDirect*. Kiran served as editor and is to be commended for his efforts. Publication depends largely upon NTM Section membership support. Please contribute or refer articles that will provide value to the membership. Think of what could come your way—for example, David S. Lee was last year's recipient of *NewsDirect's*

Call for Papers Award. Joe Brennan will serve as Editor for the coming year, and will be supported by Editorial Board members Kiran Desai, Nancy Manning, and Jim Smith.

As tradition dictates, we plan to actively serve our membership in the coming year. Along with incoming NTM Section Council members, which include Nancy Manning, Steve Ostlund, and Jim Smith, we have already identified several projects, some of which are well underway, and we will bring to fruition projects already in progress. Looking forward

to 1999, six sessions are planned for the SOA Spring Meeting in Atlanta. Plans are also underway for the SOA 50th Anniversary Meeting; we are planning some special activities for your enjoyment and, of course, education.

Also underway is the planning of a seminar on bancassurance as a prelude

to the SOA Spring Meeting in Atlanta. The initial planning of this seminar is largely the result of efforts by Jim Smith. Additional seminars under consideration for 1999 and beyond include direct marketing and, potentially a Far East seminar regarding direct mail or credit insurance.

We are in the process of developing a directory of insurance company products and distribution

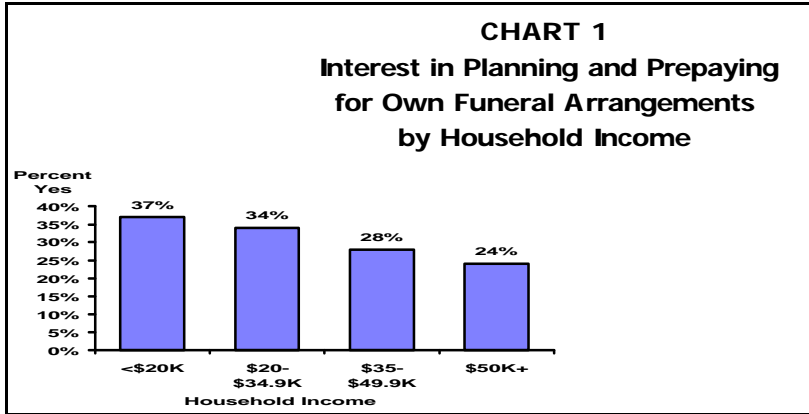
channels. You should have received a survey questionnaire in December. Please take time to complete the survey, as the directory will be a valuable resource tool for you and fellow members for many years to come. As a byproduct of the survey we will be able to better define a long-term strategy for the NTM Section to best serve its membership. We are striving to balance the core principals of the NTM Section while at the same time looking ahead to an ever-changing environment. New distribution channels and products continue to emerge that are "nontraditional" in their nature, while what may have once been "nontraditional" has clearly entered the mainstream. Again, please respond to the survey to enable us to better serve you.

In closing, please call or write any NTM Section Council member, or e-mail me at edmc@wmas.com, to share your ideas on how we might better serve the membership. If you have an interest in speaking at any upcoming meeting or seminar, or authoring articles for *NewsDirect*, please notify any member of the NTM Section Council. Thank you for your support.

Edward F. McKernan, FSA, is Senior VP, CFO, and an Actuary with the WMA Corporation in Duluth, Georgia.



Market Potential for Preneed Insurance (continued from page 4)



said they did not buy an insurance policy, and 9% were not sure. The 9% not sure is a number the preneed industry should note. Because market conduct is a top issue in the life insurance industry, any confusion among customers about whether they bought a life insurance policy or not should raise concern.

Saving for Funeral Expenses

Over half of the consumers do not have an insurance policy or money saved specifically to pay for their funeral expenses (Table 3, page 6). The 12% who have an insurance policy bought specifically for funeral expenses may include types of life insurance other than preneed; policies earmarked in their minds to cover any final expenses.

Whether/how consumers are planning to pay their final expenses does vary by age, income, and marital status. The older consumers are, the more likely they are to have funds set aside for their final expenses. The higher the household income, the more likely consumers are to have an insurance policy bought in part for funeral expenses and the less likely they are to have a specific policy for this purpose. Regardless of income category, however, fewer than half have money or insurance specifically earmarked for final expenses. Widows and widowers are more likely than others to have some type of funds specifically set aside for this purpose.

