A·C·L·I AMERICAN COUNCIL OF LIFE INSURERS

FINANCIAL SECURITY FOR LIFE

Catalyst for Change: Next Steps in Bridging the Cultural Divide Between Banks and Life Insurers

2005 Bank Insurance Study

RESEARCH FINDINGS

Catalyst for Change: Next Steps in Bridging the Cultural Divide Between Banks and Life Insurers

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Introduction

Enactment of the federal Gramm-Leach-Bliley Act of 1999 cleared legal obstacles to banks selling insurance and inspired the belief in many quarters that substantial bank distribution of life insurance products was imminent. Quick replication of the notable success of bank sales of annuities was expected for insurance. Bank sales of life insurance, however, languished for reasons not clearly understood. By 2002, the absence of significant bank sales of insurance convinced the American Council of Life Insurers (ACLI) and a small number of strategic partners to investigate the failure to achieve higher production. They initiated discussions among insurance and banking leaders to investigate obstacles to bank distribution of life, disability, and long term care insurance (excluding credit and annuities). A sophisticated analysis of the gaps between institutional expectations was devised, tested, and then used to survey banks and insurers.

The results were published in the 2003 ACLI study, *Bridging the Cultural Divide Between Banks and Life Insurers.* ACLI and its strategic partners—C F Effron Company, Baker & Daniels, Navigant Consulting, Inc., and Unger Software—in 2004 undertook to expand upon the recommendations in the 2003 study with insurers, banks, and experts in the industry.

ACLI and its strategic partners invite readers to view this paper as a catalyst for change—a compendium of next steps in bridging the cultural divide between banks and life insurers. The specific proposals produced in this paper are designed to support the growth of a vibrant bank insurance marketplace. We continue to believe that the effort necessary to build the bridge will result in increased consumer satisfaction and real economic benefit for all.

2003: The Starting Point

The 2003 ACLI study analyzed statistical data from bank and insurer surveys, the views of executives in both industries who participated in focus groups, and the experience and expertise of ACLI members and strategic partners. The study examined bank and insurer opinions regarding the importance of and satisfactory experience with respect to:

- Distribution
- Marketing and Sales
- Product Design
- Risk and Profitability
- Administration and Operations
- Life Insurance Program Overall Effectiveness

Significant response discrepancies between banks and insurance companies were identified. These discrepancies evidence the difficulties faced in implementing an effective bank insurance sales program.

The key findings and recommendations of the 2003 ACLI study were summarized as follows:

- Provide wholesaler training and mentoring for investment representatives and bank platform personnel. Use third-party expertise as economical alternative.
- 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.
- Develop standardized applications and forms to promote sales to the middle and emerging affluent market through the bank channel.
- Design mechanisms that allow small/midsize banks to mitigate insurer risk for bank insurance underwriting.
- Connect bank sales staff via technology with insurance information providers to answer questions in real time and overcome lack of knowledge at point of sale.
- Foster frequent liaison between senior staffs of bank and insurer to build a dynamic sense of partnership.
- Integrate life insurance sales into banks' sales goals through incentives, referral fees, productivity credits, or other measures to help track and encourage productivity.
- 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.
- Allow more training in banks to avoid dilution through trainer-of-trainer techniques.

While the recommendations served as the springboard for the work in 2004, discussions were expanded to cover the interests and concerns of the participants raised in a series of workshops.

2004: Digging Deeper into the Gaps, Barriers and Challenges—and the Potential

ACLI sponsored three all-day workshops in Washington, D.C. Senior executives of banks and life insurers participated with consultants, professional advisors and industry experts. Discussions at the workshops were far-reaching, candid, constructive, and occasionally controversial.

The format of the workshops, facilitated by C F Effron and supported by the other strategic partners, varied from meeting to meeting. Each workshop built on the one before it. The common thread and organizing principle was the same: bringing people together to talk about the nuts and bolts of selling life insurance to the middle-tier and emerging-affluent retail market. Stated another way: bringing people together who were willing to talk openly about *why* life insurance sales through banks have lagged and *how* that can be changed. The figures from the annual surveys of the American Bankers Insurance Association found in the appendices show the volume of life insurance sales as compared to other types of coverage. Life products are still lagging.

