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Successful Bancassurance Programs:

A Look Behind the Scenes

by Kerry J. Kixmiller and James B. Smith, Jr.

An open forum was held at the October annual SOA meeting on the topic of bancassurance, which is the sale of life insurance and annuities through banks, thrifts, and credit unions. The forum was moderated by Jim Smith and featured three speakers. Bruce Ferris, Kevin Crowe and Jack LaSalle presented three different perspectives of bancassurance — from the viewpoints of an insurer, third party marketer and banker, respectively.

Bruce Ferris is vice president, investment sales for the individual life and annuities division of the Hartford Life Insurance Companies. He started his presentation by looking at the growth of the annuity business sold through banks and contrasting this with the future of bank distribution of life insurance. While banks have been a formidable distributor of annuities, the same is not currently true for life insurance. Ferris said that life insurance sales through banks are currently where annuity sales were a few years ago, and believes that banks will become a major force in the distribution of life insurance.

Ferris discussed some of the reasons banks have been formidable distribution outlets for annuities and will be in the future for life insurance. These reasons include name recognition, customer loyalty, large amounts of capital, and advanced technology. Critical factors for an insurance company to be successful with bancassurance include the manufacturing of products that are both competitive and the best of breed, brand recognition, long-term consistent performance, marketing support, and technology.

Ferris also talked about the tremendous potential for growth not only with the Baby Boom generation, but also the "Net Generation," the segment of the

population under age 25. Banks are deeply involved with the Internet, which is one way of effectively selling to these markets.

Kevin Crowe, the founder and chairman of Essex Corporation, spoke about bancassurance from the point of view of third-party marketers. Some of the services provided by third-party marketers include product design assistance, advertising, training, wholesaling, and administration.

For illustrative purposes, Crowe talked about his company's relationship with Money Bank. They have set up their own insurance agency, which rents space from the bank. They have 40 full-time, dedicated sales representatives at Money Bank, and about 70 licensed bank employees of Money Bank who can handle basic sales.

One of the success factors that Crowe discussed is the quality of products, because a bank must balance customers' needs and the bank's need for fee income. Another key factor is compensation of the sales representative, which needs to be fair and provide significant incentive.

Crowe described the market place as including three different product opportunities. One is the simple \$50,000 or \$100,000 term insurance product that can be sold without medical exams or blood tests. Another is the middle market, which includes products like universal life and requires some underwriting. The third product is long-term care insurance. A major factor in selling through banks is product design that is simple and easy to work with.

Jack LaSalle, senior vice president and director of sales with Cal Fed, talked about bancassurance from a banker's point-of-view. Cal Fed's sales team consists of financial consultants that typically cover two to three branches. In each

branch, there are two to three licensed personal bankers that are aided by the financial consultants. The focus of the licensed personal banker is the sale of core banks products, as well as making the more transaction-based investment sales. The financial consultant's role is to serve as sales leader, sales coach, and mentor to the licensed personal bankers.

LaSalle addressed the question of why banks are not selling more life insurance. One obstacle is the wirehouse background of many sales representatives in bank programs. The representatives gravitate toward selling mutual funds and annuities, rather than life insurance. Additionally, since banks are transaction-oriented, bank customers expect to complete their bank transactions before they leave the bank. Unfortunately, insurance products may require multiple activities because of the underwriting process.

Bancassurance is clearly a growing distribution channel. However, as each speaker emphasized, the potential is much greater than the current realization. Tremendous opportunities exist for sales growth through bancassurance distribution.

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