Market Potential

If we compare the percentage of consumers who have an interest in prepaying for their own funerals, the percentage who were contacted about it, to the percentage who actually have a signed contract with a funeral home,

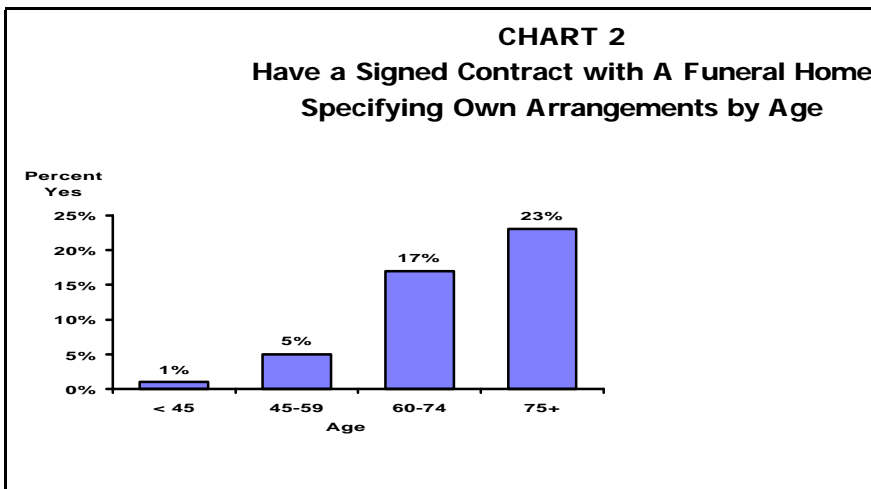


TABLE 3
**Do You Have Money Saved or an Insurance Policy
Specifically To Pay for Your Funeral Expenses?**

Yes, an insurance policy bought in part for funeral expenses	28%
Yes, an insurance policy bought specifically for funeral expenses	12
Yes, savings specifically for paying funeral expenses	5
No	55
	100%

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TABLE 4
Market Potential by Region
Percentage of Respondents Who Have:

	Interest	Been Contacted About:		A Contract
		Planning	Prepaying	
Northeast	31%	14%	11%	4%
North Central	28	19	14	5
South	34	30	23	10
West	28	26	22	8
Total	31%	24%	21%	7%

The Northeast has the lowest penetration rate in terms of percentage with a contract versus percentage who show an interest. Because of regulatory constraints, the market potential for this region is questionable. For example, preneed insurance products cannot be sold in New York state and regulations make it difficult to sell in Connecticut.

there appears to be a great deal of potential for marketing preneed insurance. Overall, 31% of consumers are interested in planning and prepaying for their own funeral and only 7% of consumers currently have a signed contract with a funeral home. The market potential by region is shown in Table 4.

Conclusion

Several factors, when combined, bode well for the increasing potential of the preneed market:

- Thirty-one percent of consumers are interested in planning and prepaying for their own funeral, yet only 7% have a contract.
- Fifty-five percent of consumers have no specific money earmarked for their final expenses.
- Baby boomers are turning 50 at the beginning of the target age for the preneed market.
- There is increased interest in prefunding funeral expenses.

Donna B. Stalley, MBA, FLMI, is a Senior Analyst in Strategic Research at LIMRA International in Windsor, Connecticut.

Upcoming Meetings

SOA Atlanta Spring Meeting, May 24-25, 1999

The following is a list of sessions sponsored by the Nontraditional Marketing Section at the SOA Spring Meeting in Atlanta.

Instant Issue for Life Insurance Products

When we use non-traditional products, we often need to expedite underwriting and provide a product right away. Because issue speed is becoming a crucial success factor in today's life insurance market, actuaries must consider this in the product development process. In this session, attendees hear from individuals who represent the disciplines of product development, new business processing, underwriting, and data processing.