In a LIMRA International, Inc. 2002 report, *Buying Life Insurance Through Banks—A Consumer Panel Study,* the awareness that banks sell life insurance was broken down by age and income as follows:

Awareness by Age	Percent	Awareness by Income	Percent
Under 25	37	Under $25,000	50
25–34	45	25,000–34,999	54
35–49	53	35,000–49,999	48
50–64	53	50,000–74,999	54
65+	57	75,000–99,999	60
		100,000+	57

The same LIMRA study asked the question, "What is the potential if banks were to achieve universal awareness?" The answer was that it would translate into a 75 percent 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. Low- to middle-income families, affluent singles, and dual income/no kids (DINKS) are among the life stage segments that will buy both a simple and complex policy from a bank. This is good news for both banker and insurer.

The wealthy client market, the current focus of many insurers, has high barriers to entry; therefore, the emerging affluent and the mass market—defined in the 2003 ACLI study as customers with a net worth of $100,000 to $500,000—need to be explored and further developed by the banks. There is some realization that the emerging affluent mass market may not be as price sensitive and therefore be willing to pay more for convenience in getting coverage.

The insurance underwriting process and the transaction-oriented nature of the sale at the bank branch often can be at odds with each other. For this reason, it is more incumbent upon the insurer to change processes to support the bank distribution model (particularly at the licensed platform banker level) than expecting the bank to fit into the insurer's process. In other words, if this market—both customer and bank distributor—want convenience and simplified underwriting, then life insurers need to continue to find ways to make that happen to capture more of the economic potential.

Key Gaps, Barriers, and Challenges: the Partners' Recommendations

The findings that follow are the product of the distillation and analysis by ACLI and its partners of the comments, suggestions, criticisms and data supplied by the workshop participants. The findings are grouped into three basic areas growing out of the 2003 ACLI study: Distribution, marketing and sales; Administration; and Effectiveness. In each section, the gaps, barriers and challenges are extracted from the 2003 study and identified by italics. The recommendations are then delineated.

ACLI and its partners appreciate the help of all the contributors to a more vibrant bank insurance marketplace. We will continue to search for ways in 2005 and beyond to implement the recommendations discussed below and are planning a new expanded 2005 version of the 2003 ACLI study, *Bridging the Cultural Divide between Banks and Insurers.* For more information, please see www.effronsurvey.com or call C F Effron at (203) 226–2645.

Distribution, Marketing and Sales

*Gap, Barriers and Challenges: It is difficult for an insurer to judge the extent of a bank's **commitment** to distributing insurance as there is no standard of commitment, nor are clearly defined metrics and benchmarks available. In the 2003 ACLI study, lack of senior management commitment to the common enterprise was seen as the biggest obstacle by insurers, scoring it 8.1 on a 10-point scale.*

Recommendations: Commitments and Plans

1. **Product Acceptance in the Bank:** One recommendation was to make sure that the insurer's product is accepted both by the bank insurance executive, and even more importantly by the bank business manager that is responsible for the customer that will be buying the life insurance product. The onus is on the insurer to go deeper into the bank management structure and ensure that the insurance process not only fits into the banker's daily routine, but also supports and enhances the incentives, rewards, contests and referral process already in place, particularly if multiple channels are going to be utilized to sell the product.

2. **Business Plan:** To achieve this vertical buy-in, the parties need a joint business plan. The participants believed creating a joint plan defines the value proposition and identifies important economic drivers, clarifies roles and expectations, defines success criteria, identifies less tangible benefits such as brand recognition and deepening customer relationships and links outcomes to find win-win situations.
   It is also the communication vehicle to senior management to help gain commitment.

   The idea of a joint business plan was seen as a viable option only if an insurer can sell a range of products within the bank that will meet many of the bank customers' insurance goals. It is a less practical approach if the bank has multiple relationships for one insurance product. There is a need to understand the client fit to the product, as well as how resources will be delivered to effectuate the sale. A clear understanding of the tradeoffs in spending by the insurer versus spending by the bank is essential to achieve production goals.

3. **Bank Versus Insurance Product Margins:** Another suggestion is for the insurer to create 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. This could be helpful in generating excitement about the economics of insurance and increasing the knowledge of the internal bank staff. There is also a need to develop success metrics and widely communicate those, as well as standards of engagement in the process and desired outcomes that should be broadly tracked.

