

Bridging the Cultural Divide Between Banks and Life Insurers

2005 Bank Insurance Study

Cf Effron Company, LLC

Foreword

I would like to thank the sponsors listed on this page for their support and interest in working together to understand the differences between bank and insurance cultures and their efforts to help define a more robust common culture. It has been a pleasure working with so many talented and dedicated people and I am looking forward to continuing the dialogue as we find new and innovative answers to overcome the obstacles that follow in this report and “Bridge the Cultural Divide.”

Carmen Effron, President
C F Effron Company LLC
Weston, CT
November 2005



Copyright © 2005 C F Effron Company LLC, All rights reserved

Contents

Foreword	2
Introduction and Background	7
Executive Summary	8
Recommendations	9
New Recommendations 2005 Study.....	9
2003 Study Recommendations Currently in Practice.....	10
2003 Study Recommendations Carried Over in the 2005 Study.....	10
Methodology	11
Key Findings	12
Distribution.....	12
Marketing & Sales	14
Product Design.....	16
Administration & Operations	18
Effectiveness.....	20
Risk & Profitability	22
Respondent Profile	23
Market Share and Experience	23
Size of Organization	24
Geographic Representation	25
Bank Channel Sales Experience	26
Policies Sold	26
Business Volume	27
Detailed Findings	29
Distribution.....	29
Reasons for Distributing	29
Channels	30
Selection of Partners	31
Banks Selecting Insurers.....	32
Insurers Selecting Banks.....	32
Multi-year Contracts.....	33
Awareness and Expansion of Insurance.....	35
Use of Third Party Marketers	37

Marketing & Sales	38
Bank/Insurer Relationships	38
Distribution Approaches	41
Selling Factors	43
Methods of Selling.....	45
Effectiveness.....	47
Product Design.....	50
Bank/Insurer Relationships	50
Product Customization	52
Product Offerings.....	54
Average Face Value Sold.....	56
Administration & Operations	58
Bank/Insurer Relationships	58
Training	60
Legal Compliance	61
Resources	63
Outsourcing.....	65
Effectiveness.....	67
Obstacles	67
Selling to Bank Customers	70
Regulation/Compliance.....	72
Risk & Profitability	74
Bank/Insurer Relationships	74
Reinsurance.....	76
Footnotes.....	77
About C F Effron.....	78
C F Effron Company LLC	78
Acknowledgements.....	78

Table of Figures

Figure 1 Management level.....	23
Figure 2 Bank size.....	24
Figure 3 Insurer size.....	24
Figure 4 Regional locations.....	25
Figure 5 Selling Experience.....	26
Figure 6 Policy Sold.....	26
Figure 7 Annual Recurring Life Premiums.....	27
Figure 8 Annual Single Life Premiums.....	28
Figure 9 Reasons for banks to distribute insurance.....	29
Figure 10 Distribution of figure 9; reasons to distribute insurance.....	30
Figure 11 Alternative distribution channels.....	30
Figure 12 Number of partners.....	31
Figure 13 Bank & Insurer factors in targeting.....	32
Figure 14 Services for multi year contract.....	33
Figure 15 Awareness of insurance sold through banks.....	35
Figure 16 Options for growing insurance practice.....	35
Figure 17 Distribution of scores related to statements in forming an optimal relationship.....	36
Figure 18 Factors in use of TPM's.....	37
Figure 19 Marketing & Sales relationship.....	39
Figure 20 Distribution effectiveness.....	41
Figure 21 Distribution of figure 20; distribution approaches.....	42
Figure 22 Factors in selling insurance.....	44
Figure 23 Lead generation.....	45
Figure 24 Distribution of figure 23; lead generation.....	46
Figure 25 Selling methods.....	47
Figure 26 Distribution of figure 25; selling methods.....	48
Figure 27 Length of sales cycle.....	49
Figure 28 Product design in relationship.....	51
Figure 29 Product customization.....	52
Figure 30 Distribution of figure 29; product customization.....	53
Figure 31 Product by customer groups.....	55
Figure 32 Average face values all banks.....	56

<i>Figure 33 Average face values greater than \$10 bn</i>	57
<i>Figure 34 Average face values less than \$10 bn</i>	57
<i>Figure 35 Administrative/Operational</i>	59
<i>Figure 36 Training expectations</i>	60
<i>Figure 37 Reliance on legal compliance expertise</i>	61
<i>Figure 38 Distribution of figure 37; legal compliance expertise</i>	62
<i>Figure 39 Concerned regarding well trained agents</i>	63
<i>Figure 40 Pool of talent consortium</i>	63
<i>Figure 41 Consortium for technology solutions</i>	64
<i>Figure 42 Outsourcing of functions</i>	65
<i>Figure 43 Distribution of figure 42; outsourcing functions</i>	66
<i>Figure 44 Obstacles in distribution</i>	67
<i>Figure 45 Distribution of figure 44; obstacles in quality of distribution</i>	68
<i>Figure 46 Obstacle in selling insurance</i>	70
<i>Figure 47 Distribution of figure 46; obstacles selling insurance</i>	71
<i>Figure 48 Regulatory compliance barriers</i>	72
<i>Figure 49 Distribution of figure 48; regulatory barriers</i>	73
<i>Figure 50 Risk & profitability in relationship</i>	75
<i>Figure 51 Reinsurance mechanisms</i>	76

Introduction and Background

This Study explores the cultural and perceptual issues that divide banks and insurers. The 2005 Study is the second of a continuing investigation of the concerns confronting banks and their insurance partners. In 2003, the C F Efron Company, LLC under the auspices of the Financial Institutions Insurance Distribution Committee of the American Council of Life Insurers (ACLI) conducted a ground breaking study to quantify the issues that were creating barriers to success and to understand the non statutory disincentives to affiliation. These disincentives are rooted in the cultural differences between banks and life insurers—their distinctive business models, as well as how these institutions are regulated, attract customers, distribute their products, and make a profit; in essence their culture. The Study uses a statistical “gap analysis” technique to quantify the cultural issues; therefore using hard evidence to uncover and explore the qualitative issues banks and insurers must tackle to achieve success.

The 2003 Study was just the starting point. During 2004, three full day workshops were conducted to explore in-depth the more visible differences between the banks and insurers. The sessions were used to examine, discuss and develop best practice recommendations to overcome the challenges impeding the growth and distribution of life insurance. Small group meetings were structured to foster open, creative dialog amongst the participants. The workshops were attended by senior managers of leading insurance and banking organizations which are listed in the white paper; called *Catalyst for Change: Next Steps in Bridging the Cultural Divide between Banks and Life Insurers*. The 2005 Study and the other publications are available online at www.effroncompany.com.

The 2005 Study builds on the previous body of work and tests a number of the hypothesis and recommendations that were suggested by the white paper. The 2005 Study probes both insurers and bankers to determine their sense of importance, interest, and satisfaction covering the variety of issues each organization tackles as they develop a working relationship. The Study concurrently examines bank and insurer views; therefore it is a reflection of both of their opinions about insurance **distribution, marketing & sales, product design, administration & operations, effectiveness** and **risk & profitability**. The findings emphasize major gaps between banks and insurers in their satisfaction and evaluate the elements needed to optimize their joint distribution relationships.

The Study uses a **framework for the analysis** encompassing the following:

- Recognizes the differences in the answers to the same questions using gap analysis to determine the extent of the difference
- The distribution of the scores; i.e. the percentages of each score along a continuum of 5 points from least to most
- The relative rankings of attributes which describes for a particular question which element scored the highest down to the lowest
- Compares the 2005 Study findings to the 2003 Study
- Evaluates the results divided by company size

The focus is to shine a spotlight on the bank/insurer relationship to determine clues on behavior that lead to success, identify weaknesses, and as importantly, use this information to enhance the dialogue. Once there is agreement on what the barriers are, finding the ways to surmount the obstacles becomes the heart of the dialogue, not if a dialogue should begin.

Executive Summary

Banks and insurers generally agree on what elements are needed to create a successful life insurance program and the good news is that along some of these fronts substantial improvement is being made. The 2005 Study was expanded with twelve new questions and covered 330 individual attributes (compared to 225 attributes in the 2003 Study). The findings in 2005 show a marked progression over the 2003 Study, particularly in the area of effectiveness.

This is an indication that insurers are more in tune with the time it takes to make insurance programs successful in the bank and that a number of the recommendations have been incorporated into the policies and procedures of the banks over the last two years. Points of alignment found in the 2005 Study include:

- A "bank champion" for the product or service
- Commitment of senior management
- Quality training
- Products: how well they match with the customer base and how well they match with sales force capabilities
- Marketing, contest, and advertising support
- Technological and data support
- Quality of administration and customer support
- Processing cycle times (e.g., Product Issuance)
- Overall economics for insurers (ROE), banks (ROI), and sales force
- Product competitors within the organization

The 2005 Study was completed predominately by bank executive employees selling within the bank and approximately 90% of both bank and insurer respondents plan to increase the scope of their bank distribution program. However, given the overwhelming intentions to expand insurance through the bank channel, a number of concerns emerged particularly in the areas of marketing & sales and administration & operations.

The banks' desire for standardized products targeting the profitable segment of a mass market, which could be sold by generalists rather than specialists, is great news for the middle and emerging affluent customers¹ as more innovative products and processes continue to be developed.

Recommendations

Banks continue to want programs, products, and processes tailored to their unique relationship and the transaction nature of their interaction with their customers. The insurers appear to be listening to their requests as evidenced by the recommendations from the 2003 Study that have been embedded in the procedures, practices and discussions between the respondents and are no longer contentious.

The recommendations have been summarized into three categories; new recommendations based on the results of the 2005 Study, the 2003 Study recommendations that have been included into the practices of the banks and insurers, and those issues from the 2003 Study that again emerged in the 2005 Study.

Inclusion of the same recommendations in the 2003 and 2005 Study does not mean there has been a lack of improvement. It means that the respondents still felt that the issue has not been resolved to their satisfaction and that an extremely significant gap still exists; therefore there is still room for enhancement.

New Recommendations 2005 Study

- Target education to consumers to build awareness; both through the bank and to the general public.
- Focus on timely underwriting and report generation.
- Construct insurance as a part of and not separate from the sales structure of the bank.
- Integrate the insurance database into the bank customer database to avoid redundancy.
- Integrate products with bank procedures and systems at point of sale.
- Create product and life stage profiling systems available at the point of sale.
- Concentrate on reducing the time between the platform person's first and second sale.
- Develop a consortium of bankers and insurers to work with technology providers for profiling automation, application standardization, and database integration.
- Creation of a joint bank insurance plan for deployment of all insurance programs; encompassing all carrier products.
- Build internal awareness and focus by creating a "primer" explaining bank product margins and comparing them to insurance product margins that can be achieved by the bank over a period of time.
- Develop a consortium of bankers and insurers sharing the cost to develop sales and product training and to create a "pool of talent" (somewhat like the airline reservations system SABRE) where all members can dip into the pool.

2003 Study Recommendations Currently in Practice

- Redeploy resources toward product training and away from regulatory compliance support.
- Shift compliance risk from insurer to bank via errors and omissions insurance or indemnification agreements.
- Design mechanisms that allow small/midsize banks to mitigate insurer risk for bank insurance underwriting.
- Foster frequent liaison between senior staffs of bank and insurer to build a dynamic sense of partnership.
- Extend insurer support to banks with more technology, contributions to marketing, ad campaigns, or continuing education credits.
- Reduce the number of insurers with which banks work.
- Design differentiated strategies for bank distribution channels.

2003 Study Recommendations Carried Over in the 2005 Study

- Mutually aligned commitment; from both senior management as well as line managers.
- Building incentive programs that work.
- Provide wholesaler training and mentoring for investment representatives and bank platform personnel.
- Integrate life insurance sales into banks sales goals through incentives, referral fees, productivity credits, or other measures to help track and encourage productivity.
- Develop standardized applications and forms to promote sales to the middle and emerging affluent market through the bank channel.
- Allow more training time in banks directly by carrier to avoid dilution through train-the-trainer techniques.
- Connect bank sales staff via technology with insurance information providers to answer questions in real time and overcome lack of knowledge at the point of sale.

Methodology

The 2005 study is based on two surveys (same as the 2003 Study), one submitted to life insurance companies and another to banks. The questions are essentially the same, differing only in recognizing the institution's distinctive role in the bank-life insurer relationship.

Seventy-eight complete questionnaires were returned: 48 from banks and 30 from life insurers, compared to seventy-six completed questionnaires for the 2003 study. Questions encompassed life, annuities and health insurance. Demographic information, solicited from respondents and included in the detailed findings section, assures that the data obtained is representative of the market. In this Study all the bankers' responses are color coded **blue** and the insurers are in **red**.

Respondents were asked to assign a value from 1 to 5 to their experiences and perceptions in various facets of bank-life insurer interaction, with the distribution of scores grouped into five levels: 1 (least), 2 (partial), 3 (neutral or generally), 4 (more), and 5 (most). Overall scores represent the combined results of the respondents and are shown in tables. The 2003 Study used a 1 to 10 value scale. For comparison purposes the scores were divided by two, to place them on an equal scale with the 2005 Study.

Questions included various attributes from six general categories: distribution, marketing & sales, product design, administration & operations, effectiveness, and risk & profitability. Averaging participants' responses produced a score for each category.

Tabulating averages separately for banks and life insurers allowed a gap analysis to be performed. The gap score was determined by subtracting insurers' scores from banks' scores. The larger the gap between banks and insurers, the larger the cultural divide. If the insurers' score is higher, the gap score is displayed in **red** with an asterisk. If the bank respondents' score is higher, the gap score is displayed in **blue** with a plus sign. The markers are displayed in the body of the report.

Gap scores have been classified as follows:	2005 % of Gap Scores	2003 % of Gap Scores
▪ less than 0.5 as interesting	56.7%	59.0%
▪ 0.5 to 0.7 , as significant	20.0%	16.8%
▪ 0.8 to 1.0 , as very significant	13.0%	13.3%
▪ 1.1 and greater, as extremely significant	10.4%	11.0%

Data are further divided by size of institution: large, denoting institutions with assets exceeding \$10 billion, and small to midsize, covering institutions with assets less than \$10 billion. Scores segregated by respondent size are noted in the text. However, for ease of depiction, all tables and charts unless noted represent total respondent scores.

Key Findings

Distribution

Both banks and life insurers feel that developing and maintaining a partnership is important. Additionally, the reasons for the distribution of insurance are very much aligned. The following highlights a few of the key findings in the Distribution segment of the 2005 Study. The table summarized the number of extremely significant gap scores for this section.

Distribution (<i>GAP scores 1.1+</i>)			
Size Groups	Banks	Insurer	Totals
All	0	4	4
Large	0	5	5
Small/Midsized	1	3	4

- Reasons for distribution expectations were very much aligned between banks and insurers with both ranking the need to strengthen and retain existing customers first, one stop shopping for financial services second, and tied with the need for fee income. In last place was the notion that selling insurance will attract new customers. This is true in life insurance; however recent trends in the acquisition of P&C agencies by large banks indicate that one interesting reason for the purchase of large agencies is that they have offices in cities where the bank would like to open mortgage, private client, or commercial operations. If the insurance agency is well known, this gives the bank an entrée into that footprint.
- Over half of the insurers that distribute through banks also use both a general agency and independent agency system.
- Today less than 13% of the banks work with more than 50 carriers and most banks, 36 %, work with between 6-10 carriers. In the 2003 Study, for 61% of banks and 46% of insurers, having six to 20 different partners was common. Another 21% of insurers indicated they currently worked with more than 50 different banks. In 2003, 41% of the banks were working with less than ten carriers, while in 2005, 55% of the banks are working with less than 10 carriers. There is a definite trend for banks to work with fewer carriers which results in a greater degree of interdependence and better partnerships. Insurers are at either end of the spectrum; that is either limiting themselves to working with 1-5 banks (31%), or conversely working with greater than 50 banks (27%).
- When asked their ideal number of partners; 69% of banks thought that 6-20 insurers would provide choice while promoting a partnership. The insurers' ideal was again split between 27% feeling that 11-20 was ideal versus 54% that felt that greater than 50 banks would work well. Although the banks want to move towards using a smaller number of carriers, they have made little progress. The carriers want to work with more banks emphasizing the carriers' perspective that they view banks as only one of many channels to sell insurance.
- 61% of the large banks are working with less than 20 carriers and the ideal target for the large banks is that 77% would like to work with less than 20 carriers. 83% of the small/midsized insurers work with 20 or less banks, but as a group, 91% would like to work with less than 20. It appears that the big banks are further behind in moving to less than 20 partners which is their ideal. The small/midsized banks are getting closer to their ideal.

- When banks were asked to determine the importance of the attributes they considered essential in selecting insurance providers, the banks scored insurer's financial ratings at an average 4.5, or most important with timely underwriting decisions and reports as second, even before the company reputation or brand which scored a very close third out of the 14 attribute listed.
- Banks viewed the existence of previous experience working with banks as an important criteria, equal to point of sale support, which shows the sophistication of the people making the carrier selection decision. The help and understanding of the process where the customer is going to come into contact with the bank is gaining in importance as a carrier selection criteria.
- When insurers were asked their criterion in selecting bank partners, 86% of the insurers choose good relationships with senior management as the more or most important factor about equal with the 2003 Study, however 92% of the insurers recognized that unless insurance is integrated and made part of the branch goals and reward systems, it is just not going to be referred or ultimately sold. This is significant difference from the 2003 Study where 62% of the respondents thought just having experience with selling insurance was the second most important factor after good relationships with senior management. This realization shows the maturation of insurers in the selling process of insurance through banks.
- Banks considered dedicated wholesalers and operational support including computers for sales people; the two most expected services, while insurers want quarterly strategy and business planning meetings and production goals and commitment. There are very big disconnects in thinking exposed and extremely significant gaps in expectations of **1.4*** and **1.2***, respectively.
- Granting underwriting concessions is the most difficult service for insurers to accommodate, and the one most requested by banks. The magnitude of this gap will lessen if and when the bank is willing to assume some of the risk².
- Both insurers and banks agree that most of the bank's customers are still not aware that banks distribute insurance. In fact, greater than 60% of both banks and insurers feel that bank customers are only vaguely aware that the banks are in the insurance business. Greater than 67% of banks say that their customers are partially or least aware that they are selling insurance.
- When bankers and insurers were asked to rate the attractiveness of options when evaluating the need to grow a larger insurance practice for the bank, both banks and insurers agreed that for life insurance, they would first seek more direct relationships with insurance carriers, then acquire an insurance agency, next, partner with a TPM (Third Party Marketer) and last in line was partnering with a general brokering agency.
- The following may be a bit of self selection in that only carrier and bankers that think insurance is important take the time to complete the robust questionnaire, however 54% of the banks and 43% of the insurers believe that insurance is very important to the bank's non-interest fee income and is given serious economic and management support.
- About 50% of the bankers did not feel that today's compliance environment would make them turn to Third Party Marketers (TPMs) for product neutral advice, although 45% said that it could push them in that direction.
- Another question probed the factors that drove banks to use a TPM versus an insurance carrier. The number one reason, at 85.3% was product objectivity and the ability to keep fixed costs to a minimum. Equal to fixed cost was the option to garner wholesaling support.

Marketing & Sales

Bankers and insurers alike deem marketing to be important to the success of bank insurance programs. However, opinions diverge over how to deploy these marketing programs. A recurrent theme in survey responses was the importance of bank senior management commitment to insurance sales success. This suggests that even with a great product and a well-trained delivery staff, a bank's insurance program will likely not succeed without incentive and goal support. The table summarized the number of extremely significant gap scores for this section.

Size Groups	Banks	Insurer	Totals
All	11	6	17
Large	12	13	25
Small/Midsized	11	6	17

- Banks ranked the ability to provide simplified underwriting³ for product up to \$250,000 in face value for life and benefits as the most important element ranking it number 1 with a score of 3.9, or more important. The insurers feel that this is also important and interestingly are not satisfied with the job they are doing, with a **1.3*** extremely significant gap between importance and satisfaction. In fact on this element, the insurers for the first and only time rated themselves more harshly than the bankers, with a **0.8+** significant gap. This held true for the small/midsized insurers as well.
- The largest bank gap in satisfaction of **1.6+** was the ability to have the insurance database integrated into the bank's customer information file to facilitate sales and avoid redundant entry. While the insurers agreed with the banks that this was equally important, they are slightly less disappointed in their ability to provide this support and with a disappointment differential of **1.2***. This problem would seem to be one that could be attacked using a consortium of technology providers, insurers and banks. Again, the views are consistently held by banks in all size groups.
- Effective sales support from insurers is considered to be very important by banks and rated a 3.8 or more important, however the satisfaction of the banks is low at 2.6 for an extremely significant gap of **1.2+**.
- A source of contention is the amount of marketing support provided by insurers for a gap in satisfaction levels and an extremely significant difference of **1.1***. This unfortunately is one of the underlying reasons that greater than 67% of the banks say that their customers are only partially or least aware that they are selling insurance.
- The small/midsized banks also are more distressed than the large banks with the ability to utilize a standardized profiling process on the front-end and with the insurer's ability to provide marketing programs to support products, registering their level of dissatisfaction with a gap of **1.0+** of and **1.1+**.
- Banks ranked development of a sales structure for all financial products, including insurance, as the most important distribution approach. Developing a sales structure for financial products is the most difficult approach for banks to accomplish, requiring the highest degree of integration at point of sale and an extremely high and consistent commitment to training; excellent referral, incentive, goal processes; and technology support. Given the current interest in banks in using product guides and database integration of insurance, this move towards an integrated sales structure could be the next phase needed for success in the distribution of insurance products at the point of sales.