Topics of discussion include:

- Issue time and other new business service expectations for various distribution channels
- Current approaches and turnaround times for policy submission, underwriting and policy issue
- Issue support available from vendors such as paramedical and laboratory services
- Recent trends in artificial intelligence underwriting systems
- Current and future data processing technology for policy issue
- Impact of instant issue on product profitability

Mining the Embedded Values of Direct Marketed Insurance Products

Prospecting for new clients is a critical element of success for any enterprise. Direct marketers realize their best prospects are their existing policyholders.

Panelists discuss how companies

use embedded values in their policyholder data to develop more insurance. Panelists will explore opportunities to use actuarial data and techniques to create more profitable products.

Hot Topics in Credit Insurance

Credit insurance is sometimes called the original Bancassurance product. Participants have the opportunity to discuss specific topics on items of critical interest including recent regulation, dynamics within the industry, and the newest thoughts on actuarial concerns.

Survivorship Life Sold through Financial Institution Trust Departments

Opportunities to market specialty products are present in the bank environment. In this session, panelists explore the market for customers of financial institution trust departments. In particular, the distribution of survivorship life insurance policies is discussed.

- How large is the market for survivorship life?
- Who sells it?
- What marketshare does each major source hold?
- What are the mechanics of the sale?
- How long can the sales process typically take?

Panelists discuss some strategies and partnerships that have worked, and some that haven't. Panelists also discuss cross-selling opportunities, and the regulatory impact of proposed or impending legislation.

Internet Marketing

The Internet is an ideal medium to market and sell some (but not all) products. There are particular challenges facing organizations

wishing to sell insurance and financial products over the Internet. Panelists will discuss and shed light on the issues facing insurance companies and how they have succeeded (or not succeeded) in their use of the web. Focus will be placed on:

- Regulatory issues facing on-line marketing and sales initiatives
- Security of the information provided on line
- "Bought" vs. "sold" products
- Receptiveness of users

If you are interested in speaking, check with Steve Ostlund at 608-231-7042 to see if a spot is still open.



Special Seminar:

Bancassurance in U.S. and Canada: Before Today—Beyond Tomorrow Atlanta May 23, 1999

The day before the Spring Meeting starts, we are presenting an excellent program emphasizing banks and Insurance, co-sponsored with the Product Development Section. Then we move into the Spring Meeting on Monday morning with follow-up sessions. In addition to discussing issues currently faced in bancassurance, by the conclusion of this session, attendees also understand the challenges faced in pursuing future opportunities. Plan now for the following sessions:

U.S. Bancassurance Background

Financial service convergence; factors motivating insurers and bankers; legal environment

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Bancassurance, A Global Perspective

by Jeffrey A. Klanderma

The following is a synopsis of the presentation at the New York Annual Society of Actuaries Meeting in October 1998 on customers, products, and distribution methods.

In these times of shrinking profit margins and increased levels of competition from other insurance companies and other financial institutions, insurers are seeking alternative methods of product delivery other than their traditional sales approaches. Bancassurance is providing just such an opportunity for many companies. Today, convenience has become a major issue in managing a person's day-to-day activities. The ability of a company to piggyback the insurance distribution function on a function that is as familiar and necessary to us as banking opens up tremendous marketing and sales opportunities. These opportunities can only increase as bancassurance gains in sophistication.

In a panel discussion at this year's annual SOA meeting, James B. Smith Jr., Jacquelyn Abdella, and John O. Nigh presented an overview of this exciting new insurance area. The three speakers provided a global view of the current state of bancassurance, surveyed the types of products the bancassurance industry is offering, and also shared some thoughts on what they saw as the future direction of bancassurance.

Smith focused primarily on the situation in the United States. He discussed the benefits to both insurance companies and banks of this approach to insurance sales. Common benefits to both parties included easier access to customers, lower distribution costs, and the more general benefits which come from diversification of product lines, such as retention of the existing customer base as a result of increased product offerings. Smith presented numerous statistics that showed the moderate

degree of market penetration made in bancassurance's infancy, as well as the significant opportunities available if anticipated growth takes place. One source he cited projected that, within five years, 75% of life insurance sales and almost 40% of property and casualty sales will be through banks.