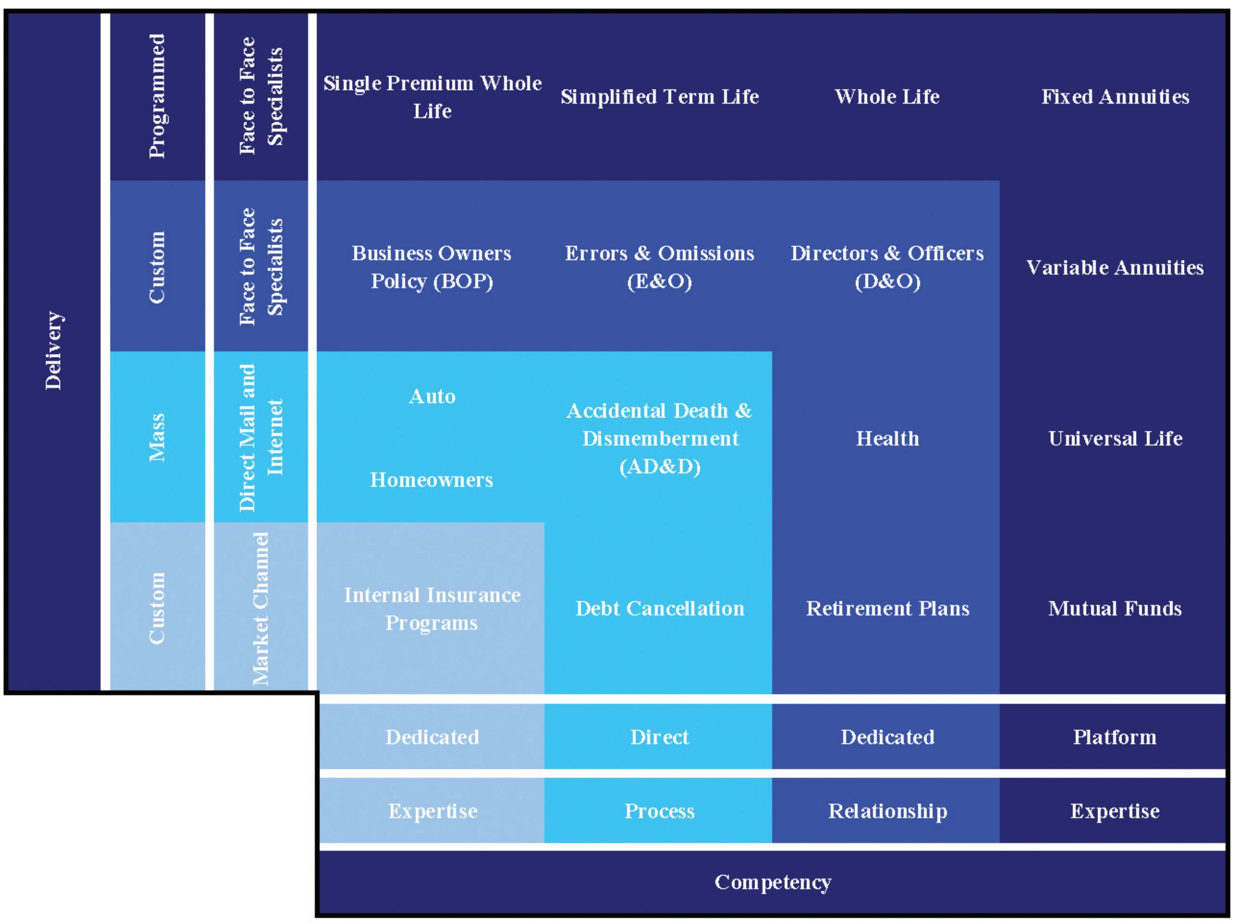
4. **Organizational Positioning Within the Bank:** A measure of senior management commitment is exactly where in the organization the insurance business line is situated and if insurance is considered a core competency throughout the organization. There was agreement that responsibility for insurance should be placed where most of the business could be sold; conversely there was also concern that if it was seen as a utility for only one business line there would be difficulty in getting buy-in from other bank business units. Another idea was to have insurance as a stand-alone business unit reporting to an executive with broad-based responsibilities.