- Both banks and insurers agreed that buying an agency and integrating it into the bank was effective and both agreed that buying an agency and *not* integrating it into the bank was the least effective; with 67% of the banks saying it was least or partially effective and 52% of the insurers agreeing. Only 22% of the banks and 7% of the insurers felt that building an agency from scratch is an effective approach to selling insurance.
- Both insurers and banks ranked outsourcing to third parties at 6 and 5 respectively when compared to other methods of distributing insurance. This lack of divergence in opinion in the 2005 Study may reflect that banks and the carriers are becoming more comfortable with each other and feeling less of a need for a third party as they begin to better understand each others' business models.
- Exactly as it did in the 2003 Study, senior management commitment is given an extremely high rating of 4.5 and 4.3 by the banks and insurers respectively and both are extremely disappointed in their respective satisfaction scores for extremely significant gaps of 1.7+ for the banks and 1.1* for the insurers. The only attribute that created a larger gap was building incentive programs that work; for a banker importance to satisfaction extremely significant gap of 1.8+. The insurers agreed and noted their own disappointment at 1.1*.
- As in the 2003 Study, the ability to integrate insurance at the point of sales is still a frustration with extremely significant gaps of 1.7+ for the bankers and a lower gap in importance and satisfaction from the insurers at 1.0*.
- The bankers indicated that wholesale support and access to the bank's client base are areas that need improvement with an importance to satisfaction gaps for the bankers of 1.5+ for both and 0.9* and 0.3* for the insurers on those respective attributes. The utilization of a standard life insurance application is still a very significant gap for the banks with a 1.2+ gap in satisfaction.
- Referrals from client relationship managers and branch platform employees, both the insurers and banks agree, generate the most effective leads. They diverge in their opinion when it comes to referrals from trust and estate specialists; the insurers rank it third and give it a high score of 3.0 while the banks rank this referral source as number 6 with a 2.2 rating, for a very significant gap of 0.8*.
- The banks again rank direct mail as an excellent source of leads with over 51% saying that it provides a more to most effective lead source. Insurers think that the leads when they come in are effective, with 56% saying they are, however they rank referrals from professional sources (CPAs and attorneys) and seminars as a more important sources of leads. This disconnect may reflect the size and focus of the policies that insurers view as more profitable and therefore rank these methods more positively as they usually lead to a larger size policy.
- The banks ranked bank investment reps as the most effective sellers of insurance, followed by agents in branches and the insurers swapped and ranked then just the opposite. Insurer also ranked agents working with reps second with a 3.3 effectiveness rating while the bankers ranked them 5th with a 2.5 effectiveness rating. Bankers also rated agents working with trust and private bankers second with an equal score of 2.8 with agents in branches.
- Both insurers and banks agree that it is somewhere between two weeks to one month after the first sale for the platform personnel to make the second. 38% of the banks say two weeks, versus 28% of the insurers and 32% of the banks indicate one month as opposed to 56% of the insurers. It seems that the banks feel that they are selling the second policy more quickly than the insurers believe that they are.

Product Design

The Study examines product availability as well as the needs that banks and insurers are trying to address with product and customization to achieve success in bank-channel selling. Both the importance and satisfaction of various elements are explored. The table summarized the number of extremely significant gap scores for this section.

Product Design (<i>GAP scores 1.1+</i>)			
Size Groups	Banks	Insurer	Totals
All	2	0	2
Large	2	3	5
Small/Midsized	5	0	5

- Insurers have become more adept at changing their processes and products to attract the mass market and emerging affluent customers of the bank. Particularly these products are designed for platform, investment representatives and direct sale.
- Fixed and variable annuities are the dominant products in generating single premiums at 62% while term and permanent life products represented the product offerings that generate the largest recurring premiums at 52%.
- Large banks and insurers had significant selling experience with the bank channel and achieved more success in the volume of life premiums sold. Of the large banks, 76% were selling over \$1 million in annual premiums, with 71% in excess of \$3 million. Large insurers had a similar degree of success—73% sold more than \$1 million in premiums annually, including 46 % over the \$3 million level.
- The small/midsize banks and insurers were less successful to date, with 84% of the banks and 44% of the insurers having sold less than \$500,000 in annual premium volume. The lower sales correlate with a relatively short time in selling life insurance to bank customers.
- 18% of the respondents wrote more than 10,000 policies in 2004, an average of 192 policies per week compared to 5% in the 2003 Study. 28% of the banks and 33% of the insurers generated more than 5,000 policies, averaging 96 policies per week. However, 51% of bank respondents and 44% of life insurer respondents sold fewer than 1,000 policies.
- Large banks and insurers are selling more policies in line with their higher business volumes. All but one, of the large insurer respondents sold more than 1,000 life insurance policies, including 21% that sold more than 10,000 policies. Small/midsized banks are selling the least number of policies: 82% sold fewer than 1,000 policies in 2004.
- For the large banks and insurers product design areas that require the most attention are case management/underwriting support⁴ (an extremely significant gap in satisfaction of **1.5***), ease of sales process (an extremely significant gap in satisfaction of **1.2***), and providing simplified underwriting for small face value products.
- The small/midsized insurers do not see the need to customize products⁵ to the level the small/midsized banks do. Long-term care, disability income, and fully underwritten term products were scored by the insurers as in need of very little customization, resulting in an extremely significant gap of **1.9+**, **1.6+** and **1.1+**, respectively. Universal life, variable life, traditional whole life, and simplified issue term are similarly scored, resulting in a very significant gap for each product.

- The large bank scores indicated far less of a need to customize than the larger insurers. Variable life and traditional whole life have very significant gaps of **1.0***. Fixed and variable annuities and fully underwriting term are other products that have very significant gaps of **0.9***, **0.8***, and **0.8***, respectively.
- The major focus of the banks in addressing their customer needs is clearing aimed at the retail customer, particularly with small/midsized banks. Annuity, life, retirement planning, single premium, and long-term care are the dominant products. Over 70% of all banks selected these products, including over 90% by the small/midsized banks for annuity and life products. In contrast, only the life products were selected by as many of the insurer respondents, with 80% (93% of the large insurers).
- Overall, 74% of the banks sold policies with an average face amount of less than \$250,000, and more than 93% of the long-term care, and debt cancellation/suspension insurance sold had face amounts of less than \$250,000.
- The face amount of policies being sold varied greatly by the size of organization. Large banks and insurers are selling products of much larger face value: 58% of large banks sold face value of permanent products in excess of \$500,000, as did 50% of the large insurers. On the opposite end, 79% of the midsized/small banks and 80% of midsized/small insurers sold permanent products below the \$250,000 face value level.

Administration & Operations

The administrative functions once again produced a wide gap between the banks and insurers. As in the last survey, a very significant or extremely significant gap existed in virtually every attribute, with insurers feeling more positive about the provision of services than banks. However, it would appear the insurers (particularly the small/midsized insurers) are listening to some extent, as the gap in the level of satisfaction has narrowed significantly.

Current efforts are inefficient. Insurers are providing some services that banks do not use and conversely not providing an appropriate level of service in other areas where banks express a need for support. The table summarized the number of extremely significant gap scores for this section.

Administration & Operations (GAP scores 1.1+)			
Size Groups	Banks	Insurer	Totals
All	4	0	4
Large	6	8	14
Small/Midsized	5	0	5

- In every case, insurers rated their satisfaction with administrative/operational attributes required for an optimal working relationship with banks significantly higher than the banks, with the gap in the banks level of importance and satisfaction, an overall extremely significant gap of **1.2+**. The largest gap remains the integration of products with bank procedures and systems at the point of sale, a **1.8+**.
- The other attributes that have extremely significant gaps are electronic integration between the insurer and bank sales personnel; training provided to bank sales personnel; and insurance company compliance expertise. Five of the six banks attribute scores fell in or very near the high importance/low satisfaction quadrant, indicating areas for improvement.
- Taken as a whole, the difference in the level of training was rated at the same level; 2.9 for the banks and 3.0 for the insurers. This is a vast improvement for the 2003 Study and was largely seen in the training areas of new product roll-out, compliance, licensing, back office, customer services, and existing product training.
- While the overall scores indicated improvement, a number of concerns arise when the viewed by size of the respondents. The large insurers rated the extent of training to be much greater than the small/midsized insurers, overall scores of 3.3 compared to 2.7, respectively. In contrast the level of importance is much greater to the small/midsized banks versus the large banks, overall scores of 2.7 compared to 3.2, respectively.
- Generally, a vast improvement has surfaced in this Study. Customer service complaint handling, premium and commission accounting, licensing, and tie-in sales disclosure all had extremely significant gaps in the 2003 Study and now only licensing was rated with any notable gap, a very significant gap of **1.0+**.
- Multi-state expertise was an area that generated no overall gap in scores. Yet, the large insurers rated the reliance on their expertise in this area much higher than the large bankers, with an extremely significant gap of **1.4***. Interestingly, the midsized/small banks rated this just the opposite and the result is an extremely significant gap of **1.4+**.
- The major differences in scores are between the large banks and insurers. A number of areas resulted in larger gaps in the scores in addition to licensing and multi-state expertise. Privacy of customer information, premium and commission accounting, and procedures and policy manuals all resulted in very or extremely significant gaps.

- The 2005 Study explores a number of human resource issues. The first area asked the participants if they have a concern about the number of well trained agents that can be appointed. Finding well trained agents is a challenge if selling or distributing insurance. 76% of the bank participants indicated that finding agents was a concern. This percentage was consistent in all sizes of banks. Even the insurers expressed concern over finding talent, with 52% indicating this was a concern. For the larger insurers, this is slightly less of a concern, with 46% indicating concern.
- As a possible solution to the talent issue and training existing agents, the pooling of talent was of interest to 52% of banks and 56% of the insurers. A slight divergence occurs between the size of the companies, with the small/midsized banks and insurers indicating a higher interest at 62% and 64%, respectively. The pooling affects makes sense in obtaining an economy of scale for the smaller organization.
- Regardless of the size of the bank or insurer, the top three most important functions the insurers rated as important to own are carrier relationship management (3.6), technology support (3.1), and commission processing (3.0). The insurers ranked these functions equally high with the exception of pre sales support.
- Sales ideas and case management have significant gaps of **0.7+** and **0.6+**. Sales ideas are viewed by the large banks as an important competency to have, scoring it a 3.0. The large banks only consider this a partially important skill, scoring it at 2.0, or a very significant gap of **1.0+**. This is the largest gap of all the functions examined.

Effectiveness

This is one area that showed the greatest improvement over the 2003 Study with virtually no gaps in perception greater than 1.0. This section discusses the obstacles that impede the ability to both acquire and maintain quality distribution to the banks as well as to bank customers. Banks may think that having a highly trained sales force is necessary if life and health products are being sold in the traditional way. For much the same reason, both insurers and banks like doing business with bank trust and private banking divisions because the process fits more neatly into an existing approach to sales. Bankers want integration into their systems and procedures, which by necessity means the product should be designed to be sold by a non-specialized or general salesperson. The gap is beginning to be bridged as insurers or third-party marketers fill the need for a more highly trained sales force by mentoring the less specialized bank sales force (licensed platform bankers and investment representatives)⁶ and developing an appropriate simplified products and process to sell to the middle-tier to emerging-affluent market.

The respondents agreed on the obstacles impeding acquiring and maintaining quality distribution to bank customers. However, scores were more widely distributed concerning the obstacles to acquiring and maintaining quality distribution to the bank. In almost every obstacle the average score was higher for the banks than for the insurers; meaning they saw the barriers to working well with their insurance partners as higher than the carriers did. The table summarized the number of extremely significant gap scores for this section.

Effectiveness (<i>GAP scores 1.1+</i>)			
Size Groups	Banks	Insurer	Totals
All	0	0	0
Large	0	0	0
Small/Midsized	0	0	0

- The most significant gap was considered by the bankers to be the lack of insurance knowledge or the actual need that each insurance product addresses for the bank customers. Tied in first place from the bank's perspective is the "silo mentality"⁷ or resistance to cross selling. The insurers are not as concerned with this as the banks. This may be because the insurers are trying to close that gap by designing simpler products and creating a profiling system for the point of sale, so the tools are available to push the client to a more experienced person if needed; an interesting gap at **0.6+**. More than 50% of all respondents considered lack of understanding of the products and underwriting process as a more or most significant barrier
- A similar gap emerged when the information was split by company size. However, large insurers considered senior management support to be much more significant, scoring it at 3.4 compared with a 2.6 score from the small/midsize insurers. This difference in perspective is not that surprising given that larger organizations tend to have a bigger bureaucracy to work through when initiating a new program or product and that means that the failure of one important executive in the chain to "buy-in" to the program can significantly impact the program. Conversely, across-the-board executive buy-in will have the opposite effect.
- Banks and insurers both considered the need for a specialized sales force to be important, with banks rating it more significant and insurers as significant. Ranking did not differ here with both placing this attribute third in importance. Among banks, 65% considered the need for a specialized sales force to be a more or most significant obstacle to maintaining quality distribution, and 68% of insurers agree.

- Revenue sharing among bank divisions was not considered much of an obstacle to banks, which ranked it least important—a view that remained the same if you were a small/midsized bank. However, over 60% of the large insurers and large banks felt that revenue sharing among bank divisions was an obstacle to acquiring and maintaining quality distribution in the bank.
- Respondents were questioned about the sales obstacles that need to be overcome in selling insurance to bank customers. Of 12 potential obstacles, insurers rated 7 as more significant than banks and not surprisingly they both chose the lack of sales person time and shelf space for understanding and selling insurance as the number one obstacle with almost identical scores. This shows tremendous improvement over the 2003 Study where insurers consistently rated the obstacles as higher and demonstrate an increased understanding by the insurers as to what is needed to be successful in the bank channel. Choosing the lack of time and shelf space also shows that the focus is on working with the platform person and licensed investment representative and away from specialized sales forced for the mass and emerging market customers of the bank.
- The respondents agreed that failure to make insurance a preferred product integrated into sales goals and rewards was still one of the top 5 issues with a full 61% of the insurers seeing this as a more to most significant stumbling block to success, while only 44% of the bankers do.
- The lack of the time commitment to train bank staff on insurance is still considered a real obstacle in selling effectively to bank clients with 35% of the insurers and 23% of the bankers agreeing that it was a more or most significant obstruction. The 2003 Study was 78% of the insurers and 51% of the banks, which shows improvement.
- The lack of ability to effectively administer and manage pending business. The banks feel that this is a large barrier to selling insurance to bank customers while the insurers ranked it almost as low as seeing the banks as competition to their other distribution channels (ranked 12th). Again, this disconnect relates to the banks not having as much control over these elements in the process and not being satisfied with the way that the insurers are handling it, for a significant gap of 0.6+. A mere 8.6% of the insurers think it is more or most significant, while over 40% of the banks feel that it is more and most significant hurdle.
- Lack of privacy in the sales space, which was considered a barrier to sales in 2003, does not emerge as a barrier in 2005 with a mere 21% of the banks and 19% of the insurers seeing it as significant. These scores are consistent regardless of the size of the bank.

Risk & Profitability

Banks, particularly those small to midsize, are hesitant to assume the risks associated with underwriting life insurance. All banks, regardless of size, do not appear concerned with insurers' profitability. The table summarized the number of extremely significant gap scores for this section.

Size Groups	Banks	Insurer	Totals
All	1	0	1
Large	0	1	1
Small/Midsized	2	0	2

- Insurers once again rated their satisfaction with risk/profitability attributes required for an optimal working relationship with banks higher than banks, with an overall gap in importance and satisfaction a very significant **0.8+**. The insurers rated their overall level of satisfaction almost equal to the rating for importance.
- Profitability to the banks was ranked the highest in importance by banks and resulted in the largest gap between importance and satisfaction, with an overall extremely significant gap of **1.2+**.
- Bank profitability had an extremely significant gap of **1.4+** between importance and satisfaction for the small/midsized banks. The large companies were more concerned with providing effective sales support. Interestingly, the large insurers rated this to be very important criteria (4.2) to the relationship, while the insurers only rated this a neutral consideration (3.3).
- Overall, reinsurance mechanisms are not widely used by the banks or insurers. Less than one-third of the participants indicated using any form of reinsurance, approximately the same level as seen in the 2003 Study. Banks responded that their most popular forms of reinsurance were profit sharing and market expense sharing, with approximately 33% using these forms of reinsurance. Insurers indicated that marketing expense sharing was the most popular, followed by co-branding arrangements.

Respondent Profile

Seventy-eight valid questionnaires were returned from 48 bank and 30 life insurance companies to complete the Study.

To establish meaningful context, the study analyzed participants' share of the bank and insurance markets. Large banks and insurance companies were defined as having more than \$10 billion in assets; regional or midsize companies as having between \$1 billion and \$10 billion in assets; and community banks or small companies as having less than \$1 billion in assets.

Market Share and Experience

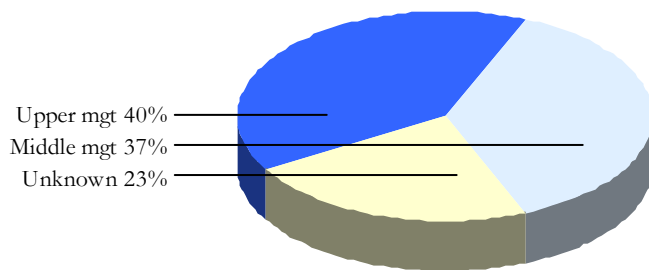
The respondents reflected a significant representation of the leading participants in the bank insurance marketplace and with vast experience in the bank/insurance field (figure 1). Of the top 11 banks, as ranked by insurance activity revenue, six participated in the survey (9 out of the top 30). Also, six of the top 10 insurance carriers, ranked by life insurance premiums generated through the bank channel, participated in the survey.

Twenty bank and eleven insurer respondents had titles classified as upper management. This representation of senior management was significant—accounting for 42 % of the bank and 37 % of the insurer respondents, very similar to senior representation in the 2003 Study.

Upper management titles included chairman, vice chairman, chief executive officer, president, chief operating officer, managing director, executive vice president, and senior vice president. Middle management included vice president, second vice president, and managerial titles.

Figure 1 Management level

Respondent by Management Level

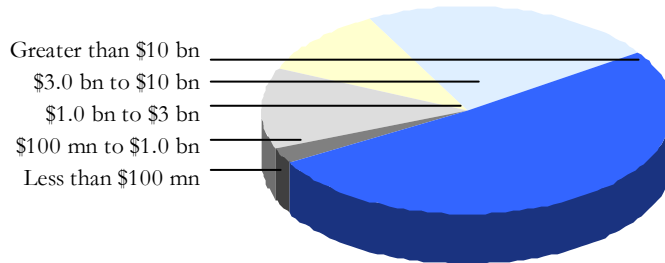


Size of Organization

When respondents were asked the asset size of their company, bank respondents represented a broad cross section of banks. Large banks, with 24 participating (figures 2 & 3), represented 51% of the total. Combining the large and regional banks, they accounted for 85% of bank respondents. Community banks represented 15% of respondents.

Figure 2 Bank size

Bank by Size

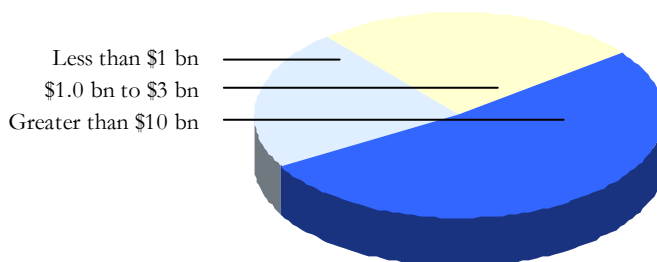


Insurers represented a cross section of small, midsize, and large market participants. Large insurers, with 14 participating, represented nearly 52% of insurer respondents. Regional insurers were not as diverse with the \$1.0 to \$3.0 billion group representing 26% and small insurers representing 22% of insurance companies.

Respondents were also asked about the average asset size of the bank or insurer they work through to sell insurance. Based on asset size, banking partners cited by insurer respondents were in close alignment with the bank participants. 71% of the insurer respondents were selling through large and regional banks (compared to 65% in prior study), and 29% through the community bank group. There is a decided slant in the 2005 study toward the larger bank and insurer institutions.

Figure 3 Insurer size

Insurer by Size



Small insurer respondents comprised 22% of participating insurers—similar to the percentage of insurers indicating they sold insurance through community banks (29%). By contrast, the bank respondents worked almost exclusively with midsize and large insurers (93%). Thus, the banks' perspectives in this report may not be as relevant to small insurance companies, unless they are distributing through large banks.

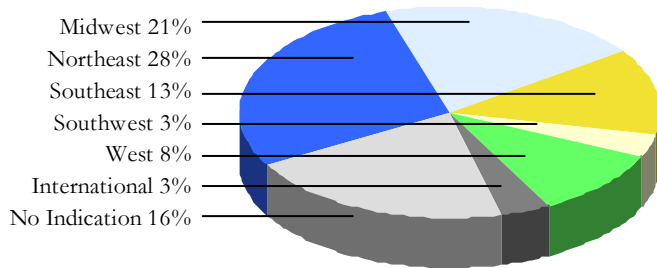
Geographic Representation

Respondents were drawn from each geographic region of the United States (figure 4), and several represented international companies (4%). The Northeast and Midwest regions accounted for almost half (49%): Eleven banks and five insurers from the Midwest, and fourteen banks and eight life insurance companies from the Northeast.

Examining the geographic coverage by size of organization revealed consistent cross-regional representation. Large bank and insurer respondents were mainly from the Northeast (34%) and Midwest (18%). Midsize and small company respondents are also predominantly from these two regions (46%).

Figure 4 Regional locations

Regional Locations



Demographic information of the bank insurance study allowed analysis of the current state of the bank insurance business. Banks were asked to provide information on the life insurance they currently sold through their existing internal channels. Insurers similarly were asked for information on the volume of life insurance business, both recurring and single premiums, generated through their bank channels.

Banks were asked if they had purchased an agency, which 44% indicated they had. There was little distinction between the larger and small/midsize banks in the level of agency acquisitions. For those banks that owned agencies, the predominant lines of business offered are property & casualty personal and commercial lines, life and employee benefits. There were significant differences based on the size of the bank, with small/midsize banks focused more heavily on life insurance and larger banks focused on employee benefit products.

Companies provided the number of years they had been selling life insurance through the bank channel, the volume of business generated, and the number of policies sold. Life, annuities and health insurance business including disability income and long-term care insurance are covered by the questions. (Credit Insurance is excluded)

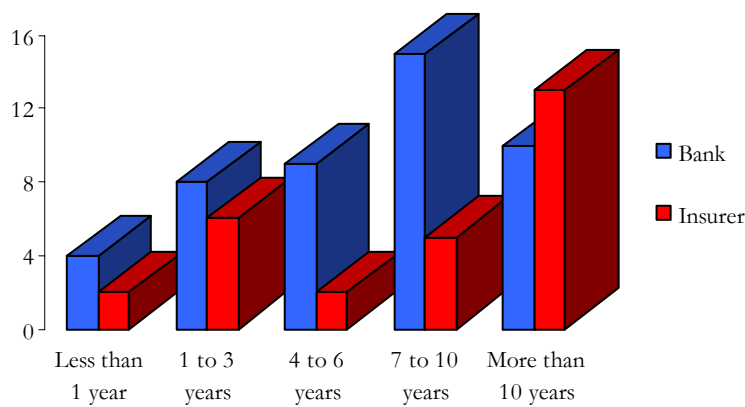
Bank Channel Sales Experience

The level of experience was significant—46% of the insurers and 22% of the banks had been selling for more than 10 years. Large banks and insurers had greater experience in bank-channel selling than small/midsize companies. 56% of small/midsize banks had one to six years of experience, while 65% of the large banks had seven years or more (figure 5). The insurers' experience was slightly more divergent—57% of the small/midsize insurers had more than 10 years' experience versus 71% of large insurers.