Smith's presentation focused on various customer segments and how they are addressed by different banking channels, primarily using existing product designs. He presented several examples of situations in which customer market segments could not be or were not being reached by traditional insurance sales methods, but could be reached using bancassurance methods.

Smith concluded his presentation by extrapolating from the current state of bancassurance in the United States to the possibilities for the future. His assessment of potential market segments, possible product variations, and the numerous possible delivery mechanisms clearly demonstrated the vast untapped potential of bancassurance.

Jackie Abdella offered a view of bancassurance from the European perspective. The bancassurance industry in Europe is more mature than in the United States. In France, for example, bancassurance is the major conduit for life insurance premium with over 60% of life premium income coming through bancassurance sales.

One underlying theme of Abdella's presentation was the variety of forms that bancassurance has taken in the European market. She noted that the definition of bancassurance in Europe is much more broad than in the United States, including, for example, strategic alliances, bank ownership of life insurance companies, bank/insurance

company mergers, and fully integrated financial service providers. She also pointed out that the more relaxed regulatory environment in Europe with regard to bancassurance was a significant factor in the growth of bancassurance there.

One key difference between European markets and the U. S. market is the legal authority allowing banks and insurance companies to own one another. Abdella noted a series of both offensive and defensive motivations to bancassurance growth stemming from this fact. Economies of scale with regard to customer bases underscored most of the motivations.

Her presentation also focused on the evolution of bancassurance products in Europe. These products began as simple-to-understand savings products designed to fill sales niches. They have since evolved into a full range of savings and insurance products, including health insurance, property and casualty lines, retirement and savings products, and flexible and variable life products. The key to these sales has been to match the product with the appropriate distribution outlet. Additionally, less expensive distribution methods have led to more competitive rates and/or better service.

Abdella concluded her presentation with a more detailed look at specific countries' markets. These examples provided some insight into how the U.S. bancassurance industry may develop, as well as some areas where the European market may continue to evolve.

In his portion of the program, John Nigh explored how bancassurance is faring in South and Central America. Nigh reiterated several of the points about bancassurance that the previous speakers had made, including the advantages of increased



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Bancassurance, A Global Perspective

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customer access, lower distribution costs, and diversification of product lines. He pointed out that in Latin America, banks can "force" credit insurance sales in conjunction with loans, and policyholders can pay premiums with monthly deductions from bank accounts. The traditional agency market in Latin America is the middle- to high-income group, whereas bancassurance allows access to the lower to middle-income groups previously not targeted for insurance products. Changes in the regulatory environment as well as reductions in inflation rates have made insurance savings products much more attractive to the consumer. Thus, companies distributing business in bancassurance form are in an enviable position.

He also identified a number of the business structures by which insurance companies could enter the bancassurance arena. The most popular arrangement between banks and insurance companies in Latin America has been a joint venture. Other arrangements have included distribution agreements of various forms between a bank and an unrelated insurance company, as well as a nonintegrated arrangement where both the bank and the insurance company are owned by a common holding company.

Nigh concluded with some examples of major multinational insurance companies who had entered the bancassurance market through joint venture arrangements with local banks. The majority of these arrangements involved 51%/49% participation structures with the insurance company assuming a 49% participation in the venture. The insurers



involved were all seeking to gain access to the Latin American markets, and the bancassurance mechanism provided a way to enter the market at a reasonable cost with an immediate significant market penetration.

In summary, the message of this presentation was that bancassurance provides an opportunity for insurance companies to reach customers in a new and cost-efficient manner. It creates a new path, and for some the only realistic path, to increase current sales. The bancassurance mechanism also provides advantages to the consumer in the forms of convenience and possibly more competitive rates. Each speaker cited statistics suggesting that more than half of insurance sales may come through the bancassurance mechanism during the next several years. With the U.S. regulatory environment moving towards reducing the barriers to bancassurance, the door is open for insurance companies to step through.

Many thanks to Jim Smith, Jackie Abdella, and John Nigh for their insights into this exciting new insurance area. For those interested in learning more about this subject, the Non-traditional Marketing Section and the Product Development Section are co-sponsoring a seminar on May 23 in Atlanta that will focus on bancassurance in the U.S. Information about that seminar can be found on page 9 in this newsletter.