5. **Bank Insurance Delivery Model:** If insurance permeates the bank organization, then one approach to sales teaming is to use the licensed platform banker as the opening in the funnel for insurance sales and referrals; then migrating along the continuum of increased complexity to the licensed investment representative; and finally moving to the insurance specialist. This was coupled with the idea of creating sales teams for the more complex sales to small business, commercial and private banking clients where the insurance person is simply another member of the team. There was concern that unless insurance permeates the entire organization, then the insurance specialist as a stand-alone might generate an environment of increased overhead for the bank with very high and potentially unachievable goals. One potential model created by C F Effron details a bank insurance delivery system for selected products, methods of delivery, and levels of competency. To a certain extent the bank can choose the product, process, delivery channel and the degree of customization; however, there is a complex interrelationship among these elements and this schematic attempts to paint that picture.

   The vertical axis is *delivery* and represents the type of channel used; *face-to-face, direct,* and *internal markets* and couples that with the degree of difficulty the insurer faces when designing the process; that is, either a *programmed* approach, a high degree of customization (represented by the word *custom*) or the *mass*-market approach which requires less individualized modification.

The horizontal axis depicts the *degree of competency* and connects that with the type of salesperson usually used. The *dedicated salesperson* has a high degree of expertise, and does not sell other bank products; the *direct sale* is process oriented and the *dedicated* insurance representative sells based on relationship and high level of expertise and is not expected to sell bank products. The *platform representative* may possess expertise, but the level is dependent upon the degree to which the process is programmed and the level of the sale. Unless a face-to-face specialist is used, the expectation is that the *platform* person will sell both insurance and bank products and that their expertise is not as specialized as the dedicated salesperson.

Bank Insurance Delivery Model



Source: C F Effron Company, LLC

Gap, Barriers and Challenges: ***Training*** *was a consistent topic in every workshop and included not only bank internal training but a concern of where the "quality agents" will come from. The 2003 ACLI study showed an overall tone of dissatisfaction between the type and extent of training insurers currently provide versus what is expected by the bank. Large institutions particularly found that the training delivered though wholesalers is less than gratifying, generating a very significant gap in satisfaction of 3.5 out of 10 points. As the number of agents joining and remaining in the captive and independent channel is shrinking, building quality bank insurance staff is a major concern. Some statistics of interest:*

- *LIMRA's Census of U.S. Sales Personnel estimated that the number of full-time affiliated agents declined 8 percent between 1998 and 2001.*
- *LIMRA's Agent Production and Survival 2004 Study indicates that agency building and recruiting has decreased about 2 percent in 2004 compared to 2003 in the same period, with almost 80 percent of recruits in 2003/2004 having no prior sales experience. This is compared to 2002 when 75 percent were inexperienced. The trend is not positive.*
- *There is a low four-year agent retention average of 11 percent. Put another way, if you have 100 agents in year 1, by year 4 only 11 remain.*

Recommendations: Partnerships for Training and Grass Roots Education

6. **Sales Force Resource Development:** The feasibility of 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) was presented. Two levels of expertise were perceived as needed: a financial product person (FPP) and an advanced financial product person (AFPP). The FPP would be for simple products, and the AFPP would do more complex selling.

7. **Leverage Existing Training:** A structure currently exists through the American Bankers Association for training bankers; however, the curriculum is structured around the business of banking (deposit, trust and lending), business management, strategic planning and organizational leadership. It does not encompass expansion of the banks into other financial products like mutual funds, investments and insurance or basic sales training (such as lead generation and follow-up contact). This training is also usually geared to the more senior executive; however, it might be one place to add relevant courses. The utilization of LOMA, ChFC, CLU and similar courses was also brought up as an avenue of training that could be expanded to encompass bank insurance. An additional suggestion was to have universities with established insurance and banking programs include selling insurance products within the banks as part of the curriculum.

8. **Consumer Awareness:** Participants thought that education should also be targeted to the consumer to build awareness. One specific suggestion was instituting a financial literacy program at the high school and college level both to inform but also to get people interested in a career in the insurance and investment sales arena of a bank at an earlier age.