Overall, 64% of the insurance company respondents had more than seven years of bank-channel selling experience; bank respondents reported less—54% with fewer than seven years.

Figure 5 Selling Experience

Number of Years Selling in Bank Channel

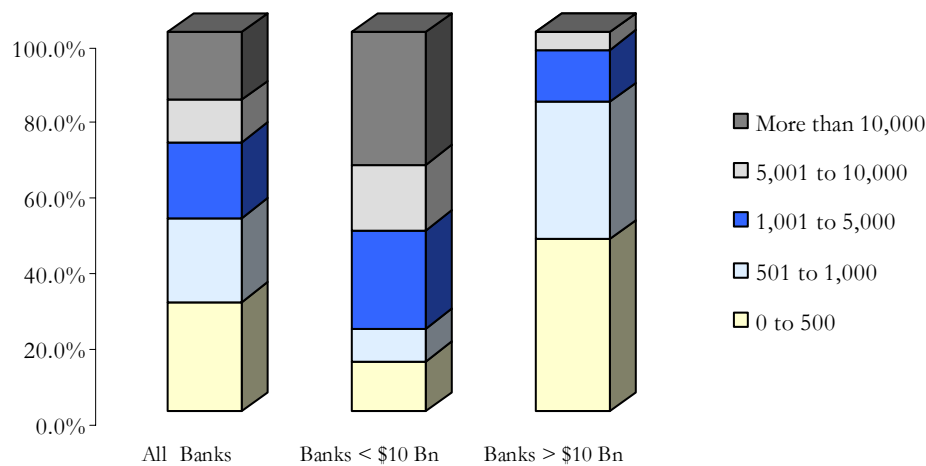


Policies Sold

18% of the respondents wrote more than 10,000 policies in 2004, an average of 192 policies per week compared to 5% in the 2003 Study. 28% of the banks and 33% of the insurers generated more than 5,000 policies, averaging 96 policies per week. However, 51% of bank respondents and 44% of life insurer respondents sold fewer than 1,000 policies (figure 6).

Figure 6 Policy Sold

2004 Number of Policies Sold



Again, large banks and insurers are selling more policies in line with their higher business volumes. All but one of the large insurer respondents sold more than 1,000 life insurance policies, including 21% that sold more than 10,000 policies. Small/midsized banks are selling the least number of policies: 82% sold fewer than 1,000 policies in 2004.

Business Volume

Respondents provided the total annual recurring and single premiums generated through the sale of life, annuity, and health insurance products in 2004 via the bank channel. Term and permanent life products represented the product offerings that generate the largest recurring premiums at 52%. Fixed and variable annuities are the dominant products in generating single premiums at 62 %.

A recent ABIA estimate⁸ projects individual life insurance sold through banks at more than \$3.6 billion, yet 30% of insurer and 45% of bank respondents sold less than \$500,000 in total annual recurring premiums during 2004 (figures 7 & 8). 40% of the banks and 25% of the insurers generated over \$3.0 million of premium volume in 2004. Although these results imply that the full potential of insurance sales via the bank channel remains unrealized, examining the findings by organization size provides a clearer picture.

Figure 7 Annual Recurring Life Premiums

2004 Annual Recurring Life Premiums

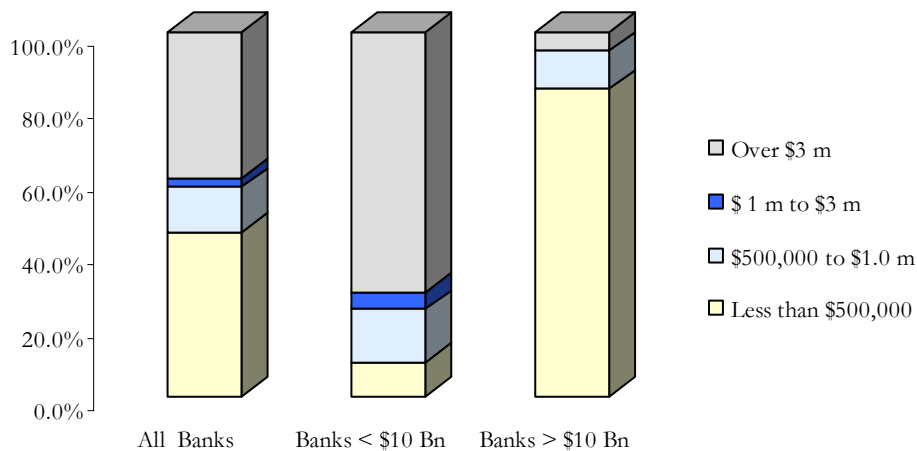
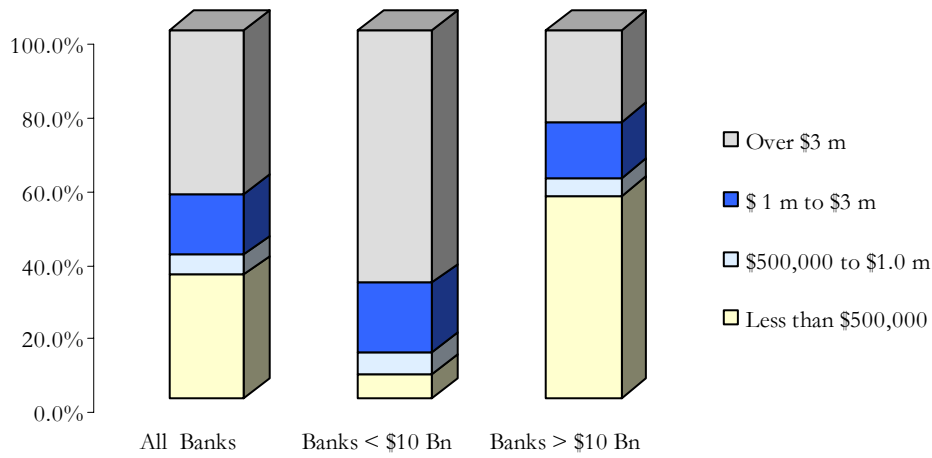


Figure 8 Annual Single Life Premiums

2004 Annual Single Life Premiums



Large banks and insurers had significant selling experience with the bank channel and achieved more success in the volume of life premiums sold. Of the large banks, 76% were selling over \$1.0 million in annual premiums, with 71% in excess of \$3.0 million. Large insurers had a similar degree of success—73% sold more than \$1 million in premiums annually, including 46% over the \$3.0 million level.

The small/midsize banks and insurers were less successful to date, with 84% of the banks and 44% of the insurers having sold less than \$500,000 in annual premium volume. The lower sales correlate with a relatively short time in selling life insurance to bank customers.

Detailed Findings

Distribution

This section explores the commitment to the bank insurance channel from both insurers' and banks' perspective, as well as the implications of the partnership between banks and insurers. Bank and insurer participants provided their outlook on the importance of forming optimal relationships and the key reasons to distribute insurance through the bank channel.

Prior to examining each function in detail, participants indicated their overall commitment and profiled their existing partnerships with an opportunity to also discuss their ideal number of partners. The study compared and contrasted the differences in bank/insurer perspectives on the importance of factors driving their respective affiliations.

Reasons for Distributing

Banks and insurers had a choice of four attributes for determining the value and reasons banks distribute insurance. Banks had an overall slightly higher score of 3.9 compared to insurers at 3.7 (figure 9). Reasons for distribution expectations were very much aligned between banks and insurers with both ranking the need to strengthen and retain existing customers first, one stop shopping for financial services second, and tied with the need for fee income. In last place was the notion that selling insurance will attract new customers.

Figure 9 Reasons for banks to distribute insurance

Reasons for banks to distribute insurance	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Strengthen and retain existing customer relations	1	4.4	1	4.3	0.1
One-stop shopping for financial services	2	4.1	2	3.8	0.3
Fee income	2	4.1	2	3.8	0.3
Attract new customers	4	3.2	4	3.1	0.1
Average Score		3.9		3.7	0.2

This is true in life insurance; however recent trends in the acquisition of P&C agencies by large banks indicate that one interesting reason for the purchase of large agencies is that they have offices in cities where the bank would like to open mortgage, private client, or commercial operations. If the insurance agency is well known, this gives the bank an entrée into that footprint.

Figure 10 Distribution of figure 9; reasons to distribute insurance

Reasons for banks to distribute insurance	Least significant	Partially significant	Significant	More significant	Very significant	Average Scores
	One-stop shopping for financial services	2.2%	2.2%	8.7%	34.8%	52.2%
	3.3%	3.3%	23.3%	53.3%	16.7%	3.8
Fee income	4.3%	0.0%	15.2%	26.1%	54.3%	4.1
	3.4%	6.9%	17.2%	41.4%	31.0%	3.8
Strengthen and retain existing customer relations	0.0%	6.4%	4.3%	27.7%	61.7%	4.4
	0.0%	3.4%	13.8%	20.7%	62.1%	4.3
Attract new customers	4.4%	24.4%	24.4%	20.0%	26.7%	3.2
	3.4%	27.6%	24.1%	34.5%	10.3%	3.1

This ranking is slightly different to the 2003 Study where both banks and insurers ranked fee income first as the reason for banks to distribute insurance. This might mean that fees from life insurance sales are now more predictable and that life insurance is beginning to find its more rightful place as a companion to bank and investment products, not fighting to be sold, solely for the fee income potential. This also may be the effect of recent regulation and compliance focus with an emphasis towards what the customer needs, not what the bank needs. It is a healthy shift, regardless of the reasons.

The distribution of responses in figure 10 however shows that the ranking for the reasons to distribute is the same for insurers and bankers and the percentage of banks that consider strengthening and retaining existing customers as very significant is 62%, exactly what the insurers perceive.

Channels

Insurers were asked what distribution channels, other than banks; they were using to sell their products (figure 11). Each averaged at least two other channels in addition to the bank channel to distribute life insurance products. Over half of the insurers that distribute through banks also use both a general agency and independent agency system.

Figure 11 Alternative distribution channels

Insurer Other Distribution Channels	#	% Distribution
Captive agency	13	15.7%
Direct mail	15	18.1%
Independent agents	25	30.1%
General agency	18	21.7%
Worksite	12	14.5%

This tends to support the theory that while many banks have developed specific products for the bank channel, for many insurers, banks are just another channel and not necessarily an equal partner or their most important distribution channel. This still has implications for the products sold through banks, as many insurers may apply the same product/process to the bank channel as their primary distribution channel. The only sale on the bank side that is analogous to a general-agency or career agent is a sale to the high net worth/trust and private-banking client.

Selection of Partners

Bank and insurer participants were each asked to indicate the number of trading partners with which they were currently working (figure 12), as well as the number they felt was ideal. In the 2003 Study, for 61% of banks and 46% of insurers, having six to 20 different partners was common. Another 21% of insurers indicated they currently worked with more than 50 different banks. Today, less than 13% of the banks work with more than 50 carriers and most banks, 36 %, work with between 6-10 banks. In 2003, 41% of the banks were working with less than ten carriers, while in 2005, 55% of the banks are working with less than 10 carriers. There is a definite trend for banks to work with fewer carriers which results in a greater degree of interdependence and better partnerships. Insurers are at either end of the spectrum; that is either limiting themselves to working with 1-5 banks (31%), or conversely working with greater than 50 banks (27%).

Figure 12 Number of partners

Number of partners	Banks				Insurers			
	Current	% Distribution	Ideal	% Distribution	Current	% Distribution	Ideal	% Distribution
1 to 5	9	19.1%	7	15.6%	9	31.0%	2	7.7%
6 to 10	17	36.2%	16	35.6%	7	24.1%	1	3.8%
11 to 20	8	17.0%	15	33.3%	1	3.4%	7	26.9%
21 to 50	7	14.9%	6	13.3%	4	13.8%	2	7.7%
Over 50	6	12.8%	1	2.2%	8	27.6%	14	53.8%

When asked their ideal number of partners; 69% of banks thought that 6-20 insurers would provide choice while promoting a partnership. The insurers' ideal was again split between 27% feeling that 11-20 was ideal versus 54% that felt that greater than 50 banks would work well. Although the banks want to move towards using a smaller number of carriers little progress has been made. The carriers want to work with more banks emphasizing again the carriers' perspective that they view banks as only one of many channels to sell insurance.

This distribution of carriers can be seen as either positive or negative. It appears that insurance executives of banks are becoming more adept at determining both the distribution focus and target client customers. As a result, they are more comfortable dealing with a limited number of carriers that can provide choice, while beginning to engender a true partnership. There is certainly the recognition that a large number of partners also complicate the sales process: For example, completing an application at point of sale and addressing processes to place a life insurance policy in force (especially if medical underwriting and physician statements are required) is more difficult until there are standardized application and underwriting forms. A trend among carriers serious in working with banks is to use one application for a variety of products.

61% of the large banks are working with less than 20 carriers and the ideal target for the large banks is that 77% would like to work with less than 20 carriers. 83% of the small/midsized insurers work with 20 or less banks, but as a group, 91% would like to work with less than 20. It appears that the big banks are further behind in moving to less than 20 partners which is their ideal. The small/midsized banks are getting closer to their ideal.

Banks Selecting Insurers

When banks were asked to determine the importance of the attributes they considered essential in selecting insurance providers, the banks scored insurer's financial ratings at an average 4.5, or most important (figure 13), with timely underwriting decisions and reports as second, even before the company reputation or brand which scored a very close third out of the 14 attributes listed.

Banks viewed the existence of previous experience working with banks as important as point of sale support. The help and understanding of the process where the customer is going to come into contact with the bank is gaining in importance as a carrier selection criteria.

Insurers Selecting Banks

When insurers were asked their criterion in selecting bank partners, 86% of the insurers choose good relationships with senior management as the more or most important factor about equal with the 2003 Study (figure 13). However 92%, of the insurers recognize that unless insurance is integrated and made part of the branch goals and reward systems, it is just not going to be referred or ultimately sold. This is significant difference from the 2003 Study where 62% of the respondents thought just having experience with selling insurance was the second most important factor after good relationships with senior management. This realization shows the maturation of insurers in the selling process of insurance through banks.

Figure 13 Bank & Insurer factors in targeting

Bank factors in targeting insurance provider						
	Least important	Partially important	Important	More important	Most Important	Average Scores
Insurer's financial ratings	0.0%	0.0%	4.3%	31.9%	63.8%	4.5
Timely underwriting decisions and reports	0.0%	2.2%	4.3%	58.7%	34.8%	4.1
Company reputation or brand	2.2%	0.0%	8.7%	45.7%	43.5%	4.1
Overall economics of working with the insurer	2.2%	0.0%	19.6%	37.0%	41.3%	4.0
Customer retention	0.0%	4.3%	21.7%	50.0%	23.9%	3.8
Point of sale support	2.2%	4.4%	20.0%	44.4%	28.9%	3.7
Experience working with banks	8.5%	8.5%	14.9%	40.4%	27.7%	3.6
Simplicity of product design	2.2%	13.0%	19.6%	39.1%	26.1%	3.6
Wholesaling support	4.3%	8.7%	28.3%	39.1%	19.6%	3.5
Training quality and quantity provided	2.2%	10.9%	26.1%	37.0%	23.9%	3.5
Product issuance and processing cycle time	6.8%	4.5%	18.2%	43.2%	27.3%	3.5
Advanced underwriting	2.2%	8.9%	28.9%	46.7%	13.3%	3.4
Sharing of profit potential	8.9%	6.7%	20.0%	40.0%	24.4%	3.4
Value-added solutions (i.e. profiling support)	4.3%	17.4%	23.9%	41.3%	13.0%	3.3
Insurer factors in targeting banks partner						
Good relationship with senior management	0.0%	0.0%	13.8%	51.7%	34.5%	4.1
Insurance is a part of the branch goals	0.0%	3.6%	3.6%	42.9%	50.0%	4.1
Asset size of bank	3.6%	14.3%	25.0%	32.1%	25.0%	3.4
Successful experience in selling insurance	13.8%	3.4%	20.7%	41.4%	20.7%	3.4
Bank customer demographics	3.6%	7.1%	35.7%	32.1%	21.4%	3.4
Geographic location	17.2%	6.9%	34.5%	31.0%	10.3%	3.0
Established insurance back office	13.8%	17.2%	37.9%	13.8%	17.2%	2.9
Number of branches	22.2%	22.2%	18.5%	25.9%	11.1%	2.5
Internet distribution capabilities	34.5%	27.6%	13.8%	13.8%	10.3%	2.3
Number of ATM's	87.5%	12.5%	0.0%	0.0%	0.0%	0.9

Multi-year Contracts

The 2005 Study explored the services banks would expect and insurers would be willing to provide if there were opportunity for multi-year contracts or potential for a preferred partnership. Thirteen services were examined covering marketing, profit and risk-sharing motivations, and administrative needs (figure 14). The banks and insurers do not have very aligned views on this and there are very large gaps in a number of areas.

Figure 14 Services for multi year contract

Expectation/Willingness to provide services for multi year contract	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Provide dedicated wholesalers	1	3.5	6	3.6	0.1
Provide operational support, including computers for sales force	2	3.4	2	4.2	0.8
Dedicated home office support (underwriting and customer service)	2	3.4	5	3.8	0.4
Underwriting concessions	4	3.3	12	2.3	1.0
Stipulate the amount of money that would be spent annually on marketing	5	3.2	9	3.1	0.1
Production goals and commitment	6	3.0	2	4.2	1.2
Provide continuing education training	6	3.0	4	4.0	1.0
Quarterly strategy and business plan meetings	8	2.9	1	4.3	1.4
Sales bonuses	8	2.9	7	3.4	0.5
Provide marketing contest support and management	8	2.9	8	3.2	0.3
Create or provide funds for models to understand demographic opportunities within the bank	11	2.8	10	3.0	0.2
Cash payment up front for marketing	12	2.4	12	2.3	0.1
Provide onsite training	13	1.8	11	2.9	1.1
Average score		3.0		3.4	0.4

Bank respondent scores averaged 3.0, slightly lower in expectation than insurers' willingness at a score of 3.4; however there is a significant gap between banks' expectations and large insurers' willingness to provide services.

A detailed review indicates that banks considered dedicated wholesalers and operational support including computers for sales people as the two most expected services, while insurers want quarterly strategy and business planning meetings and production goals and commitment. These are very big disconnects and extremely significant gaps in expectations of **1.4*** and **1.2***, respectively.

Insurers agreed with the high rating of the banks requested services and actually ranked operational support as the second most likely service they are willing to provide. In the 2003 Study the banks said that they wanted dedicated home-office support and provision of on-site training. The insurers did listen to a part of what was said in the 2003 Study and have since provided more training, but the expected level of operational support still appears to still be missing.

Other attributes that insurer and bankers both rated at equal, but much less important, were cash payments up front for marketing, funds for models to understand the demographics of the bank, and sales bonuses.

Granting underwriting concessions is the most difficult service for insurers to accommodate, and the one most requested by banks. The magnitude of this gap will lessen if and when the bank is willing to assume some of the risk.

Banks overall considered the amount of money to be spent on marketing support to be a significant factor and insurers agreed with them. Additionally, both banks 56% and insurers 54% agreed that knowing the amount of sales bonuses is very significant in a multi-year contract as is quarterly strategy and business planning meetings. What we see is agreement on a number of elements that both feel are significant, however a varying level of importance between banks and insurers. Large banks and insurers both considered this service to be of equal importance. Small/midsized insurers were more than willing to provide sales bonuses, ranking it number five however large insurers were less willing, ranking it eleventh out of 13 service attributes.

Implications of the overall risk/profitability scores were not obvious, even when viewed by company size. Larger insurers expect to provide continuing education and training with an extremely significant gap in scores of **1.6***. Small/midsized banks expected underwriting concessions where an extremely significant gap of **1.1+** existed between the expectations of banks and insurers. Sales bonuses were important to the small/midsized banks, their fifth highest-rated attribute overall with a 3.3 score. The large banks did not expect sales bonuses, scoring this attribute almost a full point lower in importance.

Significant differences in the views of large and small/midsize respondents were more prevalent in the expectation of services for a multi-year contract. Every bank indicated a preference for receiving underwriting concessions in return for multi-year contracts, and insurers disagreed for an extremely significant gap of **1.0+**, while every insurer wanted quarterly strategy and business plan meetings for an extremely significant gap of **1.4***. Other extremely significant gaps have the insurers believing that production goals and commitments are much more important, as are onsite and continuing education training and operational support, which included computer support for the bank sales force.

Large banks' expectation of services for a multi-year contract scored a very significant **1.6*** higher than insurers regarding the provision of continuing education and the small/midsize banks, wanted more onsite training as a concession with a significant gap of **1.1***.

Awareness and Expansion of Insurance

Both insurers and banks agree that most of the bank's customers are still not aware that banks distribute insurance (figure15). In fact, greater than 60% of both banks and insurers feel that bank customers are least or partially aware that the banks are in the insurance business. Unfortunately, when this Study looked at marketing methods that are effective, no broad based methods are thought to be effective by the banks. This may speak to the lack of budgeting dollars to conduct wide scale marketing; or the banks may not believe that wide scale marketing is effective. It may also be that insurance is always considered an ancillary sales, so widespread marketing is not done. Perhaps the insurers need to provide more support in this arena.

Figure 15 Awareness of insurance sold through banks

Bank customers awareness that insurance is sold through the bank						
	Least aware	Partially aware	Aware	More aware	Very aware	Average Scores
Bank responses	22.2%	44.4%	17.8%	11.1%	4.4%	2.2
Insurer responses	16.7%	46.7%	33.3%	0.0%	3.3%	2.3

This dovetails with the information discussed in ACLI 2004 Research Findings, *Catalyst for Change* where a LIMRA International, Inc. 2002 report called *Buying Life Insurance through Banks- A Consumer Panel Study* found that the highest awareness that banks were selling insurance came from those individual over the age of 65 and with incomes ranging from \$75,000 - \$99,999. This is not surprising as this age group for the most part, is more likely to frequent the bank branch system and talk to a licensed bank employee (LBE's) or licensed investment consultant.