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Upcoming Meetings

(continued from page 8)

Bank Customer Segmentation Practices

Customer segmentation approaches; determination of customer characteristics and financial needs; effective utilization of customer segmentation test.

Bancassurance Products

Today's product offerings; banks' marketshare; special product features for bank customers.

Bank Distribution Channels

Description of various bank channels; selecting the appropriate channel; advantages/disadvantages.

Financial Issues

Compensation trends; profit sharing arrangements; pros and cons of profit-sharing; requirements for successful arrangements.

Case Studies: Perspectives of Insurer and Banker

Interview with insurance and bank executives; program description; successes/failures; risks/rewards.

Future Bancassurance

Forecasting changes in products, customers, distribution channels, and financial issues.



PIMA's 25th Anniversary Meeting,

**Dana Point, California
February 7-10, 1999**

The professional Insurance Marketing Association is the preeminent organization on marketing of insurance products. For its "Silver Celebration" PIMA will be assembling a panel of CEOs to answer questions on the future of insurance marketing. More information can be obtained from PIMA at 301-951-1260.

Is This Your Bank?

In March 1992 a man living in Newtown, near Boston, Mass., received a bill for his unused credit card stating that he owed \$0.00. He ignored it and threw it away.

In April he received another and threw that one away too.

The following month the credit card company sent him a very nasty note, stating they were going to cancel his card if he didn't send them \$0.00 by return post. He called them, they said it was a computer error, and told him they'd take care of it.

The following month, he decided that it was about time that he tried out the troublesome credit card, figuring that if there were purchases on his account it would put an end to his ridiculous predicament. However, in the first store that he produced his credit card in payment for his purchases, he

found that his card had been canceled. He called the credit card company who apologized for the computer error once again, and said that they would take care of it.

The next day, he got a bill for \$0.00 stating that payment was now overdue. Having spoken to the credit card company only the previous day,

he assumed that the latest bill was yet another mistake, and he ignored it, trusting that the company would be as good as their word and sort the problem out.

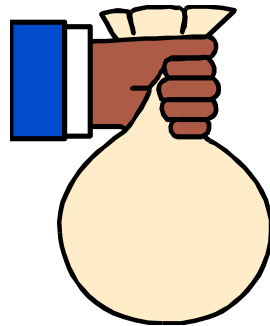
The next month, he got a bill for \$0.00 stating that he had 10

days to pay his account or the company would have to take steps to recover the debt. Finally giving in, he thought he would play the company at their own game and mailed them a check for \$0.00. The computer duly

processed his account and returned a statement to the effect that he now owed the credit card company nothing at all.

A week later, the man's bank called him asking him what he was doing writing a check for \$0.00. After a lengthy explanation the bank replied that the \$0.00 check had caused their check processing software to fail. The bank now could not process any checks from any of their customers that day, because the check for \$0.00 was causing the computer to crash.

The following month, the man received a letter from the credit card company, claiming that his check had bounced and that he now owed them \$0.00. Unless he sent a check by return post, they would be taking steps to recover the debt. The man, who had been considering buying his wife a computer for her birthday, bought her a typewriter instead.



NewsDirect 1999 Papers Contest

The Nontraditional Marketing Section is still accepting papers for its 1999 incentive program. We are accepting original papers for publication in *NewsDirect* which would be of interest to Section members.

As an incentive, the Section is holding a contest for 1999. A cash prize of \$250 will be awarded to the author of any paper the editorial board accepted for publication in 1999. *NewsDirect's* editorial board will decide which papers are acceptable for consideration. It is not required that papers be submitted by members of the section.

Articles should be approximately 500 to 2,000 words in length. It is suggested that articles be educational in nature, include real world examples, and cover current issues or original research. A list of suggested topics include:

Banks and Insurance
Credit Insurance
Direct Response

Payroll Deduction
Pre-need Life Insurance
Other

This is a great opportunity to share your ideas and get some recognition. If you have an idea for a paper, but are not sure if it is appropriate, please contact us. Articles should be typed in Word or WordPerfect and submitted via e-mail to joseph.e.brennan@prudential.com.



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