9. **Integrated Online Training:** Another suggestion was for insurers to embed trainers on a semi-permanent basis in the larger banks where turnover on the platform is high, as well as using a modular approach with real world examples to create the core of a training program. There are several web-based e-learning companies that help organizations develop, launch and assess learning on-line. There are also Learning Management Systems, a type of web software that allows automation of the training process so that it does not have to be conducted exclusively face-to-face. Depending on the person's licenses and educational path within the bank, they are given certain access to courses online. Also, placing the training calendars online so banks can set up and certify trainers internally using a "train the trainer" approach is another way to support the ongoing process.

__Gap, Barriers and Challenges:__ The 2003 study investigated the importance of 17 separate attributes in forming an optimal functioning relationship between a bank and an insurer. One element with the largest gap was insurance products being integrated at the ***point of sale.*** *Bankers viewed this as very important with a score of 7.5, yet when asked about their satisfaction, it rated low at 4.6, for a very significant gap of 2.9 points. Workshop participants noted several barriers to integration:*

- *Product Crowding: The bank sales force has a full menu of possible products to sell, and it has been a challenge from a training and timing perspective to make sufficient room for life insurance products.*
- *Profile Challenges: Data required to understand the life product that would coincide with the customers' needs had not always been gathered, leaving a lack of base data upon which to rely.*
- *Incentives: Bank sales personnel can be required to sell life products as an expanded responsibility without always receiving commensurate financial rewards.*
- *Referrals: Lack of a robust referral process is a barrier to successful sales. Many life insurance companies have developed and implemented a methodology that should be shared with the banking partner.*

Recommendations: Point-of-Sale Integration

10. **Profiling:** Technology can help simplify the life insurance sale by standardizing the profiling process on the front-end (e.g., an automated profiling process implemented via browser-based technology). Besides giving the bank representatives a proven “track to run on,” a technology-enabled profiling process will also assure the appropriate questions are asked in the initial stages of the sale. If the necessary questions are asked up front, opportunities of higher quality and quantity will be uncovered, making life insurance sales a more compelling proposition. If the profiling process is needs based and holistic in its approach, it could serve as the front-end for all planning-related sales. This type of solution will also yield a more compliant process through standardized questioning that includes the completion of mandatory fields. Redundant entry of data would be reduced or eliminated if this profiling/planning/insurance sales process were integrated and running off of a centralized database, and that database was integrated with the bank customer information file. Warm lead lists could be generated creating targeted market campaigns in much the same way banks use certificate of deposit customers to generate investment sales via mailings, Internet and phone solicitation.

11. **Combined Technology Purchasing Power:** Driving technology providers to develop these solutions can be a joint effort between insurance companies and banks that are currently clients of these potential solution providers. If a bank/insurer team approaches a technology provider with the suggested solution, it would be a very compelling prospect for the technology provider.

12. **Preferred Customer Relationship:** Employing effective technology at the point of sale was coupled with the Financial Life-Stage Optimization (FLO), an idea that the bank is so attuned to its client's needs that there is automatic fulfillment of those needs as they progress through their different stages of business or personal life. This preferred customer relationship may include online banking, free tax software and free periodic financial evaluations based on data the bank already has available to it. There may also be an opportunity for some sort of financial dividend as well. In order to initiate FLO successfully, every banker that uses the system would have to be diligent in updating the latest interaction with a client to ensure a complete profile on each customer. The program would include "shock events" or "what if" scenarios to stimulate creative solutions and potential sales.

13. **Workplace Sales:** Many of the insurer participants felt that one of the best places to sell insurance through the bank is at the customers' workplace, so it would be incumbent upon the insurer to align its offerings, products and processes to succeed at that point of sale. One idea would be to use the employer's benefit package and marry that back to the bank's offerings, with the bank providing educational interaction and context for the employee life cycle decisions.

14. **Bank Producer Groups:** Community banks are an important touch point for consumers. To help the smaller community banks and to allow the insurers to reach them more effectively, the idea was suggested that community banks form "Bank Producer Groups." This is a consortium of bankers that work with a selected group of insurers to formulate products with volume discounts, specific pricing mechanisms and an opportunity for reinsurance back to the group. This is more than a recommendation or an endorsement of an insurer; there are real economic risks and benefits to forming the producer group.