The same LIMRA Study stated that if there were universal awareness that banks sold insurance, the potential would translate into a 75% increase in the size of the market segments most receptive to life insurance sales, or an estimated \$800 million a year in annualized life premium.

When bankers and insurers were asked to rate the attractiveness of options when evaluating the need to grow a larger insurance practice for the bank, both banks and insurers agreed that for life insurance, they would first seek more direct relationships with insurance carriers, then acquire an insurance agency, next, partner with a TPM and last in line, was partnering with a general brokering agency (figure 16).

Figure 16 Options for growing insurance practice

Attractiveness of each option when evaluating the need for growing a larger insurance practice for the bank					
	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Seeking more direct relationships with insurance carriers	1	2.8	1	3.5	0.7
Acquiring an insurance agency	2	2.5	2	2.9	0.4
Partnering with a third party marketer	3	2.1	3	2.4	0.3
Partnering with a general brokering agency	4	1.8	4	2.1	0.3
Average score		2.3		2.7	0.4

Although they were ranked the same by insurers and banks the larger insurers thought that seeking a direct relationship with a carrier was a much more attractive option than the banks felt it was with a significant gap of **1.1***. The small/midsized insurers also thought that the small/midsized banks would be much more likely to acquire an insurance agency than the banks felt that they would; again an extremely significant gap of **1.1+**.

The participants were asked a series of questions on distribution to gauge how important insurance distribution really is to the bank compared to what the insurers think, and what are the key components of forming an optimal functioning relationship between the bank and the carrier (figure 17). Bankers and insurers think that while the distribution of insurance has to be considered strategically important, it is essential and in fact more important for success that the key business managers in the bank support the distribution effort. In other words, while it is nice to have top management support, without buy-in, both up and down the chain of command, passive resistance and inertia takes place and the sales process is slowed down.

The following may be a bit of self selection in that only carrier and bankers that think insurance is important take the time to complete the robust questionnaire for this Study, however 54% of the banks and 43% of the insurers believe that insurance is very important to the bank's non-interest fee income and is given serious economic and management support. However, almost 50% of the banks feel that the distribution of insurance is not equally as important as the manufacturing and selling of bank products. Until that number changes, insurance products will be considered the stepchild of the bank's product portfolio. As might be expected, the larger the bank the less important insurance is to the bank's non-interest fee income. Therefore the large insurers ranked this much higher than the large banks with a very significant differential of **1.0***.

Figure 17 Distribution of scores related to statements in forming an optimal relationship

Level of agreement with each of the following distribution statements when forming an optimal, functioning relationship between the bank and an insurance provider.	Least	Partially	More	Most	Average	
	agreement	agreement	Agreement	agreement	Scores	
The key business managers in the bank support the sale of insurance	4.3%	15.2%	26.1%	26.1%	28.3%	3.4
	3.3%	20.0%	33.3%	23.3%	20.0%	3.4
The distribution of insurance is strategically important, it is considered a major line of business	4.3%	17.4%	28.3%	26.1%	23.9%	3.3
	13.3%	33.3%	23.3%	26.7%	3.3%	2.7
Business managers are very aware of the margins on insurance products and how they compare to banking products, i.e., checking accounts, business loans, or business checking accounts	22.2%	20.0%	33.3%	15.6%	8.9%	2.5
	10.0%	30.0%	23.3%	26.7%	10.0%	3.0
Distribution of insurance is equally important as manufacturing & selling banking products	27.9%	25.6%	20.9%	18.6%	7.0%	2.3
	26.7%	26.7%	36.7%	6.7%	3.3%	2.3
The distribution of insurance is "nice to have" but not very important to the bank's non-interest fee income; therefore not given serious economic and management support	35.6%	28.9%	20.0%	6.7%	8.9%	2.1
	20.0%	20.0%	33.3%	23.3%	3.3%	2.7
Today's compliance environment will affect the number of insurance providers the bank works with. Third party marketers are/or will be playing a greater role allowing the bank to be more product neutral	21.2%	33.3%	30.3%	0.0%	15.2%	1.8
	30.0%	33.3%	20.0%	13.3%	3.3%	2.3

Use of Third Party Marketers

Greater than 50% of the bankers did not feel that today's compliance environment would make them turn to third party marketers (TPM) for product neutral advice, although 45% said that it could push them in that direction. Another question probed the factors that drove banks to use a TPM versus an insurance carrier. (figure 18) The number one reason, at 85.3% was product objectivity and the ability to keep fixed costs to a minimum. Equal to fixed cost was the option to garner wholesaling support. Impaired risk and advanced case design were of least importance to the bank.

Figure 18 Factors in use of TPM's

Factors in deciding to work with a third party marketer versus an insurance carrier.

	Least important	Partially important	Important	More important	Most Important	Average Scores
Product objectivity	4.9%	9.8%	14.6%	39.0%	31.7%	3.3
Keeping fixed costs at a minimum	10.0%	5.0%	27.5%	30.0%	27.5%	3.0
Wholesaling support	7.5%	10.0%	25.0%	30.0%	27.5%	3.0
Impaired risk assessment	11.9%	11.9%	31.0%	26.2%	19.0%	2.9
Advance case design	9.8%	9.8%	36.6%	31.7%	12.2%	2.8

Marketing & Sales

This section explores the opinion of banks and insurers on the importance of marketing, how it should be deployed and who should be responsible for the effort. A review of the effectiveness of sales techniques, sales support and the types of lead generation that work within the bank are investigated. New questions regarding the efficacy and time of platform personnel to make a sale is also reviewed.

Bank/Insurer Relationships

The Study investigated the importance of marketing and sales attributes in forming an optimal, functioning relationship between a bank and an insurance company. The attributes covered the elements of process, product, and people. The structures of bank insurance relationships, the methods and channels that banks use to distribute insurance, as well as the effectiveness and profitability of those methods were analyzed in this section. By determining how products are sold and the profitability of various methods used to market bank insurance, guideposts can be established for starting, maintaining, and growing a successful bank insurance operation. Figure 19 summarizes scores in this category while the quadrants of the figure represent areas of opportunity for optimizing the bank/insurer relationship via marketing & sales:

- Upper right—high importance/high satisfaction, the desired location.
- Bottom right—*high importance/low satisfaction, areas for improvement.*
- Bottom left—low importance/low satisfaction, little attention needed.
- Upper left—low importance/high satisfaction, from which resources could be diverted to other, more desired functions with greater importance.

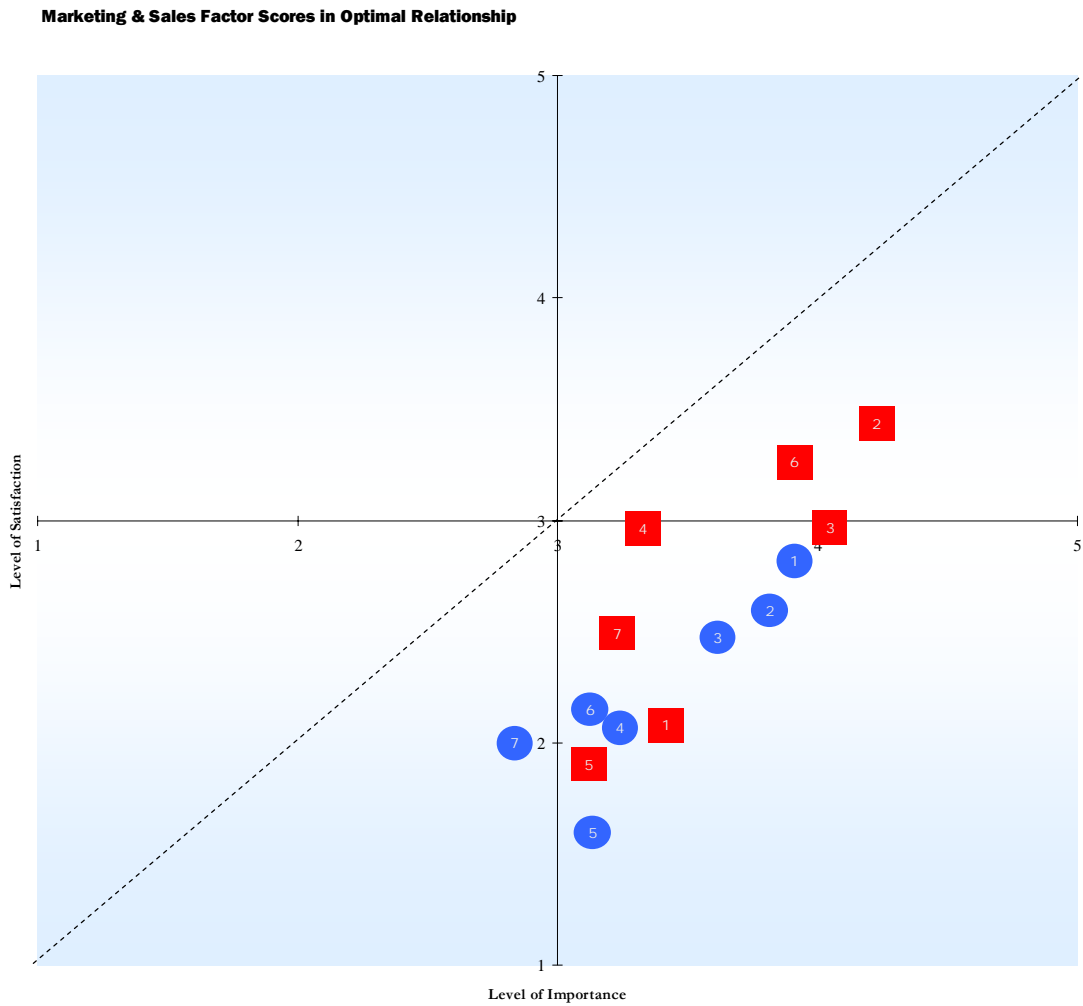
Overall, banks and insurers concurred on the attributes that make for a good relationship between them, ranking the top four attributes as more to most important. This was further illustrated in the overall scores, with 3.4 for the banks and 3.6 for the insurers. However, when compared with the satisfaction of the delivery of all the elements, the bankers were less sanguine with an extremely significant gap of **1.2+**. Overall the insurers' scores were slightly higher in importance and also they were less disappointed in their ability to provide these elements. These views were consistent across the different size groups.

Banks ranked the ability to provide simplified underwriting for product up to \$250,000 in face value for life and benefits as the most important element ranking it number 1 with a score of 3.9, or more important. As the graph shows, the insurers feel that this is also important and additionally they are not satisfied with the job they are doing, with a **1.3*** extremely significant gap between importance and satisfaction. In fact on this element, the insurers for the first and only time rated themselves more harshly than the bankers, with a **0.8+** significant gap. This held true for the small/mid-sized insurers as well.

The largest bank gap in satisfaction of **1.6+** was the ability to have the insurance database integrated into the bank's customer information file to facilitate sales and avoid redundant entry. While the insurers agreed with the banks that this was equally important, they are slightly less disappointed in their ability to provide this support with a disappointment differential of **1.2***. This problem would seem to one that could be attacked using a consortium of technology providers, insurers and banks. Again, the views are consistently held by banks in all size groups.

Effective sales support from insurers is considered to be very important by banks and rated a 3.8 or more important, however the satisfaction of the banks is low at 2.6 for an extremely significant gap of **1.2+**.

Figure 19 Marketing & Sales relationship



Elements in optimizing relationship by Marketing & Sales

	Key	Importance	Bank Satisfaction	GAP	Key	Importance	Insurer Satisfaction	GAP	Bank vs Insurer Importance GAP	Bank vs Insurer Satisfaction GAP
Provides simplified underwriting for products up to \$250,000 in face value (life) or benefits (DI and LTC)	1	3.9	2.9	1.0	1	3.4	2.1	1.3	0.5	0.8
Insurer provides effective sales support to bank (e.g., wholesaling support, customer service and regulatory compliance)	2	3.8	2.6	1.2	2	4.2	3.5	0.7	0.4	0.9
Ability to link insurance product recommendations to client's needs based planning tools	3	3.6	2.5	1.1	3	4.0	3.0	1.0	0.4	0.5
Use of "product guides" for a more logical referral process	4	3.2	2.1	1.1	4	3.3	3.0	0.3	0.1	0.9
The insurance database is integrated into the bank's customer information file to facilitate sales and avoid redundant entry of data.	5	3.1	1.5	1.6	5	3.1	1.9	1.2	0.0	0.4
Insurer provides marketing programs to support products (e.g., signage, advertisement and seminar support)	6	3.1	2.2	0.9	6	3.9	3.3	0.6	0.8	1.1
Ability to utilize a standardized profiling process on the front-end (e.g. an automated profiling process implemented via browser-based technology)	7	2.8	2.0	0.8	7	3.2	2.5	0.7	0.4	0.5
Average score		3.4	2.2	1.2		3.6	2.7	0.9	0.2	0.5

Both the ability to link insurance product recommendations to client's needs based planning tools and the companion question of the use of insurance product guides for a more logical referral process showed bankers exhibiting a very significant satisfaction gap of 1.1+. In the 2003 Study, the ability to match products to customers' needs, did not register as a major concern—all of the respondents noted some dissatisfaction, yet the degree of dissatisfaction did not indicate a need for major product enhancements. Rather, it was the actual process of meeting customers' needs which called for greater attention. Perhaps it is due to the heightened focus on compliance issues that banks exhibit a more significant sense of disappointment.

Another area that appears to be a source of contention is the amount of marketing support provided by insurers for a gap in satisfaction levels with an extremely significant difference of 1.1*. This unfortunately is one of the underlying reasons that greater than 67% of the banks say that their customers are only partially or least aware that they are selling insurance. This was also true in the 2003 Study, and is one area that insurers could direct more attention towards improvement.

Large banks viewed marketing programs to support products (such as signage, advertising, and seminar support) as much less important compared with small/midsize banks and large insurers, however in all cases the level of satisfaction that the banks have is low.

The small/midsize banks also are more distressed than the large banks with the ability to utilize a standardized profiling process on the front-end and with the insurer's ability to provide marketing programs to support products registering their level of dissatisfaction with a gap of 1.0+ for profiling of and 1.1+ for marketing programs.

Distribution Approaches

Banks and insurers were asked to rate the efficacy of specific approaches to distributing insurance through banks. Overall, both groups rated all of the distribution approaches near the midpoint of effectiveness with each having the exact overall rating of 2.7. This is where the similarity ends in that each ranked the types of distribution approaches very differently for effectiveness (figure 20).

Scores viewed by bank size were consistent with overall scores, with only minor differences. These results could be viewed in one of two ways: either none of the approaches listed were overwhelmingly effective, or each was effective for different product lines.

Figure 20 Distribution effectiveness

Effectiveness of distribution approaches	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Development of a sales structure for all financial products, including insurance	1	4.0	1	3.9	0.1
Direct marketing	2	2.9	5	2.6	0.3
Buying an agency and integrating it into the bank	3	2.8	3	2.7	0.1
Development of outsourced third party marketing relationships	5	2.6	6	2.5	0.1
Joint ventures between bank and insurance company	6	2.4	2	3.5	1.1
Development for partnering with a brokerage general agency	6	2.4	6	2.5	0.1
Building an agency from scratch	8	2.3	9	1.5	0.8
Buying an agency and <u>not</u> integrating it into the bank	9	1.9	8	2.2	0.3
Average score		2.7		2.7	0.0

Banks ranked development of a sales structure for all financial products, including insurance, as the most important distribution approach with a 4.0 score (more effective) and this year in contrast to the 2003 Study, insurers agreed that this was most effective with a similar score of 3.9. In contrast to the 2003 Study both small/mid-sized and large insurers also agreed with the banks.

Developing a sales structure for financial products is the most difficult approach for banks to accomplish, requiring the highest degree of integration at point of sale and an extremely high and consistent commitment to training; excellent referral, incentive, goal process and technology support. Given the current interest of banks in using product guides and database integration of insurance, this move towards an integrated sales structure is the next phase to becoming successful in the distribution of insurance products at the point of sales.

As might be expected, insurers ranked joint ventures between banks and insurance companies as the second most effective approach, while banks felt that direct marketing produced the second most effect way to sell insurance. Clearly the insurers disagreed, ranking direct marketing at 5 out of 8. To highlight this difference, 72% of insurers (53% of large insurers) rated this distribution approach as effective to only partially effective compared with 68% of banks which rated it effective to very effective (figure 21). This may be a reflection of the cost associated with direct mail (who is actually paying) and the expectation of the banks and insurers regarding sales versus leads from the programs.

Both banks and insurers agreed that buying an agency and integrating it into the bank was effective and both agreed that buying an agency and *not* integrating it into the bank was the least effective; with 67% of the banks saying it was least or partially effective and 52% of the insurers agreeing. Only 22% of the banks and 7% of the insurers felt that building an agency from scratch is an effective approach to selling insurance.

Figure 21 Distribution of figure 20; distribution approaches

Effectiveness of distribution approaches	Least	Partially	Effective	More	Very	Average
	Effective	effective		Effective	Effective	
Development of a sales structure for all financial products, including insurance	2.2%	2.2%	15.6%	22.2%	57.8%	4.0
	3.4%	0.0%	13.8%	58.6%	24.1%	3.9
Direct marketing	9.1%	22.7%	20.5%	36.4%	11.4%	2.9
	17.9%	14.3%	39.3%	25.0%	3.6%	2.6
Buying an agency and integrating it into the bank	17.8%	11.1%	35.6%	24.4%	11.1%	2.8
	14.3%	21.4%	25.0%	35.7%	3.6%	2.7
Development of outsourced third party marketing relationships	20.9%	18.6%	20.9%	27.9%	11.6%	2.6
	17.9%	17.9%	42.9%	21.4%	0.0%	2.5
Development for partnering with a brokerage general agency	20.9%	25.6%	25.6%	23.3%	4.7%	2.4
	3.7%	40.7%	37.0%	14.8%	3.7%	2.5
Development for partnering with a brokerage general agency	23.8%	21.4%	14.3%	33.3%	7.1%	2.4
	3.4%	6.9%	24.1%	55.2%	10.3%	3.5
Building an agency from scratch	35.6%	15.6%	26.7%	15.6%	6.7%	2.3
	59.3%	22.2%	11.1%	7.4%	0.0%	1.5
Buying an agency and <i>not</i> integrating it into the bank	42.9%	23.8%	16.7%	11.9%	4.8%	1.9
	29.6%	22.2%	25.9%	14.8%	7.4%	2.2

In the 2003 Study the single largest difference in rating, with an extremely significant gap, concerned outsourcing to third parties. Insurers scored this approach at 5.8 (effective). Banks, however, scored it the lowest of all distribution methods. In the 2005 Study both insurers and banks ranked outsourcing to third parties at 6 and 5 respectively when compared to other methods of distributing insurance. This lack of divergence in opinion in the 2005 Study may reflect that banks and the carriers are becoming more comfortable with each other and feeling less of a need for a third party as they begin to better understand each others' business models.

Selling Factors

Banks and insurers were asked to rate first the importance of factors in selling insurance to bank customers and then their satisfaction with the insurers' ability to provide (figure 22). The groups were in strong agreement on the factors that are important to selling insurance, and in fact the overall scores for all banks and all insurers came in at 3.7 or more important. This overall average score is misleading however because the spread between bank and insurer scores for satisfaction in delivery was in **every case lower** from the bank's perspective than from the insurers with an overall gap of **1.3***. There are significant or extremely significant gaps for every attribute. This is the only question in the 2005 Study where every attribute solicited such consistently high dissatisfaction scores from the bankers. Overall scores viewed by the small/midsized companies were very close to the overall scores and the large companies did not contribute to the degree of dissatisfaction as much as the small/midsized companies did.

Exactly as it did in the 2003 Study, senior management commitment is given an extremely high rating of 4.5 and 4.3 by the banks and insurers respectively and both were extremely disappointed in their respective satisfaction scores, for extremely significant gaps of **1.7+** for the banks and **1.1*** for the insurers. The only attribute that created a larger gap was building incentive programs that work; for a banker importance to satisfaction extremely significant gap of **1.8+**. The insurers agreed and noted their own disappointment at **1.1***.

As in the 2003 Study, the ability to integrate insurance at the point of sales is still a disappointment with extremely significant gaps of **1.7+** for the bankers and a lower gap in importance and satisfaction from the insurers at **1.0***.

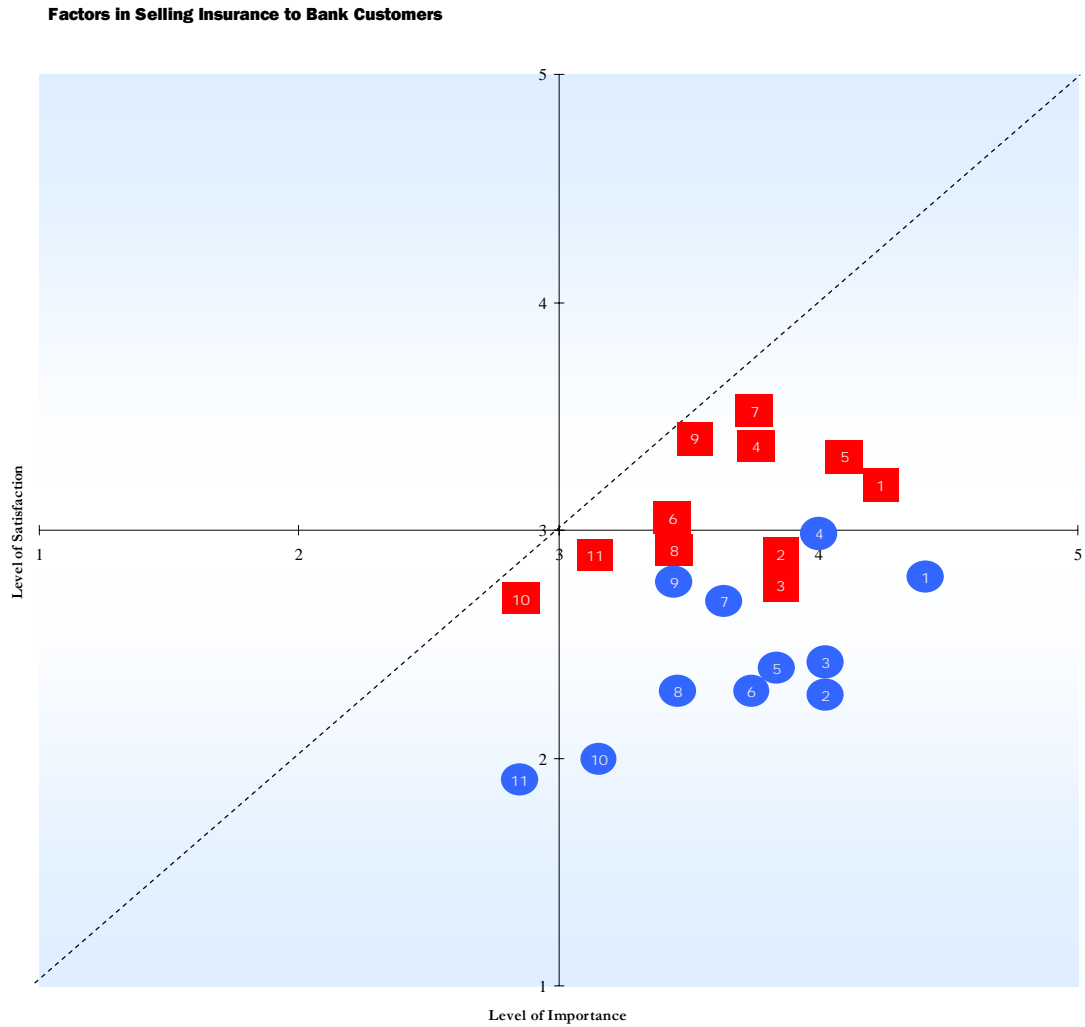
Wholesale support and access to the bank's client base were the next most disappointing score with importance to satisfaction gaps for the bankers of **1.5+** for both and **0.9*** and **0.3*** for the insurers on those respective attributes. The utilization of a standard life insurance application is still a very significant gap for the banks with a **1.2+** gap in satisfaction.

When simply reviewing the largest gaps in the banks' satisfaction when compared to the insurers' satisfaction; employing a standardized appointment process becomes evident first with a very significant gap of **1.0*** followed by wholesale support with a **0.9***. Tying for a very significant gap of **0.7*** was the following: standard life insurance application, a sophisticated understanding of the bank customer and access to the bank client base. In every case the insurer was more satisfied than the bank.

Building incentive programs that work is considered essential by both insurers and banks, however here again the insurers are more satisfied than the banks with an interesting **0.5*** gap. This element was rated second in importance in the 2003 Study as well.

There are no noteworthy improvements on the elements that relate to selling insurance to bank customers in the 2005 Study compared to the 2003 Study. More dialogue and creative thinking is demanded here.

Figure 22 Factors in selling insurance



Factors in selling insurance to bank customers

	Bank				Insurer				Bank vs Insurer Importance	Bank vs Insurer Satisfaction
	Key	Importance	Satisfaction	GAP	Key	Importance	Satisfaction	GAP	GAP	GAP
Senior management commitment	1	4.5	2.8	1.7	1	4.3	3.2	1.1	0.2	0.4
Building incentive programs that work	2	4.1	2.3	1.8	2	3.9	2.8	1.1	0.2	0.5
Ability to integrate insurance sales at point of bank sales	3	4.1	2.4	1.7	3	3.9	2.8	1.1	0.2	0.4
Institutional trust and confidence	4	4.0	3.0	1.0	4	3.8	3.4	0.4	0.2	0.4
Wholesale support	5	3.9	2.4	1.5	5	4.2	3.3	0.9	0.3	0.9
Access to bank's client base	6	3.8	2.3	1.5	6	3.5	3.0	0.5	0.3	0.7
Training support	7	3.7	2.7	1.0	7	3.8	3.5	0.3	0.1	0.8
Sophisticated understanding of bank customer demographics	8	3.5	2.3	1.2	8	3.5	2.9	0.6	0.0	0.6
Processing support (ease of doing business, cycle time)	9	3.5	2.8	0.7	9	3.6	3.4	0.2	0.1	0.6
Standard life insurance application	10	3.2	2.0	1.2	10	2.9	2.7	0.2	0.3	0.7
Standardized appointment process	11	2.9	1.9	1.0	11	3.2	2.9	0.3	0.3	1.0
Average score		3.7	2.4	1.3		3.7	3.1	0.6	0.0	0.7

Methods of Selling

Respondents were asked to rate 13 marketing methods and categorize them based on which method generated the most qualified leads (figure 23). Overall, the banks scored all the techniques as somewhat effective, with a 2.2 score. Insurers had a similar score at 2.5. Overall, only one attribute generated a very significant gap in scores.

Referrals from client relationship managers and branch platform employees, both the insurers and banks agree generate the most effective leads. They diverge in their opinion when it comes to referrals from trust and estate specialists; the insurers rank it third and give it a high score of 3.0 while the banks rank this referral source as number 6 with a 2.2 rating, for a very significant gap of **0.8***.

Figure 23 Lead generation

Marketing methods that generate the most leads	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Referrals from client relationship managers	1	3.2	1	3.7	0.5
Referrals from branch platform employees	2	3.0	2	3.3	0.3
Direct mail	3	2.9	6	2.7	0.2
Seminars	4	2.8	5	2.8	0.0
Referrals from professional sources (CPA, attorney)	5	2.6	4	2.9	0.3
Referrals from trust and estate specialist	6	2.2	3	3.0	0.8
Bank statement stuffers	7	1.9	7	2.2	0.3
Branch signage	7	1.9	7	2.2	0.3
Telemarketing	7	1.9	11	1.9	0.0
Brochures in the branches	10	1.8	7	2.2	0.4
Media advertising	10	1.8	10	2.1	0.3
Internet advertising	12	1.5	11	1.9	0.4
ATM solicitations	13	1.1	13	1.4	0.3
Average score		2.2		2.5	0.3

The banks again rank direct mail as an excellent source of leads with over 51% saying that it provides a more to most effective lead source. Insurers think that the leads when they come in are effective, with 56% saying they are, however they rank referrals from professional sources (CPAs and attorneys) and seminars as a more important sources of leads. This disconnect may reflect the size and focus of the policies that insurers view as more profitable and therefore rank these method more positively as they usually lead to a larger size policy.

Bank statement stuffer, telemarketing, branch signage, brochures in the branches and media advertising were all ranked as ineffective, below a 2.0, with ATM solicitations coming in at last place for lead generation, although in every case the insurers scored these methods as slightly more effective than the banks did. Face-to-face methods were rated from a low of 2.2 to a high of 3.7, but consistently ranked higher than any type of indirect lead generation.

The same pattern of scores generally held true for the large and small/midsize company groups, with slightly higher scores for small/midsize insurers compared with the large insurers.

Unlike the 2003 Study, we see that both banks and insurers agree that the most qualified leads cluster around using the following 6 methods to varying degrees based on the size of the insurer and bank; referrals from relationship managers, platform people, direct mail, professional sources (CPA, attorneys), seminars, and trust and estate specialists.

Face-to-face marketing methods were viewed much more positively, with 48% of banks ranking them most profitable (figure 24). One-quarter of the insurers had the same ranking, while 14% felt these methods were partially or least profitable. Small/midsized insurers consider bank statement stuffers a profitable method of marketing, scoring it at 2.5 and **0.7*** higher than small/midsized banks. As the banks moved farther away from the point of sale, the marketing methods were deemed less profitable and face-to-face ranked higher in all cases. Banks have a higher degree of confidence in, and familiarity with, this method of marketing.

Which distribution method you consider to be most effective hinges on both the target client base and the type of product you are selling. As banks in the retail business are accustomed to high volume/low margin business, term and simple life products sold via platform sales and direct mail seemed more compatible with bank distribution methods today. Both groups like distribution through trust and a private banker as it is a high margin/low volume business and more analogous to insurers' general-agent type of business.

Figure 24 Distribution of figure 23; lead generation

Marketing methods that generate the most leads	Average					Average Scores
	Least leads	Partially leads	leads	More leads	Most leads	
Referrals from client relationship managers	4.9%	12.2%	17.1%	31.7%	34.1%	3.2
	0.0%	10.7%	14.3%	46.4%	28.6%	3.7
Referrals from branch platform employees	2.3%	29.5%	20.5%	29.5%	18.2%	3.0
	6.9%	10.3%	34.5%	31.0%	17.2%	3.3
Direct mail	11.6%	18.6%	18.6%	37.2%	14.0%	2.9
	16.0%	8.0%	20.0%	44.0%	12.0%	2.7
Seminars	2.3%	18.6%	46.5%	30.2%	2.3%	2.8
	4.0%	12.0%	40.0%	36.0%	8.0%	2.8
Referrals from professional sources (CPA, attorney)	20.9%	16.3%	25.6%	25.6%	11.6%	2.6
	11.1%	18.5%	22.2%	37.0%	11.1%	2.9
Referrals from trust and estate specialist	17.6%	20.6%	17.6%	23.5%	20.6%	2.2
	3.7%	25.9%	18.5%	40.7%	11.1%	3.0
Branch signage	36.4%	31.8%	20.5%	11.4%	0.0%	1.9
	14.3%	53.6%	17.9%	10.7%	3.6%	2.2
Telemarketing	31.0%	38.1%	19.0%	9.5%	2.4%	1.9
	17.4%	30.4%	39.1%	13.0%	0.0%	1.9
Bank statement stuffers	20.0%	40.0%	30.0%	7.5%	2.5%	1.9
	21.4%	35.7%	32.1%	3.6%	7.1%	2.2
Media advertising	35.7%	31.0%	26.2%	4.8%	2.4%	1.8
	24.0%	28.0%	28.0%	16.0%	4.0%	2.1
Brochures in the branches	31.8%	47.7%	15.9%	4.5%	0.0%	1.8
	25.0%	35.7%	25.0%	10.7%	3.6%	2.2
Internet advertising	51.2%	34.1%	4.9%	7.3%	2.4%	1.5
	25.0%	20.8%	45.8%	4.2%	4.2%	1.9
ATM solicitations	62.9%	31.4%	2.9%	2.9%	0.0%	1.1
	41.7%	45.8%	8.3%	0.0%	4.2%	1.4

Effectiveness

The respondents were asked to rate the effectiveness of each of 10 selling methods (figure 25), and there was an interesting overall gap of **0.5*** in all methods with insurers believing them to be on average, more effective than the banks.

As in the 2003 Study, the overall scores of banks' and insurers' are at 2.2 and the insurers at 2.7, respectively. The banks rated five of the 10 methods below 2.5., which is at the least or partially effective level, while the insurers rated only four of the methods below 2.5. They disagreed on the role of agents in branches and platform sales each with a very significant gap of **0.9***.

Figure 25 Selling methods

Effectiveness of selling methods	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Bank investment representatives	1	3.3	2	3.3	0.0
Agents in the branches	2	2.8	1	3.7	0.9
Agents working with trust and private bankers	2	2.8	6	3.1	0.3
Agents working with commercial bankers	4	2.6	2	3.3	0.7
Agents working with securities and investment groups	5	2.5	2	3.3	0.8
Platform sales	6	2.3	5	3.2	0.9
Direct mail	7	1.9	7	2.0	0.1
Telephone sales	8	1.5	8	1.9	0.4
Branch kiosk	9	1.3	10	1.7	0.4
Internet	10	1.2	9	1.8	0.6
Average score		2.2		2.7	0.5

The banks ranked bank investment reps as the most effective sellers of insurance, followed by agents in branches and the insurers switched and ranked then just the opposite. Insurer also ranked agents working with reps second with a 3.3 effectiveness rating while the bankers ranked them 5 with a 2.5 effectiveness rating. Bankers also rated agents working with trust and private bankers second with an equal score of 2.8 with agents in branches.

The insurers felt that agents working with commercial bankers is more effective with a 3.3 rating while the bankers were less sanguine about this approach and scored it a 2.6 for an significant gap of **0.7***.

61% of the insurers felt that bank investment reps are more to most effective, compared to 44% of the bankers (figure 26). 82% of the insurers feel that agents in branches are more to most effective compared to 58% of the bankers. This contrasts to 50% of the insurers and 38% of the bankers feeling that platform sales are the more to most effective method.

By adding the rating categories of “effective” for platform sales, you raise the level to 75% of the insurers and 60% of the bankers feeling that platform sales are at the minimum effective. If you take a similar view for agents in branches you get 89% of the insurers and 75% of the bankers. The implication that platform sales are not as an effective method of selling is to be expected, since the agents exclusively dedicated to insurance and investment representatives have the option of using insurance as a tool in financial planning.

Small/midsized banks considered bank investment reps as the most effective, then agents in branches and then agents working with trusts and private bankers, while the small/midsized insurers viewed agents in branches and then agents working with commercial bankers second and platform bankers third in effectiveness. The insurers viewed agents in branches as most effective however the large banks and insurer results are considerable different than the entire participant results. The larger banks have a considerably different perspective on platform sales and productivity and ranked platform sales 3rd, judging them to be more effective than agents in branches, but after bank investment reps and agents working with trust and private bankers. The large insurers feel that agents working with securities and investment groups were the most effective, and then there is a tied score for agents in banks and bank investment reps and then platform programs.

Figure 26 Distribution of figure 25; selling methods

Effectiveness of selling methods	Least	Partially	More	Most	Average	
	Effective	Effective	Effective	Effective		Scores
Bank investment representatives	4.5%	20.5%	20.5%	25.0%	29.5%	3.3
	0.0%	21.4%	17.9%	42.9%	17.9%	3.3
Agents in the branches	7.5%	17.5%	17.5%	47.5%	10.0%	2.8
	0.0%	10.7%	7.1%	60.7%	21.4%	3.7
Agents working with trust and private bankers	12.8%	10.3%	15.4%	43.6%	17.9%	2.8
	3.7%	22.2%	18.5%	37.0%	18.5%	3.1
Agents working with commercial bankers	15.4%	15.4%	25.6%	23.1%	20.5%	2.6
	3.6%	10.7%	32.1%	32.1%	21.4%	3.3
Agents working with securities and investment groups	8.6%	17.1%	20.0%	31.4%	22.9%	2.5
	3.7%	18.5%	11.1%	40.7%	25.9%	3.3
Platform sales	10.8%	29.7%	21.6%	21.6%	16.2%	2.3
	3.6%	21.4%	25.0%	25.0%	25.0%	3.2
Direct mail	40.9%	22.7%	25.0%	6.8%	4.5%	1.9
	42.3%	11.5%	30.8%	7.7%	7.7%	2.0
Telephone sales	43.2%	29.7%	24.3%	0.0%	2.7%	1.5
	24.0%	28.0%	40.0%	8.0%	0.0%	1.9
Branch kiosk	50.0%	30.6%	16.7%	2.8%	0.0%	1.3
	38.5%	34.6%	23.1%	3.8%	0.0%	1.7
Internet	64.9%	24.3%	5.4%	5.4%	0.0%	1.2
	37.0%	37.0%	18.5%	7.4%	0.0%	1.8

When direct mail is considered simply as a lead generation technique it is ranked 3rd by the bankers, however when asked if it is an effective selling method it is ranked 7th by both respondents and considered less than effective by 64% of the bankers and 54% of the insurers.

All other indirect methods of selling are considered least or partially effective; bank statement stuffers, branch signage, brochures in branches media advertising, internet advertising and ATM solicitations. Although in every case, the insurers scored these methods slightly more effective than the banks did. Face-to-face methods were rated from a low of 2.2 to a high of 3.7, but consistently ranked higher than any type of indirect selling method.

A new question in the 2005 Study asks respondents if selling insurance through platform personnel, on average how long after the first sale does it take for the same person to make the next sale (figure 27). Both insurers and banks agree that it is somewhere between two weeks to one month with 38% of the banks saying two weeks, versus 28% of the insurers. 32% of the banks saying one month as opposed to 56% of the insurers. It seems that the banks feel that they are selling the second policy more quickly than the insurers believe that they are.

Figure 27 Length of sales cycle

If selling insurance through platform personnel, on average how long after the first sale does it take for the same person to make the next sale?

	Banks	% Distribution	Insurer	% Distribution
One week or less	3	8.8%	2	8.0%
Two weeks	13	38.2%	7	28.0%
One month	11	32.4%	14	56.0%
Two months	1	2.9%	1	4.0%
Two months or more	6	17.6%	1	4.0%

Product Design

Insurers have become more adept at changing their processes and products to attract the mass market and emerging affluent customers of the bank. In the 2003 Study only 5% of the banks sold more than 10,000 policies while in this Study over 18% of the respondents sold that amount.

Bank/Insurer Relationships

The Study investigated the importance of product attributes in forming an optimal, functioning relationship between a bank and an insurance company. Figure 28 summarizes scores in this category while the quadrants of the figure represent areas of opportunity for optimizing the bank/insurer relationship via product design:

- Upper right—high importance/high satisfaction, the desired location.
- Bottom right—*high importance/low satisfaction, areas for improvement.*
- Bottom left—low importance/low satisfaction, little attention needed.
- Upper left—low importance/high satisfaction, from which resources could be diverted to other, more desired functions with greater importance.

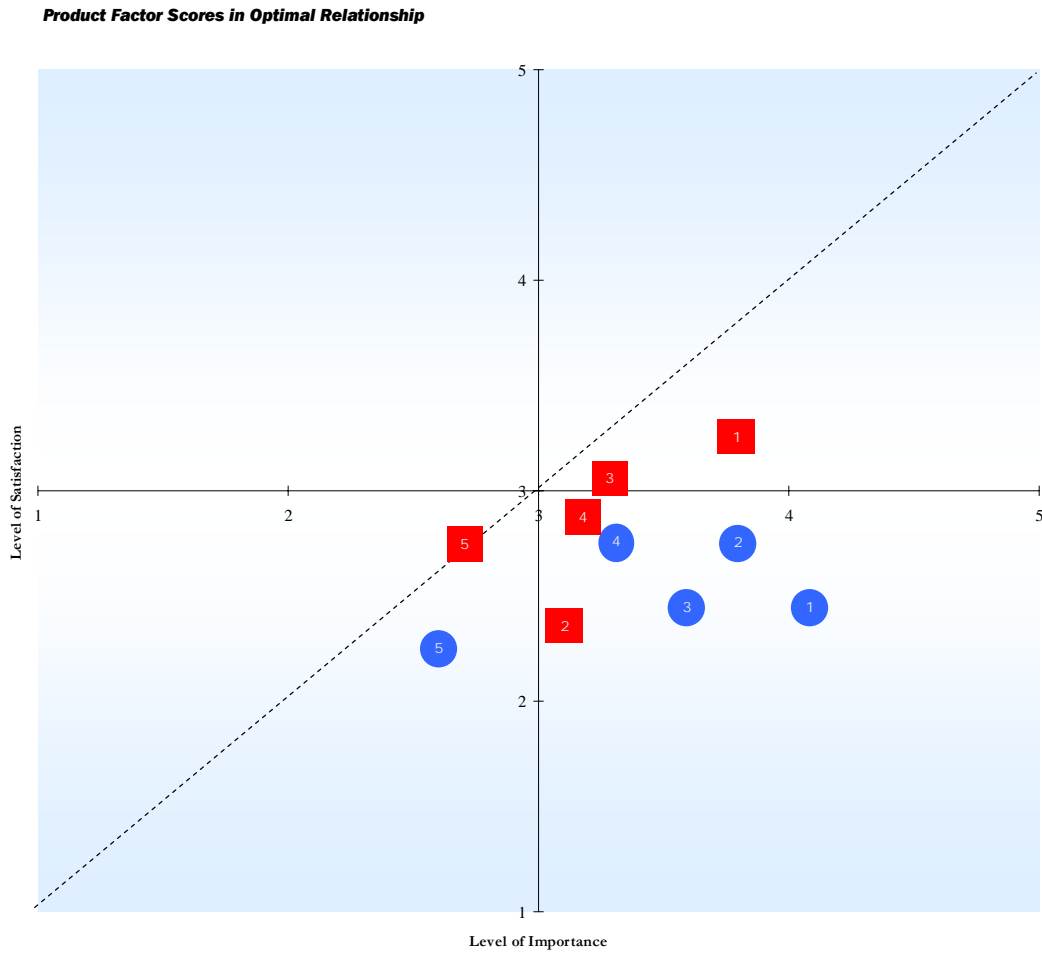
Both banks and insurers each ranked product attributes as more to most important except in the flexibility of product design. The overall scores of the five product attributes are rated an overall importance score of 3.5 and 3.2 by the banks and insurers, respectively. A divergence appears between the scores of the different size companies, with the small/midsized banks ranking the importance significantly higher than the large banks.

Also, the larger insurers ranked the importance higher than their larger bank counterparts. The need for flexible product design, proprietary design, or co-branding as a design feature is given an importance score of 3.6 in the 2003 Study. However, this year they have reversed direction and have lowered the importance to a score of 1.9, a significant difference. The small/midsize banks have indicated a need for flexibility in product design, scoring the importance at 3.4.

The issues arise more in the area of satisfaction. The insurers have consistently rated their satisfaction higher than the banks. This holds true in all size categories. However, for the large companies, satisfaction gaps that require the most attention are case management/underwriting support (an extremely significant gap in satisfaction of **1.5***), ease of sales process (an extremely significant gap in satisfaction of **1.2***), and providing simplified underwriting for small face value products.

The variety and extent of product availability is not an important issue to the large banks, an importance score of 2.7 and lower than the large insurers by an interesting gap of **0.7***. This would indicate the banks have begun to develop a greater understanding of the insurance products available and are offering a full complement of products. However, the small/midsized banks have scored the importance of product availability at 3.9, an extremely significant gap of **1.2+** from the larger banks.

Figure 28 Product design in relationship



Elements in optimizing relationship by Product Category

	Bank Scores				Insurer Scores				Bank vs Insurer Importance	Bank vs Insurer Satisfaction
	Key	Importance	Satisfaction	GAP	Key	Importance	Satisfaction	GAP	GAP	GAP
Ease of the sales process	1	4.1	2.5	1.6	1	3.8	3.3	0.5	0.3	0.8
Provides simplified underwriting for products up to \$250,000 in face value (life) or benefits (DI and LTC)	2	3.8	2.8	1.0	2	3.1	2.4	0.7	0.7	0.4
Case management/underwriting support	3	3.6	2.5	1.1	3	3.3	3.1	0.2	0.3	0.6
Variety and extent of product availability	4	3.3	2.8	0.5	4	3.2	2.9	0.3	0.1	0.1
Flexibility of product design, proprietary design, or co-branding as a design feature	5	2.6	2.3	0.3	5	2.7	2.8	0.1	0.1	0.5
Average score		3.5	2.6	0.9		3.2	2.9	0.3	0.3	0.3

Product Customization

Both banks and insurers were asked to rate the degree to which specific products required customization to existing product design, sales material, commissions, underwriting, marketing, and administrative/operational processes to be sold most easily to the bank's retail customers. The need for customization was not of great concern to either the banks or insurers who both scored the need for only partial customization, as shown in figure 29.