Administration

Gap, Barriers and Challenges: *In general, banks are transaction oriented at the retail level and most bank transactions are products of a standardized and simplified process. This is in contrast to the life insurance sales process where not much* ***standardization*** *exists from carrier to carrier and from state to state. In the 2003 ACLI study, bankers ranked "simplified underwriting process" as very important with a score of 8.2; however, they indicated a rather mediocre satisfaction of 5.2 with what the insurers provided, for a significant gap of 2.3.*

The laborious life insurance application and underwriting process is at odds with the standardized and simplified nature of the bank sales process. It is also at odds with the skills and training of the employee who handles typical (and simpler) banking transactions. Participants feared that the very standardization of a life application could lead to more commoditization of life insurance products. This is especially true as it relates to the underwriting process, which is the "secret sauce" and point of differentiation for life insurance product providers.

The other challenge that exists relates to simplifying the product itself for alignment with the bank employees who are expected to sell life insurance. At a fundamental level, term insurance is the simplest life insurance product, and the easiest for a bank employee to sell. However, term is the commodity in the life insurance industry and is generally less profitable. When the lack of profitability is combined with the relatively low volume to date from the bank channel, the insurance companies have been reluctant to commit significant resources to the channel. This is changing as a number of insurers are selling single premium whole life as an adjunct to fixed and variable annuities at either the platform level or the investment representative level.

Recommendations: Consortium for Standards

15. **Consortium for Simplification and Standards:** An industry consortium comprised of both bankers and insurers likely would be effective in driving the evolution of simplified standards for the bank market. ACORD (www.acord.org) has begun work on the standardization of life insurance forms, and the non-profit enterprise might offer a forum for the work of such a consortium.

16. **Regulatory Simplification:** In addition, the industry and regulatory bodies ideally would agree on an interpretation of the current compliance and legal guidelines that allow for a simplified and standardized application process. Also, non-uniform state insurance regulations may be replaced with a national or federal regime, such as the adoption of an "Optional Federal Charter." For these reasons, having regulatory representation in the consortium is suggested.

17. **Commoditization:** The participants discussed three primary options regarding concerns about commoditization. On one side of the spectrum, companies could accept standardization, simplification, and commoditization and instead differentiate based on product innovation, service levels and consumer marketing. The middle ground is to keep underwriting a distinctive part of the process but standardize the collection of general client data. The more unique data needs can be gathered through supplemental processes; however, this may prove to be an insignificant improvement. On the other side of the spectrum, the status quo might be maintained but insurers and bankers will have to invest more in training bank employees to sell life insurance, with a more concerted effort towards the twenty percent of the bank employees who sell eighty percent of the life insurance, versus a blanket training with hope for a trickle-down effect.

Effectiveness

Gap, Barriers and Challenges: Participants in the workshops consistently expressed concern over the lack of integration of insurance products into the bank product sales process. The 2003 ACLI study indicated that bankers want customer needs matched correctly and integrated to bank products; however, they specifically asked for minimal customization to their processes. While some ***integration*** *success stories had been experienced by participants, most prior successes were in products such as annuities and credit insurance where products are routinely embedded within or made add-ons to the bank product sale.*

Recommendations: Lessons Learned in Packaged Products

18. **Embedding Insurance Product Sales:** A number of relevant questions were explored in the workshops such as the following: (a) Can lessons be learned from the evolution of annuity sales and processing? (b) Have Finetre (AnnuityNet) and National Securities Clearing Corporation's (NSCC) standardization of annuity and mutual fund processing paved the way for standardization and simplification in life insurance processing? (c) Can lessons be learned from the simplification of the equity purchasing process implemented by clearing firms with a standardized ticket? To all of the above questions, the participants answered with a resounding "yes" and recommended a comprehensive program to embed the sale of life insurance products in the bank sales process, using the lesson learned from annuities and credit insurance.

19. **Product Guides for Logical Referrals:** As the bank platform personnel do not always have the time for an in-depth conversation, a quick review of five to six questions, whose answers lead into potential life stage insurance events—such as college planning, retirement, etc.—can be indicated. If the client identifies an interest in one of the life stage events, then "product guides" that explain the types of solutions to the indicated interest would immediately be generated from the computer. If the platform salesperson was not equipped to sell that type of product, an immediate "referral sheet" would print with the appropriate salesperson's picture and a designated appointment time indicated when they would be at the branch and available to speak with the customer. This streamlined approach educates both the platform person and the customer, while creating the appropriate referral and a streamlined process at the point of sale. Embedding "pop-ups" within the bank product sales systems screens ("would you like fries with that") could serve as a reminder to the bank sales person.