In the 2003 Study the overall scores indicated a general agreement between banks and insurers, even when viewed by company size. This year, the overall scores were similarly close; however the differences by company size were reversed. The large banks indicated a lower score of 1.8 compared to the small/midsized banks of 2.3. The small/midsized insurers scored the need much lower, 1.4, for a very significant gap of **0.9+**.

Figure 29 Product customization

Product customization	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Long-term care	1	2.5	8	1.8	0.7
Universal life	2	2.4	2	2.2	0.2
Variable life	3	2.3	1	2.3	0.0
Term insurance (fully underwritten)	4	2.2	6	2.0	0.2
Variable Annuity	4	2.2	2	2.2	0.0
Traditional whole life	4	2.2	5	2.1	0.1
Disability income	4	2.2	10	1.6	0.6
Term insurance (simplified issue)	8	2.1	7	1.9	0.2
Fixed Annuity	8	2.1	2	2.2	0.1
Debt cancellation	11	1.7	12	1.4	0.3
Collateral Protection	11	1.7	11	1.5	0.2
Debt suspension	13	1.6	12	1.4	0.2
Mortgage Credit Life	14	1.5	12	1.4	0.1
Average score		2.1		1.8	0.3

Additionally, the respondents do not agree on the relative rankings of the products themselves or the perceived level of required customization. Simplified term, traditional whole life, debt or collateral oriented products, and fixed annuities being more standardized, commodity-oriented products, were deemed to need little or no customization. The exception to the overall scores was the difference between large and small/midsize banks in the relative rankings of the products. Large banks ranked the level of customization for variable annuities their highest rating equal with long-term care insurance and universal life. The small/midsize banks ranked variable annuities eighth, well below the complex products such as long-term care insurance and universal life.

The small/midsized insurers do not see the need to customize products to the level the small/midsized banks do. Long-term care, disability income, and fully underwritten term products were scored by the insurers as in need of very little customization, resulting in an extremely significant gap of **1.9+**, **1.6+**, and **1.1+**, respectively. Universal life, variable life, traditional whole life, and simplified issue term are similarly scored, resulting in a very significant gap for each product (figure 30).

The perspective reversed between the large banks and insurers, where the banks' perspective indicated far less of a need to customize than the larger insurers. Variable life and traditional whole life have very significant gaps of **1.0***. Fixed and variable annuities and fully underwriting term are other products that have very significant gaps of **0.9***, **0.8***, and **0.8***, respectively.

This difference could indicate a resource constraint for the small/midsize insurers in their ability to focus on modifying their existing products for the specific needs of the bank channel. Whereas, the large banks may have a sophistication level that is sufficient to take the products as they exist and apply them within their existing distribution mechanisms.

Figure 30 Distribution of figure 29; product customization

Product customization	Least customization	Partially customization	Effective	More customization	Most customization	Average Scores
	Long-term care	10.5% 5.9%	21.1% 29.4%	26.3% 23.5%	26.3% 23.5%	15.8% 17.6%
Universal life	10.3% 9.1%	30.8% 27.3%	23.1% 27.3%	25.6% 27.3%	10.3% 9.1%	2.4 2.2
Variable life	13.5% 9.5%	21.6% 23.8%	29.7% 14.3%	27.0% 33.3%	8.1% 19.0%	2.3 2.3
Term insurance (fully underwritten)	18.4% 26.1%	23.7% 17.4%	26.3% 30.4%	23.7% 17.4%	7.9% 8.7%	2.2 2.0
Disability income	14.3% 13.3%	17.1% 20.0%	37.1% 33.3%	17.1% 6.7%	14.3% 26.7%	2.2 1.6
Variable Annuity	22.5% 14.3%	20.0% 9.5%	32.5% 33.3%	20.0% 28.6%	5.0% 14.3%	2.2 2.2
Traditional whole life	13.2% 17.4%	34.2% 26.1%	26.3% 17.4%	18.4% 39.1%	7.9% 0.0%	2.2 2.1
Fixed Annuity	35.0% 21.7%	17.5% 17.4%	22.5% 21.7%	15.0% 34.8%	10.0% 4.3%	2.1 2.2
Term insurance (simplified issue)	28.9% 39.1%	26.3% 13.0%	10.5% 21.7%	18.4% 8.7%	15.8% 17.4%	2.1 1.9
Debt cancellation	25.8% 35.3%	16.1% 17.6%	32.3% 23.5%	16.1% 17.6%	9.7% 5.9%	1.7 1.4
Collateral Protection	25.8% 29.4%	19.4% 11.8%	22.6% 29.4%	25.8% 23.5%	6.5% 5.9%	1.7 1.5
Debt suspension	27.6% 33.3%	17.2% 6.7%	27.6% 26.7%	17.2% 20.0%	10.3% 13.3%	1.6 1.4
Mortgage Credit Life	39.4% 35.3%	15.2% 11.8%	30.3% 23.5%	12.1% 23.5%	3.0% 5.9%	1.5 1.4

Product Offerings

The two groups were asked which bank customer needs they were addressing by the sale of insurance products and could choose as many as applied from those listed in figure 31. The customer groups included retail, small business, and commercial, private, and workplace groups.

As in the 2003 Study, the banks are trying to address a variety of needs across all customer groups based on their scope of products and the high percentage responding positively to all the product options. Many banks believe life insurance is another service that supports a full service financial institution, which banks rate of high importance.

The major focus of the banks in addressing their customer needs is clearly aimed at the retail customer, particularly with small/midsized banks. Annuity, life, retirement planning, single premium, and long-term care are the dominant products. Over 70% of all banks selected these products, including over 90% by the small/midsized banks for annuity and life products. In contrast, only the life products were selected by as many of the insurer respondents, with 80% (93% of the large insurers).

Additionally, wealth transfer, estate planning, and disability income products were used by over 63% of the banks to service the retail customer base. Only fixed annuity products are being sold by insurers through their bank channels at the 60% threshold. The same percentage threshold for retirement planning and wealth transfer plans are offered only by the large insurers.

Small business banking divisions and private customer groups are the next two largest concerns of the banks. Business succession, employee benefits, fixed annuity, and voluntary benefits are used by at least 50% of the banks in the small business group. Retirement planning, life, estate planning, long term care, and high net worth management are used by at least 50% of the banks in the private customer group. Only life products are at the 50% level for insurers in either customer group. The large insurers are slightly more focused; they provide retirement planning and estate planning to private customers at this level.

The commercial customer and workplace customers are the least serviced by either of the banks or insurers. Employee benefits, term, and fixed annuity are the three products that the banks are delivering with any regularity. The larger banks offer a few more products including group benefits and variable annuities.

Figure 31 Product by customer groups

Addressing Retail customer needs	% of		% of	
	Banks Yes	respondents	Insurers Yes	respondents
Variable Annuity	42	88%	11	37%
Fixed Annuity	42	88%	20	67%
Life Products	40	83%	24	80%
Retirement Planning	38	79%	15	50%
Single Premium Products	35	73%	15	50%
Long-Term Care	34	71%	10	33%
Wealth Transfer Plans	32	67%	12	40%
Estate Planning	31	65%	11	37%
Disability Income	30	63%	9	30%
Index Annuity	24	50%	10	33%
Mortgage Credit Life	24	50%	5	17%
Debt Cancellation/Suspension	17	35%	6	20%
Collateral Protection	15	31%	3	10%
Small Business customers				
Business Succession	32	67%	11	37%
Employee benefits	28	58%	12	40%
Fixed Annuity	28	58%	12	40%
Variable Annuity	27	56%	7	23%
Voluntary benefits	24	50%	6	20%
Worksite marketing	14	29%	4	13%
Estate planning	11	23%	10	33%
COLI	10	21%	5	17%
Commercial customers				
Employee benefits	26	54%	6	20%
Group benefits	22	46%	7	23%
Worksite marketing	13	27%	7	23%
COLI	10	21%	5	17%
Private customers				
Retirement planning	29	60%	12	40%
Life products	29	60%	17	57%
Estate planning	27	56%	11	37%
LTC	27	56%	5	17%
High net worth management	26	54%	6	20%
Disability products	25	52%	6	20%
Charitable giving	22	46%	6	20%
Workplace customers				
Term Insurance	28	58%	9	30%
Fixed Annuity	27	56%	8	27%
Variable Annuity	23	48%	5	17%
Employee Benefit Products	17	35%	8	27%
Health Insurance	15	31%	7	23%

Average Face Value Sold

Both banks and insurers were asked the average face value of the insurance policies their organization had sold in 2004 (figures 32, 33, & 34). Overall, 74% of the banks sold policies with an average face amount of less than \$250,000, and more than 93 % of the long-term care, and debt cancellation/suspension insurance sold had face amounts of less than \$250,000.

The face amount of policies sold varied greatly by the size of organization. Large banks and insurers are selling products of much larger face value: 58% of large banks sold face value of permanent products in excess of \$500,000, as did 50% of the large insurers. On the opposite end, 79% of the small/mid-sized banks and 80% of small/mid-sized insurers sold permanent products below the \$250,000 face value level.

The small/mid-sized banks and insurers sold far less of the complex permanent life products, 21% of these banks sold greater than \$250,000 average face amounts compared to 58% of the larger banks. The more simplified products such as single premium life, debt cancellation/suspension, collateral protection, and mortgage credit life, were sold at the same small face values regardless of the organization size as is expected given the need they are designed to address.

Figure 32 Average face values all banks

Average Face Value of Products (All banks)

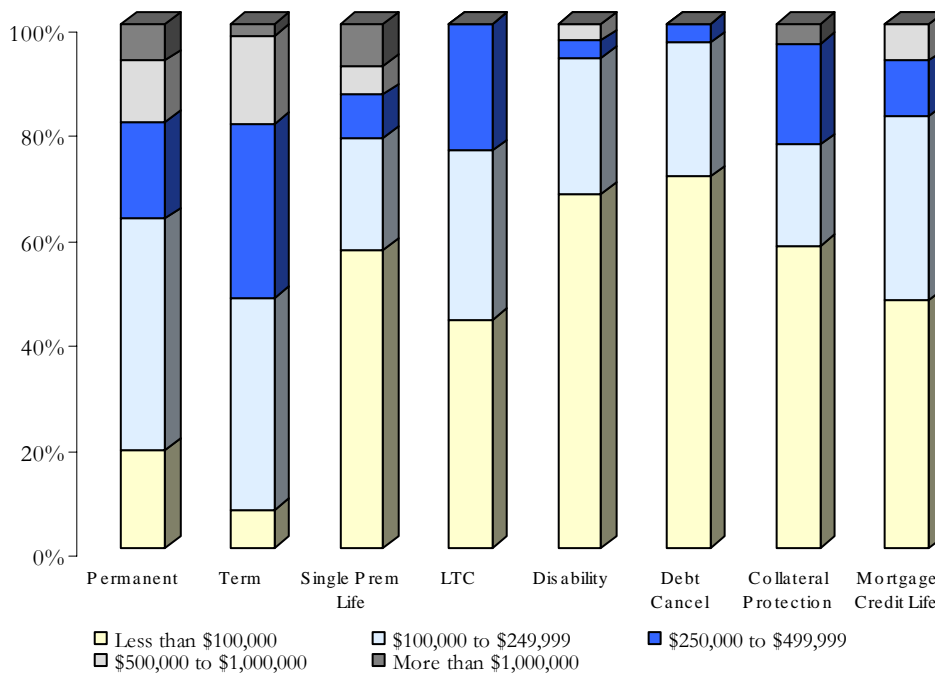


Figure 33 Average face values greater than \$10 bn

Average Face Value of Products (Banks >\$10 Bn)

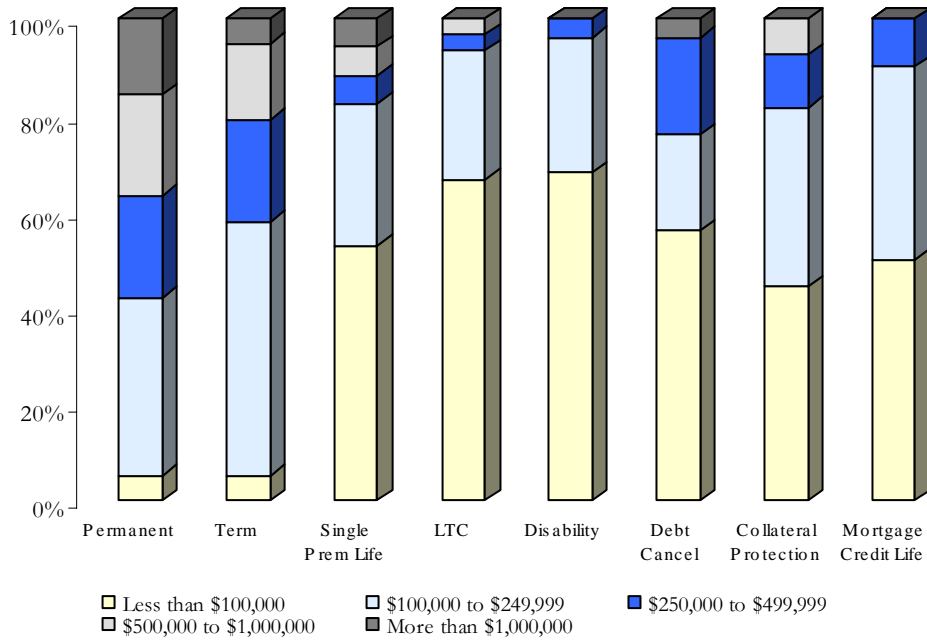
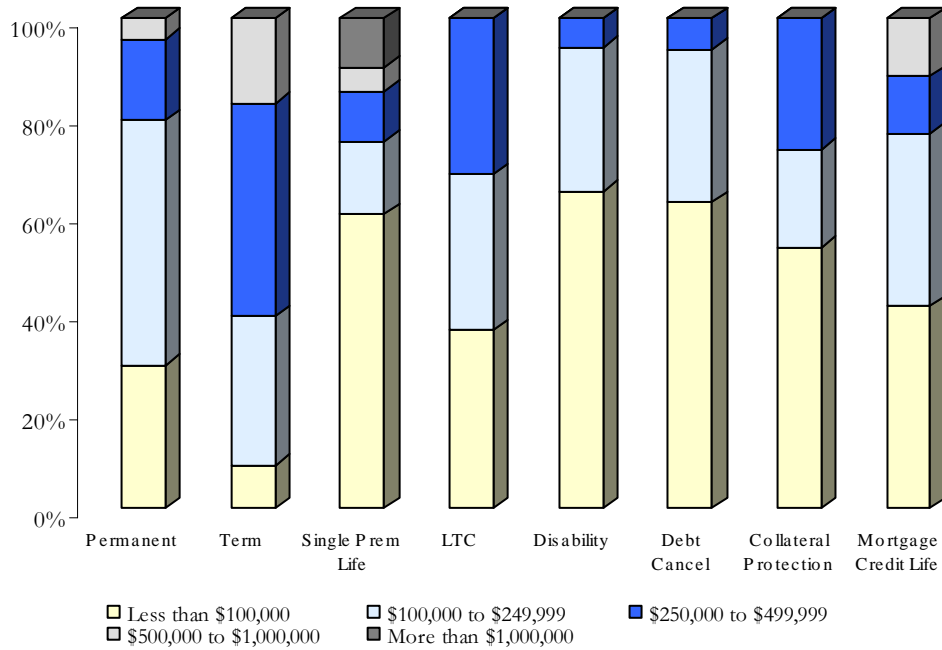


Figure 34 Average face values less than \$10 bn

Average Face Value of Products (Banks <\$10 Bn)



Administration & Operations

This section explores the types of services expected by banks and supplied by insurers that are necessary for bank insurance sales to be effective. Services include training, licensing, compliance, regulatory support, accounting, and operational support. Additional subjects are explored in this year's Study including the necessary core competency to retain or outsource, and resource issues supporting the administrative functions. In all, 41 attributes, compared to 27 in the 2003 Study, that focus on these subjects were rated. Both the importance and satisfaction of various elements are explored.

Bank/Insurer Relationships

The Study investigated the importance of administration and operational attributes in forming an optimal, functioning relationship between a bank and an insurance company. Figure 35 summarizes scores in this category while the quadrants of the figure represent areas of opportunity for optimizing the bank/insurer relationship via administration & operations:

- Upper right—high importance/high satisfaction, the desired location.
- Bottom right—**high importance/low satisfaction, areas for improvement.**
- Bottom left—low importance/low satisfaction, little attention needed.
- Upper left—low importance/high satisfaction, from which resources could be diverted to other, more desired functions with greater importance.

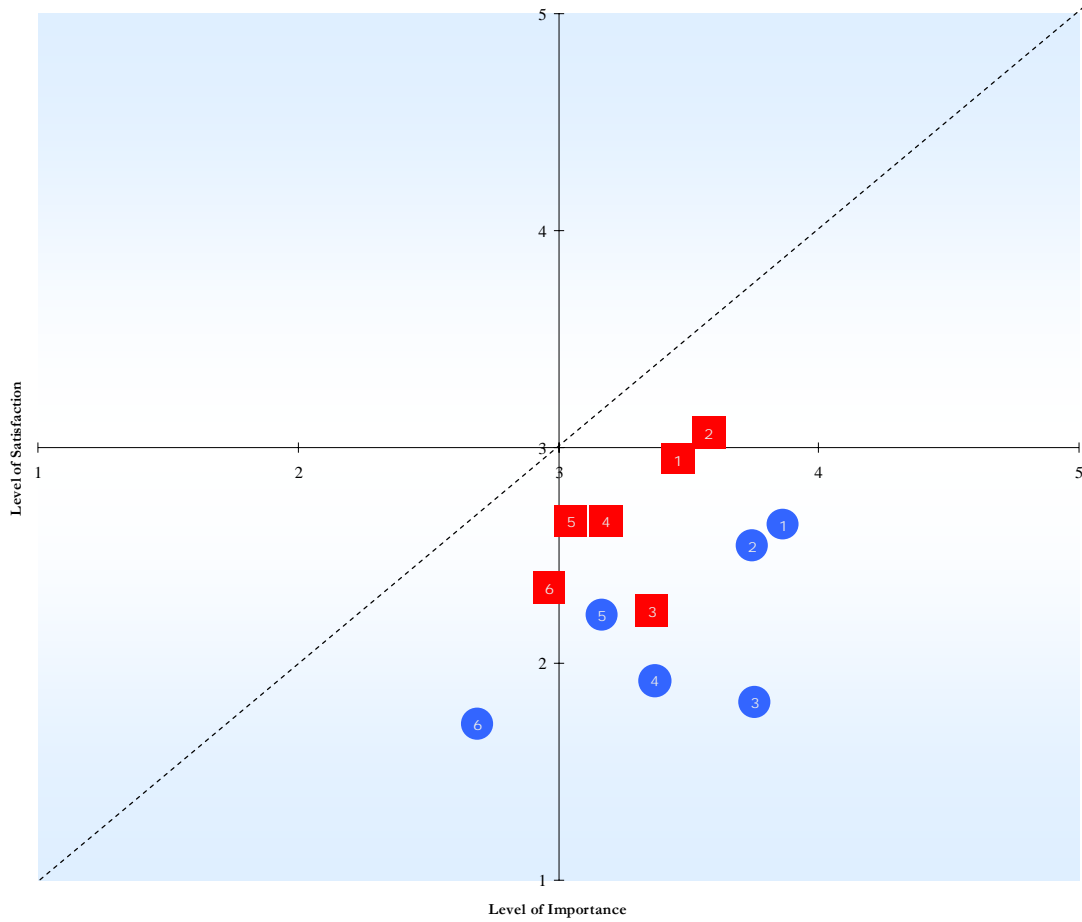
The administrative functions once again produced a wide gap between the banks and insurers. As in the 2003 Study, a very significant or extremely significant gap existed in virtually every attribute, with insurers feeling more positive about the provision of services than banks. However, it would appear the insurers (particularly the small/midsized insurers) are listening to some extent, as the gap in the level of satisfaction has narrowed significantly.

In every case, insurers rated their satisfaction with administrative/operational attributes required for an optimal working relationship with banks significantly higher than the banks, with the gap in the banks level of importance and satisfaction an overall extremely significant gap of **1.2⁺**. The largest gap remains the integration of products with bank procedures and systems at the point of sale, a **1.8⁺**. The other attributes that showed extremely significant gaps are; electronic integration between the insurer and bank sales personnel; training provided to bank sales personnel; and insurance company compliance expertise. Five of the six banks attribute scores fell in or very near the high importance/low satisfaction quadrant, indicating areas for improvement.

The large insurers rated their satisfaction level well above the small/midsized insurers and, as a result, their perception of excellence is still much greater than the large banks. The small/midsized insurers rated all the attributes very close to their counterpart banks. The same areas of overall concern are just more prevalent among the large participants.

Figure 35 Administrative/Operational

Administrative Factor Scores in Optimal Relationship



Elements in optimizing relationship by Administrative Category

	Bank Scores				Insurer Scores				Bank vs Insurer	
	Key	Importance	Satisfaction	GAP	Key	Importance	Satisfaction	GAP	Importance	Satisfaction
Insurance compliance expertise	1	3.9	2.8	1.1	1	3.5	3.1	0.4	0.4	0.3
Insurer provides training to bank sales personnel	2	3.8	2.7	1.1	2	3.6	3.2	0.4	0.2	0.5
Products are integrated into bank's procedures and systems at point of sale	3	3.8	2.0	1.8	3	3.4	2.4	1.0	0.4	0.4
Integration of administrative process between insurer and bank sales personnel (e.g., electronic link between bank and insurer)	4	3.4	2.1	1.3	4	3.2	2.8	0.4	0.2	0.7
Insurer provides licensing solutions to bank sales personnel	5	3.2	2.4	0.8	5	3.1	2.8	0.3	0.1	0.4
Bank customer database management expertise	6	2.7	1.9	0.8	6	3.0	2.5	0.5	0.3	0.6
Average Scores		3.5	2.3	1.2		3.3	2.8	0.5	0.2	0.5

Training

Participants were asked the extent/importance to which insurers currently provided ongoing training to bank personnel for each of 9 attributes (figure 36). Overall, training is rated by both banks and insurers at the same level; 2.9 for the banks and 3.0 for the insurers. This is a vast improvement from the 2003 Study and was largely seen in the training areas of new product roll-out, compliance, licensing, back office, customer services, and existing product training.

While the overall scores indicated improvement, a number of concerns arise when the viewed by size of the respondents. The large insurers rated the degree of training to be much greater than the small/midsized insurers, overall scores of 3.3 compared to 2.7, respectively. In contrast, the level of importance is much greater to the small/midsized banks versus the large banks, overall scores of 2.7 compared to 3.2, respectively. This is really not very surprising as the larger banks command more of the resources of the insurers, simply due to size and potential sales.

The large insurers have very significant gaps (either **0.9*** or **1.0***) from the large banks in the training areas of existing products, licensing, back office, and technology at the point of sale. The small/midsized insurers have very significant gaps in technology at the point of sale and advanced underwriting.

Additionally, when the bank participants were asked to rate their satisfaction with the training provided a number of issues become apparent. Very significant gaps emerge in technology at the point of sale, **1.0+**; compliance, **0.9+**; and customer service, **0.8+**. This is consistent in all the bank size groups.

Figure 36 Training expectations

Ongoing training to bank personnel	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Customer service	1	3.4	2	3.4	0.0
Compliance	1	3.4	5	3.1	0.3
New product roll-out	3	3.3	2	3.4	0.1
Existing product	4	3.1	1	3.5	0.4
Licensing	6	2.8	4	3.2	0.4
Continuing education	5	2.9	6	2.9	0.0
Technology solution at point of sale	7	2.6	8	2.7	0.1
Advanced underwriting	7	2.6	9	2.2	0.4
Back office	9	2.4	7	2.8	0.4
Average Scores		2.9		3.0	0.1

Legal Compliance

Banks and insurers were asked to rate the extent to which they relied on the insurance provider's legal compliance expertise in each of 12 areas (figure 37). Similar to the 2003 Study, the insurer's scores indicated that they were relied on more heavily than the banks indicated they actually used the insurer's capabilities (all but one of the twelve attributes). This is a major improvement. There were four attributes from the 2003 Study that had extremely significant gaps that do not now exist in 2005 Study.

The difference in the overall scores was only a gap of **0.3*** (compared to a gap of **0.9*** in 2003 Study), with the banks' at 2.3 and the insurers' at 2.6. Large banks' overall scores were considerably lower than those of small/midsize banks, 1.8 vs. 2.7, compared to 1.9 and 2.5 in the 2003 Study. A very significant overall gap existed for large banks at **0.9*** whereas the small/mid-sized banks and insurers scored reliance at practically the same level.

Figure 37 Reliance on legal compliance expertise

Reliance on legal compliance expertise	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Marketing materials and advertising	1	3.1	3	3.0	0.1
Privacy of customer information	2	2.7	1	3.1	0.4
Customer service complaint handling	3	2.6	4	2.8	0.2
Multistate expertise	4	2.4	8	2.4	0.0
Premium and commission accounting	5	2.3	5	2.7	0.4
Sales scripts for customer solicitation	6	2.2	9	2.3	0.1
Procedures and policy manuals	6	2.2	6	2.5	0.3
Continuing education training and support for licensed agents or representatives	8	2.1	6	2.5	0.4
Licensing	8	2.1	1	3.1	1.0
Suitability of product for bank customer base	10	2.0	9	2.3	0.3
Permissible rewards for referrals, and other compensation arrangements	10	2.0	11	2.2	0.2
Tie-in sale disclosures	10	2.0	12	2.1	0.1
Average Scores		2.3		2.6	0.3

The largest single overall difference in scores concerned reliance on insurers for licensing. The insurers felt the banks relied on them significantly (3.1), while banks rated their reliance at 2.1, for a gap of **1.0***. This gap was far greater for large banks—they rated their reliance even lower, at 1.8, creating very significant gap of **1.5*** when compared with the large-insurer score of 3.3.

Overall, a vast improvement has surfaced in the 2005 Study. Customer service complaint handling, premium and commission accounting, licensing, and tie-in sales disclosure all had extremely significant gaps in the 2003 Study and now only licensing was rated with any notable gap, a very significant gap of **1.0**. Also, interestingly, multi-state expertise was an area that generated no overall gap in scores. Yet, the large insurers rated the reliance on their expertise in this area much higher than the large banks, with an extremely significant gap of **1.4***. Interestingly, the small/mid-sized banks rated this just the opposite and the result is an extremely significant gap of **1.4+**.

The major differences in scores are between the large banks and insurers. A number of areas resulted in larger gaps in the scores in addition to licensing and multi-state expertise. Privacy of customer information, premium and commission accounting, and procedures and policy manuals all resulted in very or extremely significant gaps. To emphasize the difference in perspectives, 47% of large banks say they have no reliance in premium and commission accounting compared to 48% of insurers who indicated either significant or total reliance on the insurer's expertise (figure 38). Also, 29% of large banks say they have no reliance in privacy of customer information compared to 62% of insurers who indicated either significant or total reliance on the insurer's expertise.

Figure 38 Distribution of figure 37; legal compliance expertise

Reliance on legal compliance expertise	Reliance on legal compliance expertise					Average Scores
	No reliance	Little reliance	Adequate reliance	Significant reliance	Total reliance	
Marketing materials and advertising	4.7%	11.6%	34.9%	27.9%	20.9%	3.1
	3.8%	15.4%	23.1%	42.3%	15.4%	3.0
Privacy of customer information	21.1%	7.9%	13.2%	28.9%	28.9%	2.7
	7.7%	19.2%	15.4%	23.1%	34.6%	3.1
Customer service complaint handling	15.4%	23.1%	15.4%	23.1%	23.1%	2.6
	12.0%	8.0%	28.0%	32.0%	20.0%	2.8
Multistate expertise	21.6%	10.8%	21.6%	27.0%	18.9%	2.4
	20.0%	16.0%	32.0%	24.0%	8.0%	2.4
Premium and commission accounting	27.5%	17.5%	22.5%	22.5%	10.0%	2.3
	19.2%	15.4%	23.1%	15.4%	26.9%	2.7
Sales scripts for customer solicitation	19.5%	31.7%	24.4%	17.1%	7.3%	2.2
	8.0%	32.0%	36.0%	24.0%	0.0%	2.3
Procedures and policy manuals	23.7%	26.3%	18.4%	7.9%	23.7%	2.2
	12.5%	8.3%	41.7%	29.2%	8.3%	2.5
Continuing education training and support for licensed agents or representatives	33.3%	17.9%	15.4%	20.5%	12.8%	2.1
	12.0%	16.0%	36.0%	28.0%	8.0%	2.5
Licensing	27.5%	22.5%	25.0%	15.0%	10.0%	2.1
	0.0%	7.7%	34.6%	46.2%	11.5%	3.1
Tie-in sale disclosures	27.5%	32.5%	17.5%	12.5%	10.0%	2.0
	25.0%	20.8%	25.0%	20.8%	8.3%	2.1
Permissible rewards for referrals, and other compensation arrangements	37.5%	25.0%	10.0%	17.5%	10.0%	2.0
	16.0%	24.0%	48.0%	8.0%	4.0%	2.2
Suitability of product for bank customer base	32.5%	25.0%	20.0%	17.5%	5.0%	2.0
	20.8%	12.5%	37.5%	20.8%	8.3%	2.3

Included in the section, the Study examined the differences between the levels of importance and satisfaction on the attributes for optimizing the bank/insurer relationship. Again, banks varied significantly from insurers in the licensing and compliance area, with the banks consistently scoring an only partially satisfied result and the insurers at the more satisfied level. In analyzing distribution of services, the following dichotomy emerged:

- Among the bankers, 50 % did not rely nor had little reliance on the insurers' licensing, while 59 % of the insurers indicated significant to total reliance.
- Similarly, 50 % of the bankers had no or partial reliance on the insurers' procedures and policy manuals, while 37 % of the insurers felt there was significant to total reliance.

Resources

This year's Study explores a number of human resource issues. The first area asked the participants if they have a concern about the number of well trained agents that can be appointed (figure 39). Finding and retaining well trained agents is a challenge for anyone selling or distributing insurance. 76% of the bank participants indicated that finding agents was a concern. This percentage was consistent in all sizes of banks. Even the insurers expressed concern over finding talent, with 52% indicating this was also a concern. For the larger insurers, this is slightly less of a concern, with 46% indicating concern.

Figure 39 Concerned regarding well trained agents

Do you have a concern about the number of well trained agents that you can hire?				
	Bank	% Distribution	Insurer	% Distribution
Yes	35	76.1%	14	51.9%
No	11	23.9%	13	48.1%

Next, participants were asked if they would consider working with a consortium of other bankers and insurers to share the cost to develop sales and product training to create a "pool of talent" somewhat like the airline reservations system (SABRE) where all members can dip into the talent pool (figure 40). A possible solution to the talent issue and training agents, the pooling of talent, was of interest to 52% of banks and 56% of the insurers. A slight divergence occurs between the size of the companies, with the small/mid-sized banks and insurers indicating a higher interest at 62% and 64%, respectively. The pooling affects makes sense in obtaining an economy of scale for the smaller organization. The real question is how this could be structured. Perhaps this is an opportunity for the Associations supporting bank insurance development.

Figure 40 Pool of talent consortium

Would consider working with a consortium of other bankers and insurers to share the cost to develop sales and product training to create a "pool of talent" somewhat like the airline reservations system (SABRE) where all members can dip into the talent pool				
	Bank	% Distribution	Insurer	% Distribution
Yes	24	52.2%	15	55.6%
No	22	47.8%	12	44.4%

Finally, participants were asked if they would consider being a part of a consortium to work with technology providers to develop specific solutions to such issues as application standardization, profiling automation, and database integration (figure 41). The overall response was very positive to this approach, with the banks slightly less interested than the insurers. The insurers' level of interest was approximately 70% for all three areas, where the banks level of interest ranged from a high of 72% to a low of 54%.

Solutions for application standardization drew the most interest from the large insurers, with 92% indicating a positive response. Interestingly, the small/midsized insurers were less interested, with only 64% indicating positively. The large banks were the least interested in profiling automation (46%) and database integration (48%). Regardless of the size of the insurer, approximately 70% indicated a positive response in all of these areas.

Figure 41 Consortium for technology solutions

Would you consider being a part of a consortium to work with technology providers to develop specific solutions to such issues as

	Bank			Insurer		
	Yes	No	% Total	Yes	No	% Total
Application standardization	33	13	71.7%	20	6	76.9%
Profiling automation	27	18	60.0%	18	8	69.2%
Database integration	25	21	54.3%	19	7	73.1%

Outsourcing

Another new question in the 2005 Study focused on the areas of outsourcing versus retaining core competencies. The participants were asked to rate the importance of the insurance functions the bank must own versus outsource. In all, 14 different functions were scored (figure 42). Overall, the banks rated all the functions with a score of 2.6, with a high of 3.6 and a low of 2.0. The insurers' overall score is a 2.1, with a high of 3.0 and a low of 1.5. In all fourteen of the functions the banks rated the importance higher than the insurers. This perspective held true in 13 out of 14 functions within the larger or small/midsized groups.

With an overall gap of **0.5+**, there were four functions that have significant gaps, but none above this level. The gaps in the number of functions and the severity of the gaps are more pronounced among the small/midsized banks and insurers. Overall, there are seven functions with a significant or greater gap, three functions with a very significant gap. The large banks and insurers scores only produce one function that is a very significant gap.

Regardless of the size of the bank or insurer, the top three most important functions the insurers rated as important to own are carrier relationship management (3.6), technology support (3.1), and commission processing (3.0). The insurers ranked these functions equally high with the exception of pre sales support.

Sales ideas and case management have significant gaps of **0.7+** and **0.6+**. Sales ideas are viewed by the large banks as an important competency to have, scoring a 3.0. The large banks only consider this as a partially important skill, scoring it at 2.0, or a very significant gap of **1.0+**. This is the largest gap of all the functions examined in this section.

The small/midsized banks' perspectives vary the most with the same sized group of insurers. Seven, or half, of the functions generated significant or very significant gaps. The very significant gaps are commission processing, and advanced case design, and case management. 32% of small/midsized banks felt this was a more important function compared to 70% of the insurers who perceive this as only a partially or least important function.

Figure 42 Outsourcing of functions

	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Carrier relationship management	1	3.6	1	3.0	0.6
Technology support	2	3.1	2	2.7	0.4
Commission processing	3	3.0	4	2.4	0.6
Licensing	4	2.7	5	2.2	0.5
Pre sales support	4	2.7	3	2.6	0.1
Sales ideas	4	2.7	9	2.0	0.7
Marketing material	9	2.5	5	2.2	0.3
Case management	7	2.6	9	2.0	0.6
Application processing	10	2.4	5	2.2	0.2
Contracting appointing	11	2.3	11	1.9	0.4
Advanced case design	12	2.1	14	1.6	0.5
Wholesaling	13	2.0	12	1.8	0.2
Case shopping	13	2.0	13	1.7	0.3
Underwriting	13	2.0	15	1.5	0.5
Average Scores		2.6		2.1	0.5

Not all the functions generated particular concern when looking at the raw scores (figure 43). However, two functions that were scored with minor differences have rather divergent views. 35% of the banks ranked marketing material as either more or most important function not to outsource compared to only 12% of the insurers. Consistent with other areas of the survey, licensing is considered either more or most important function by 44% of the banks compared to only 24% of insurers.

Figure 43 Distribution of figure 42; outsourcing functions

Importance of the insurance functions the bank must own versus outsource.	Least important	Partially important	Important	More important	Most Important	Average Scores
	Carrier relationship management	2.3%	4.7%	16.3%	41.9%	34.9%
	8.0%	12.0%	20.0%	32.0%	28.0%	3.0
Technology support	4.7%	18.6%	25.6%	32.6%	18.6%	3.1
	7.7%	15.4%	30.8%	46.2%	0.0%	2.7
Commission processing	9.1%	13.6%	31.8%	29.5%	15.9%	3.0
	16.7%	20.8%	25.0%	20.8%	16.7%	2.4
Sales ideas	20.0%	20.0%	22.2%	24.4%	13.3%	2.7
	30.8%	30.8%	19.2%	15.4%	3.8%	2.0
Pre sales support	16.3%	16.3%	34.9%	16.3%	16.3%	2.7
	15.4%	19.2%	30.8%	23.1%	11.5%	2.6
Licensing	11.6%	27.9%	16.3%	32.6%	11.6%	2.7
	20.0%	24.0%	32.0%	16.0%	8.0%	2.2
Case management	12.2%	22.0%	26.8%	31.7%	7.3%	2.6
	22.7%	22.7%	22.7%	27.3%	4.5%	2.0
Marketing material	20.9%	18.6%	25.6%	25.6%	9.3%	2.5
	11.5%	42.3%	34.6%	7.7%	3.8%	2.2
Application processing	16.7%	26.2%	28.6%	28.6%	0.0%	2.4
	20.8%	25.0%	20.8%	29.2%	4.2%	2.2
Contracting appointing	17.5%	30.0%	20.0%	22.5%	10.0%	2.3
	36.0%	24.0%	20.0%	12.0%	8.0%	1.9
Advanced case design	15.0%	40.0%	20.0%	25.0%	0.0%	2.1
	31.8%	31.8%	27.3%	9.1%	0.0%	1.6
Case shopping	16.7%	45.2%	28.6%	9.5%	0.0%	2.0
	19.0%	33.3%	28.6%	19.0%	0.0%	1.7
Underwriting	36.6%	26.8%	12.2%	19.5%	4.9%	2.0
	38.1%	33.3%	9.5%	14.3%	4.8%	1.5
Wholesaling	31.0%	35.7%	14.3%	11.9%	7.1%	2.0
	32.0%	36.0%	16.0%	12.0%	4.0%	1.8

Effectiveness

This section addresses obstacles to distributing life insurance within the bank effectively. Hard issues such as regulatory and administrative barriers and soft issues such as bank/insurer attitudes toward the service, their integration into goals, and the importance of incentives to the process, are explored.

Obstacles

The respondents agreed on the obstacles impeding acquiring and maintaining quality distribution to bank customers. Ten attributes applied to this question (figure 44). However, scores were more widely distributed concerning the obstacles to acquiring and maintaining quality distribution to the bank. In almost every obstacles the average score was higher for the banks than for the insurers; meaning they saw the barriers to working well with their insurance partners as higher than the carriers did. The most significant gap was considered by the bankers to be the lack of insurance knowledge or the actual need that each insurance product addresses for the bank customers. Tied in first place from the bank's perspective was the "silo mentality" or resistance to cross selling.

The overall score of banks was 3.1 and insurers, 2.9, so the obstacles are very much in evidence in this Study however the emphasis and perception of the obstacles has changed since 2003. The same result occurred when the scores were examined by company size, with minor differences in the overall question scores.

In direct contrast to the 2003 Study, the largest gap did not concern senior management support, which this year both ranked third; compared to the 2003 Study where the insurers ranked it the number one obstacle, the banks 7th with an extremely significant **1.3*** gap. This year, the gap has narrowed considerably; both sides realize the importance of senior management commitment and before entering into a program today, insurers insist on seeing evidence of it.

Figure 44 Obstacles in distribution

Obstacles in maintaining quality of distribution	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Lack of bank insurance knowledge, or the need that each product is addressing for bank customers	1	3.4	7	2.8	0.6
"Silo" mentality within the banks (i.e., resistance to cross selling)	1	3.4	1	3.1	0.3
Senior management support	3	3.3	3	3.0	0.3
The need for a specialized sales force for some products	3	3.3	3	3.0	0.3
Resistance from traditional bank sales people	3	3.3	5	2.9	0.4
Lack of meaningful compensation and incentive for referral and sales	6	3.0	1	3.1	0.1
Fear of reducing more profitable sales in other distribution channels	7	2.9	10	2.7	0.2
Revenue sharing among bank divisions	8	2.8	7	2.8	0.0
Barriers due to unfamiliar compliance and training issues	8	2.8	7	2.8	0.0
Lack of control of the sales force	10	2.6	5	2.9	0.3
Average Scores		3.1		2.9	0.2

The largest gap this year concerned the lack of bank insurance knowledge. The insurers are not as concerned with this as the banks. This may be because the insurers are trying to close that gap by designing simpler products and creating a profiling system for the point of sale, so the tools are available to push the client to a more experienced person if needed; an interesting gap at **0.6+**.

Lack of meaningful compensation and incentives for referrals in sales received a similar treatment this year with the banks ranking it 6th while the insurers think it is a very big obstacle, and placed it 1st along with the silo mentality of the bank. 85% of the insurers feel that this hinders their ability to work well within the banks, while only 73% of the bankers feel that it detracts from the ability to maintain quality distribution (figure 45).

A similar gap emerged when the information was split by company size. However, large insurers considered senior management support to be much more significant, scoring it at 3.4 compared with a 2.6 score from the small/midsize insurers. This difference in perspective is not that surprising given that larger organizations tend to have a bigger bureaucracy to work through when initiating a new program or product and that means that the failure of one important executive in the chain to “buy-in” to the program can significantly impact the program. Conversely, across-the-board executive buy-in will have the opposite effect.

Banks and insurers both considered the need for a specialized sales force to be important, with banks rating it more significant and insurers as significant. Ranking did not differ here, with both placing this attribute third in importance. Among banks, 65% considered the need for a specialized sales force to be a more or most significant obstacle to maintaining quality distribution, and 68% of insurers agree.

Figure 45 Distribution of figure 44; obstacles in quality of distribution

Obstacles in maintaining quality of distribution	Least significant	Partially significant	Significant	More significant	Most significant	Average Scores
Lack of bank insurance knowledge, or the need that each product is addressing for bank customers	0.0%	4.5%	38.6%	38.6%	18.2%	3.4
	4.0%	16.0%	28.0%	44.0%	8.0%	2.8
“Silo” mentality within the banks (i.e., resistance to cross selling)	4.5%	18.2%	15.9%	27.3%	34.1%	3.4
	8.0%	4.0%	20.0%	40.0%	28.0%	3.1
The need for a specialized sales force for some products	4.7%	9.3%	20.9%	46.5%	18.6%	3.3
	4.0%	16.0%	12.0%	52.0%	16.0%	3.0
Resistance from traditional bank sales people	7.0%	9.3%	23.3%	34.9%	25.6%	3.3
	0.0%	16.0%	36.0%	36.0%	12.0%	2.9
Senior management support	9.3%	14.0%	11.6%	27.9%	37.2%	3.3
	4.0%	8.0%	36.0%	28.0%	24.0%	3.0
Lack of meaningful compensation and incentive for referral and sales	9.1%	18.2%	27.3%	25.0%	20.5%	3.0
	3.8%	11.5%	30.8%	30.8%	23.1%	3.1
Fear of reducing more profitable sales in other distribution channels	9.1%	20.5%	25.0%	31.8%	13.6%	2.9
	8.0%	16.0%	32.0%	36.0%	8.0%	2.7
Revenue sharing among bank divisions	15.9%	20.5%	20.5%	27.3%	15.9%	2.8
	7.7%	11.5%	42.3%	26.9%	11.5%	2.8
Barriers due to unfamiliar compliance and training issues	14.0%	18.6%	27.9%	23.3%	16.3%	2.8
	4.0%	12.0%	44.0%	24.0%	16.0%	2.8
Lack of control of the sales force	18.2%	20.5%	22.7%	31.8%	6.8%	2.6
	3.8%	19.2%	23.1%	50.0%	3.8%	2.9

Lack of control of the sales force was not seen as problem for the banks, ranking it 10th however, it was seen as a problem for insurers who ranked it 5th, with a higher average score of 2.9 vs. the bank at 2.6.

Banks may think that having a highly trained sales force is necessary if life and health products are being sold in the traditional way. For much the same reason, both insurers and banks like doing business with bank trust and private banking divisions because the process fits more neatly into an existing approach to sales. Bankers want integration into their systems and procedures, which by necessity means the product should be designed to be sold by a non-specialized or general salesperson. The gap is beginning to be bridged as insurers or third-party marketers fill the need for a more highly trained sales force by mentoring the less specialized bank sales force (Licensed Platform Bankers and Investment Representatives) and developing an appropriate simplified products and process to sell to the middle-tier to emerging-affluent market.

Revenue sharing among bank divisions was ranked 8th by banks and 7th by insurers, and there was little or no difference in significance: 38% of insurers choose more or most significant and 43% of banks; for essentially no gap. This is good news compared to the 2003 Study where the lack of revenue sharing among bank divisions was considered a much higher obstacle. It appears that how to account for the insurance revenue is becoming less of a barrier to starting and maintaining distribution as the insurance sales forces are seen to become more a part of the bank family of salespeople, and the effects of shadow accounting (giving all revenue to the referring bank division) reduces the negative impact.

Selling to Bank Customers

Respondents were questioned about the sales obstacles that need to be overcome in selling insurance to bank customers. Of 12 potential obstacles, insurers rated 7 as more significant than banks and surprisingly they both chose the lack of sales person time and shelf space for understanding and selling insurance as the number one obstacle with almost identical scores (figure 46). This shows tremendous improvement over the 2003 Study where insurers consistently rated the obstacles as higher. This demonstrates an increased understanding by the insurers as to what is needed to be successful in the bank channel. Choosing the lack of time and shelf space also shows that the focus is on working with the platform person and licensed investment rep, and away from specialized sales force for the mass and emerging market customers of the bank.

The respondents also agreed that failure to make insurance a preferred product, integrated into sales goals and rewards was still one of the top 5 issues with a full 62% of the insurers seeing this as a more to most significant stumbling block to success, while only 45% of the bankers do.

Figure 46 Obstacle in selling insurance

Obstacles in selling insurance to bank customers	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
Lack of sales person's time and shelf space for understanding and selling insurance	1	3.4	1	3.3	0.1
Failure to make insurance a preferred product (i.e., integrated into sales goals and rewards)	2	3.0	2	3.2	0.2
Lack of understanding of the products and underwriting process	2	3.0	5	2.9	0.1
Lack of time commitment to train bank staff on insurance	4	2.9	2	3.2	0.3
Lack of ability to effectively administer and manage pending business	5	2.7	11	2.1	0.6
Lack of training support	6	2.5	6	2.7	0.2
Lack of access to bank's client base	6	2.5	10	2.2	0.3
Lack of senior management commitment	8	2.4	2	3.2	0.8
Lack of wholesale support	8	2.4	7	2.4	0.0
Competition with other distribution channels of the insurance company	10	2.3	12	2.0	0.3
Lack of institutional trust and confidence	11	2.1	8	2.3	0.2
Lack of privacy in the sales space	12	1.9	8	2.3	0.4
Average score		2.6		2.7	0.1

The lack of the time commitment to train bank staff on insurance is still considered a real obstacle in selling effectively to bank clients with 35% of the insurers and 23% of the bankers agreeing that it was a more or most significant obstruction. The 2003 Study was 78% of the insurers and 51% of the banks which shows improvement. Once there is agreement on what the barriers are, finding the ways to surmount the obstacles becomes the focus of the dialogue, not if there should even be a dialogue.

That is the good news, however on the negative side, insurers still feel that lack of senior management commitment is a very significant impediment to selling to the bank client and the banks disagree. Insurers ranked this number 2 and banks number 8, with a very significant gap of **0.8***.

This seeming disconnect to the senior management commitment above, where both agreed that it was an obstacle, is due to the fact that while the bankers know it is an obstacle as a large strategic questions, when it is compared to the tactics of the elements of getting a policy sold, underwritten and placed, senior management role is very reduced, and therefore as a problem it pales in comparison in the bankers mind. The perception of the insurer however is that lack senior management commitment still looms as a very large impediment to success. 69% of the insurers felt this is more and most significant, while to 51% of the banks that felt that is was least or partially significant (figure 47).

The next most intriguing gap of this question related to the lack of ability to effectively administer and manage pending business. The banks feel that this is a large barrier to selling insurance to bank customers while the insurers ranked it almost as low as seeing the banks as competition to their other distribution channels (ranked 12th). Again, this disconnect relates to the banks not having as much control over these elements in the process and not being satisfied with the way that the insurers are handling it, for a significant gap of 0.6+. A mere 8.6% of the insurers think is more or most significant, while over 40% of the banks feel that it is more and most significant hurdle.

Lack of privacy in the sales space, which was considered a barrier to sales in 2003, does not emerge as a barrier in 2005 with a mere 21% of the banks and 19% of the insurers seeing it as significant. These scores are consistent regardless of the size of the bank. However, more than 50% of all respondents considered lack of understanding of the products and underwriting process as a more or most significant barrier.

The findings in 2005 show a marked improvement, indicating that insurers are more in tune with the time it takes to make insurance programs successful in the bank. Bankers, who are achieving some success, are more patient with the obstacles and find them less disturbing. Insurers appear to realize the need to go up and down the lines of communication within banks as well as the layers of management and are aware that being integrated into goals and reward programs is a necessity to reach bank clients consistently and profitably.

Figure 47 Distribution of figure 46; obstacles selling insurance

Obstacles in selling insurance to bank customers	Least significant	Partially significant	Significant	More significant	Most significant	Average Scores
	Lack of sales person's time and shelf space for understanding and selling insurance	6.7%	8.9%	26.7%	35.6%	22.2%
Failure to make insurance a preferred product (i.e., integrated into sales goals and rewards)	0.0%	7.7%	23.1%	46.2%	23.1%	3.3
Lack of understanding of the products and underwriting process	15.6%	13.3%	26.7%	26.7%	17.8%	3.0
Lack of time commitment to train bank staff on insurance	0.0%	3.8%	34.6%	46.2%	15.4%	3.2
Lack of ability to effectively administer and manage pending business	9.1%	20.5%	20.5%	31.8%	18.2%	3.0
Lack of access to bank's client base	7.7%	7.7%	34.6%	38.5%	11.5%	2.9
Lack of training support	13.3%	11.1%	42.2%	22.2%	11.1%	2.9
Lack of wholesale support	0.0%	11.5%	30.8%	34.6%	23.1%	3.2
Lack of senior management commitment	11.9%	21.4%	26.2%	26.2%	14.3%	2.7
Competition with other distribution channels of the insurance company	8.7%	26.1%	56.5%	4.3%	4.3%	2.1
Lack of institutional trust and confidence	22.7%	15.9%	36.4%	13.6%	11.4%	2.5
Lack of privacy in the sales space	20.8%	12.5%	37.5%	29.2%	0.0%	2.2
Lack of understanding of the products and underwriting process	11.6%	25.6%	39.5%	14.0%	9.3%	2.5
Lack of access to bank's client base	7.7%	15.4%	42.3%	26.9%	7.7%	2.7
Lack of training support	11.9%	26.2%	42.9%	14.3%	4.8%	2.4
Lack of wholesale support	11.5%	30.8%	34.6%	15.4%	7.7%	2.4
Lack of senior management commitment	37.2%	14.0%	16.3%	11.6%	20.9%	2.4
Competition with other distribution channels of the insurance company	7.7%	11.5%	11.5%	46.2%	23.1%	3.2
Lack of institutional trust and confidence	22.0%	31.7%	12.2%	26.8%	7.3%	2.3
Lack of privacy in the sales space	17.4%	30.4%	26.1%	26.1%	0.0%	2.0
Lack of understanding of the products and underwriting process	22.0%	26.8%	31.7%	17.1%	2.4%	2.1
Lack of access to bank's client base	15.4%	19.2%	50.0%	15.4%	0.0%	2.3
Lack of privacy in the sales space	35.7%	28.6%	14.3%	21.4%	0.0%	1.9
Lack of understanding of the products and underwriting process	23.1%	19.2%	38.5%	11.5%	7.7%	2.3

Regulation/Compliance

Survey respondents also were asked to what extent they view regulatory compliance as a barrier to selling insurance effectively to bank customers. The question's four attributes produced a minor overall differential of **0.2+** (figure 48). Large and small/midsized bank scores were relatively consistent at 2.6 and 2.0, respectively. Large insurers had a similar perspective, with an overall score of 2.3. Small/midsized insurers' considered the regulatory barriers as less significant, with an average score of 1.9.

Reflecting the changed regulatory authority of the states due to the "Spitzer" influence, banks ranked state privacy laws and regulations first; while conversely the insurers ranked it last for a significant gap in perspective of **0.7+**. Banks not surprisingly, held federal laws and regulations to be the second barrier and equal to state agent and representative licensing laws and regulations. This is in direct contrast to the 2003 Study where banks ranked federal regulations as the highest barrier to sales. Insurers, which held the opposite view to banks in 2003 continue to rank federal regulation after state when it comes to receiving product approvals and state licensing regulations, However this year, federal regulations became more important to the insurers and seemed to have a higher barrier than state privacy laws.

Figure 48 Regulatory compliance barriers

Regulatory compliance barriers	Bank		Insurer		GAP
	Ranking	Scores	Ranking	Scores	
State privacy laws/regulations	1	2.5	4	1.8	0.7
State agent/representative licensing laws/regulations	2	2.3	2	2.1	0.2
Federal laws/regulations	2	2.3	3	2.0	0.3
State product approval requirements	4	2.2	1	2.4	0.2
Average score		2.3		2.1	0.2

52% of the banks consider federal regulation to be either no barrier or a partial barrier to selling, while 41% of the insurers see federal regulation a barrier or a more significant barrier (figure 49). Almost 50% of the banks see state privacy laws as a barrier while only 38% of the insurers feel the same way.

The gap may result from banks' and insurers' different contacts with federal regulation. Insurers are confronted with federal regulation once the bank has initiated the required federal policies and procedures. The Gramm-Leach-Bliley Financial Services Modernization Act is no longer new and its implication for insurers is now clear.

Insurers may also perceive federal regulation as another layer beyond state regulations, with which they are more familiar and still consider being the most onerous. Given the time and complexity of working with the state for new product approvals, it is understandable why insurers ranked this the highest.

Banks, on the other hand, deal with the Office of Thrift Supervision, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency, and Securities and Exchange Commission if they are selling insurance—the sheer number of federal organizations involved makes federal regulation a potential barrier to sales for banks.

Today the individual state privacy laws impact any bank selling insurances and creates a complex web of notification procedures. It also demands another layer of communication to the client and within the bank divisions which are closely monitored and explains the change in the bank's perception of the influence of the state on the insurance business.

The one area in which the scores indicated agreement was state product-approval requirements. The large insurers ranked this first in priority as did the small/midsized banks, while the small/midsized insurers ranked state agent and representative licensing laws and regulations the highest priority.

Both banks and insurers considered state privacy laws and regulations a barrier to effective sales. Large banks agreed while large insurers considered them less of a barrier.

Figure 49 Distribution of figure 48; regulatory barriers

Regulatory compliance barriers	No barrier	Partially significant barrier	Barrier	More significant barrier	Most Significant barrier	Average Scores
	State privacy laws/regulations	19.0% 29.2%	31.0% 33.3%	19.0% 16.7%	11.9% 20.8%	19.0% 0.0%
State agent/representative licensing laws/regulations	22.5% 30.8%	25.0% 23.1%	22.5% 26.9%	10.0% 15.4%	20.0% 3.8%	2.3 2.1
Federal laws/regulations	19.0% 29.6%	33.3% 29.6%	26.2% 29.6%	9.5% 11.1%	11.9% 0.0%	2.3 2.0
State product approval requirements	22.5% 18.5%	32.5% 25.9%	17.5% 25.9%	15.0% 29.6%	12.5% 0.0%	2.2 2.4

Risk & Profitability

The bankers, as in the 2003 Study, are still not satisfied with the profitability of their insurance programs. The impact of using reinsurance, the most popular being profit sharing and market expense sharing, has not changed their views.

Bank/Insurer Relationships

The Study investigated the importance of risk and profitability attributes in forming an optimal, functioning relationship between a bank and an insurance company. Figure 50 summarizes scores in this category while the quadrants of the figure represent areas of opportunity for optimizing the bank/insurer relationship via risk & profitability:

- Upper right—high importance/high satisfaction, the desired location.
- Bottom right—*high importance/low satisfaction, areas for improvement*.
- Bottom left—low importance/low satisfaction, little attention needed.
- Upper left—low importance/high satisfaction, from which resources could be diverted to other, more desired functions with greater importance.

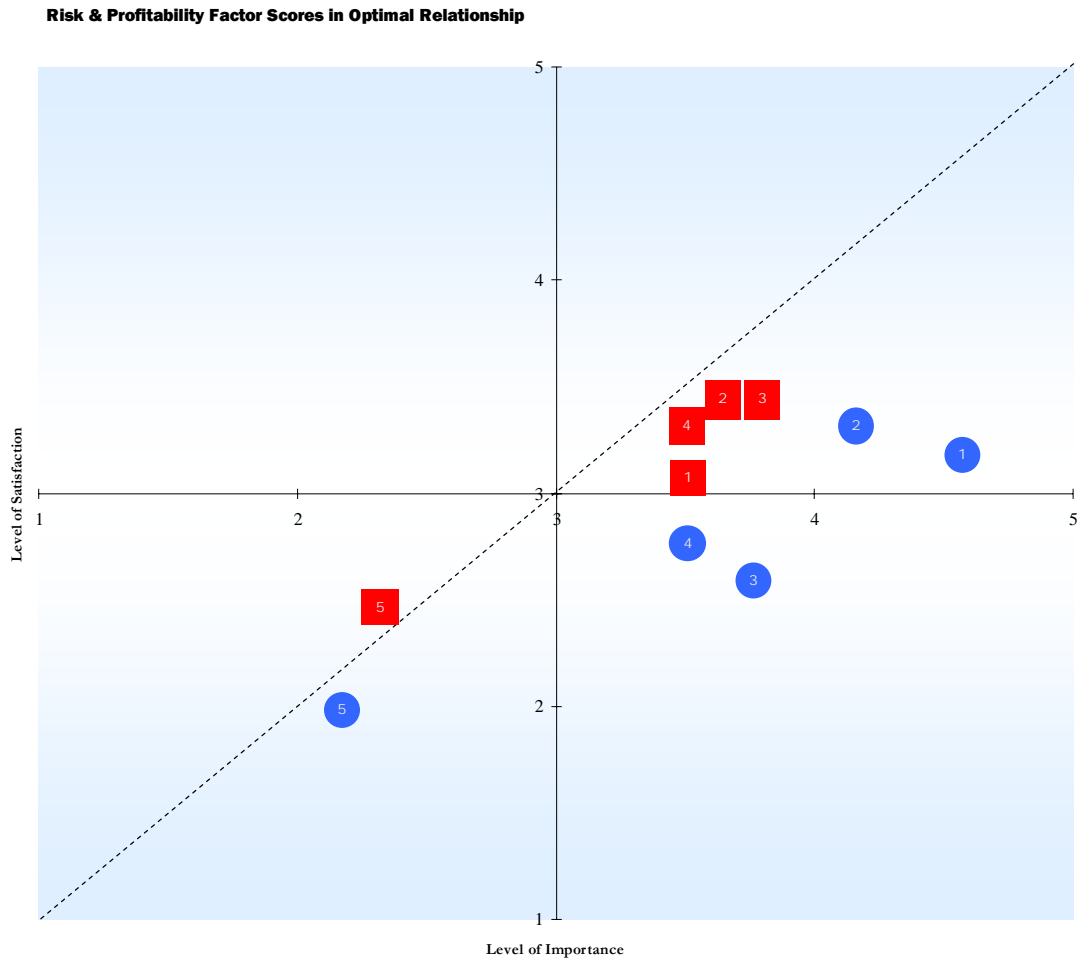
Insurers once again rated their satisfaction with risk/profitability attributes required for an optimal working relationship with banks higher than banks do, with an overall gap in importance and satisfaction of a very significant **0.8+**. The insurers rated their overall level of satisfaction almost equal to the rating for importance.

Individual areas of differences are; providing effective sales support to banks, insurance sales are profitable to insurers, and in the ability to design flexible risk arrangements through reinsurance. Profitability was of particular concern to the banks whether it is profitability of the insurers or themselves. Not surprisingly, profitability to the banks was ranked the highest in importance by banks and resulted in the largest gap between importance and satisfaction, with an extremely significant gap of **1.2+**. The two areas that are the target for the largest area of improvement are effective sales support and profitability of insurers.

Responses varied somewhat based on size. Bank profitability had an extremely significant gap of **1.4+** between importance and satisfaction for the small/midsize banks. The large companies were more concerned with providing effective sales support. Interestingly, the large insurers rated this to be very important criteria a 4.2 to the relationship, while the insurers only rated this neutral consideration a 3.3. Profitability should continue to be of concern given the predominately small average face value of the products sold, 74% of all products sold included in the survey had average face amount of less than \$250,000.

Mitigating the risks associated with the sale of insurance was the second highest level of importance to the banks, both large and small/midsize. The gap in the bank level of importance and satisfaction was an interesting **0.7+**. However, reinsurance is not viewed as the main source of mitigating risks. Other risks such as reputation risk and customer satisfaction risk play a substantial role in the bank view.

Figure 50 Risk & profitability in relationship



Elements in optimizing relationship by Risk & Profitability Category

	Bank Scores				Insurer Scores				Bank vs Insurer Importance	Bank vs Insurer Satisfaction
	Key	Importance	Satisfaction	GAP	Key	Importance	Satisfaction	GAP	GAP	GAP
Insurance sales are profitable to bank	1	4.5	3.3	1.2	1	3.5	3.2	0.3	1.0	0.1
Insurance sales pose minimal risk to bank	2	4.1	3.4	0.7	2	3.6	3.5	0.1	0.5	0.1
Insurer provides effective sales support to bank (e.g., wholesaling support, customer service and regulatory compliance)	3	3.7	2.7	1.0	3	3.7	3.5	0.2	0.0	0.8
Insurance sales are profitable to insurer	4	3.5	2.8	0.7	4	3.5	3.4	0.1	0.0	0.6
Ability to design flexible risk arrangements through reinsurance or other joint efforts	5	2.1	2.0	0.1	5	2.4	2.6	0.2	0.3	0.6
Average score		3.6	2.8	0.8		3.3	3.2	0.1	0.3	0.4

Reinsurance

Overall, reinsurance mechanisms are not widely used by the banks or insurers respondents. Less than one-third of the participants indicated using any form of reinsurance, approximately the same level as seen in the 2003 Study. Participants were asked if they currently employed any of eight reinsurance-type arrangements, which had been grouped into underwriting and non-underwriting risk reinsurance mechanisms (figure 51).

Banks responded that their most popular forms of reinsurance were profit sharing and market expense sharing, with approximately 33% using these forms of reinsurance. Insurers indicated that marketing expense sharing was the most popular, followed by co-branding arrangements.

More banks are using risk-sharing (underwriting) arrangements, rather than pure cost-sharing-only mechanisms. The large banks today are using reinsurance to an even greater extent than small/midsized banks, by a margin of almost 3 to 1. Also, the larger banks use co-branding and alternative/captive programs and more sophisticated mechanism such as experience refunds and investment risk sharing. This result was consistent with findings from the risk/profitability scores when viewed by large and small/midsized banks.

Figure 51 Reinsurance mechanisms

Reinsurance Mechanisms	Non Underwriting Risk		Underwriting Risk		
	Banks	Insurers	Banks	Insurers	
Experience refunds	3	5	Underwriting risk sharing	7	1
Investment risk sharing	5	4	Profit sharing	10	2
Marketing expense sharing	10	11	Co-branding	9	9
Shared asset management	5	4	Alternative risk programs/captives	7	2
	23	24		33	14
% of total responses	24%	26%		35%	15%

Footnotes

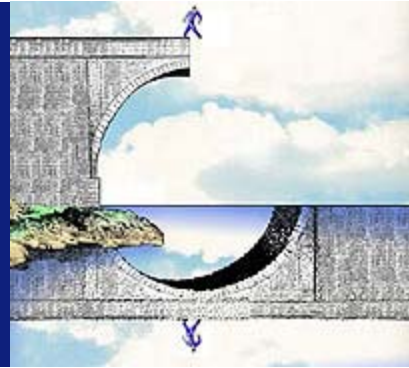
- 1 Customers with a net worth of \$100,000–\$500,000 are considered emerging-affluent; those in the \$500,000 to \$5 million range, high net worth; more than \$5 million, very high.
- 2 Changes to stated underwriting guidelines based on the underwriter’s best judgment with respect to policy size, sales force knowledge, and other criteria. For example, the manufacturer may change a policy rated substandard (by table rating) to standard.
- 3 A policy with fewer questions on the medical questionnaire than usual; this type of policy is immediately issued, making the insurance sale quicker than the typical process.
- 4 The completion of an application and requirements to place a policy in force. Requirements may include physician statement, urine test, and review of life-style, occupation, and financial statement.
- 5 The ability to take an existing product sold by a broker general agent or independent agent and change the features, benefits, and compensation to fit requirements of a bank distribution channel.
- 6 Licensed Platform Bankers are bank employees whose main responsibility is to sell banking products, however they have been licensed to sell certain insurance products. Investment Representatives are individuals that are licensed to sell investment products and services that may be both employees of the bank and employees of a broker dealer (dual employees) and may also be licensed to sell insurance products.
- 7 Banks and other large financial institutions typically arrange their internal businesses so that each division focuses first on its own bottom line and second on the larger organization. Insurance businesses that can cross all bank divisions and work with several at one time are often considered an anomaly among banks.
- 8 American Bankers Insurance Association, “Study of Leading Banks in Insurance,” *American Banker* (October 2004), estimated that \$3.6 billion in individual life insurance premiums was sold by banks in 2001.

About C F Effron**C F Effron Company LLC**

C F Effron Company LLC is a leading bank insurance consulting firm in Westport, Conn. providing services to insurance companies, banks, and associations of both industries throughout the United States. Its principals and associates have provided consulting services to over 100 institutions in the financial services industry. This includes research, developing strategic plans, examining trends, assessing bank insurance opportunity and distribution channels, consulting on agency acquisition/integration, market entry, business modeling, and sales process redesign. In addition to conducting *Bridging the Cultural Divide Between Banks and Insurers*, CF Effron conducts an analysis, *The Effectiveness of Bank Insurance Distribution*, annually. For questions or to have the results of the Study tailored to your specifications, please call Carmen Effron at 203.226.2645 or by email at carmen@cfeffroncompany.com.

Acknowledgements

C F Effron Company LLC would like to extend a special thanks to Daniel Jones, of DS Jones & Company, who invested significant time and resources to the design and execution of the survey and the Study. Also, thanks to David Cundy, of the agency Design Trust, for design and formatting counsel.





C F Efron Company LLC

82 Lyons Plain Road, Suite 100, Weston, CT 06883

Telephone: (203) 226-2645

Facsimile: (203) 221-7394

Email: Carmen@CFEfroncompany.com

Web: www.efroncompany.com