    A number of the workshop participants are considering offering free or inexpensive personal financial reviews or a more limited free review of existing insurance coverages to identify situations where a holistic insurance sale is more sensible.

20. **Incentives:** Without the proper incentives, the sales staff will focus on the "low hanging fruit" and sell whatever is easiest or is the most profitable for them. Rewards programs that compensate for linked sales and referrals up and down the management line can be either very simple, such as $20 for every successful lead, to the very complex where insurance rewards are tied to overall bank production. All agreed that sales contests and published success stories have impact and help to motivate sales forces. The development of mechanisms to report what is working at a regional program, branch, sales person, and product level, and the ability to communicate it back to staff, is a tool essential for success.

__Gap, Barriers and Challenges:__ Insurers and banks do not fully understand each other's business, often leading to unsuccessful alignment. In the 2003 ACLI study, of the 11 possible obstacles to selling effectively to bank customers, the insurers listed lack of access to bank clients as a very significant problem. In contrast, bankers didn't feel that it was as great a concern, resulting in a significant gap in understanding of 2.3 points.

It became apparent throughout the workshops that there are many factors to consider when selecting the insurer or banking partner and ultimately implementing a successful program. The __alignment of interest__ is certainly one of them. Note, however, that insurance participants warned that many of the items discussed create incremental costs (the extent depends on the item, amount of customization, and how developed the program already may be) and at some point puts pressure on the payable commission. So if the bank can more cheaply supply itself with effective marketing or training, for example, it should do so.

Recommendations: Alignment of Partners

21. **Needs Analysis:** Selecting the right partner for your bank insurance sales alliance may include performing a formal "needs" analysis to determine what is important when looking for a partner for each business segment. Points of alignment in this needs analysis include:

    - A "bank champion" for the product or service
    - Commitment of senior management
    - Quality of 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, banks, and sales force
    - Product competitors within the organization

Core competencies and strengths should match a potential partner. Determine what process, product or training has to be changed to ensure success. Zoom in on the "best" choices: develop objective criteria and weights to score partners as well as qualitative measures. Use a formal two-way report card process periodically to communicate results, success, areas of improvement and employ an escalation process so that really important or easy to fix items do not wait until formal reviews to be addressed.

Conclusion

Creating the successful bank life insurance blueprint involves a series of detailed and precise actions, procedures and processes. The 21 recommendations in this paper are not designed to itemize the particular set of actions needed, but rather are to be used to highlight those issues that our 2004 workshop participants felt were barriers to achieving success and where the industry collectively needed to place more emphasis.

Our anticipation is that this paper will provide a stepping stone and mechanism that promotes discussion and implementation of the ideas expressed. The actions planned for 2005 support and enhance the opportunity for further learning in this vital area.

2005: What's Next?

C F Effron Company, LLC, in cooperation with ACLI, is planning the 2005 version of the 2003 ACLI study, *Bridging the Cultural Divide between Banks and Life Insurers*. If you are interested in sponsorship or participation in the study, please call Carmen Effron at (203) 226–2645 or visit the sponsorship website at www.effronsurvey.com.

APPENDICES

2004 Bank Insurance Enterprise Strategic Partners

The American Council of Life Insurers represents three hundred sixty-eight (368) legal reserve life insurance companies operating in the United States. Of these companies, three (3) are domiciled in Canada. These 368 companies account for 69 percent of the life insurance premiums, 76 percent of annuity considerations, 53 percent of disability income insurance premiums, and 72 percent of long-term care insurance premiums in the United States among legal reserve life insurance companies. ACLI member company assets account for 71 percent of legal reserve life company total assets.

Michael Lovendusky*
American Council of Life Insurers
(202) 624–2390
michaellovendusky@acli.com

C F Effron Company is a recognized leader in the bank insurance industry with services that include the following: insurance company bank distribution development; strategic plan development; sales process redesign; tactical market entry design; agency acquisition & integration; industry research & trend examination; distribution channel analysis; business modeling and analysis; financial fact-finding & analysis; expert testimony. For more information, visit www.effronsurvey.com or call (203) 226–2645.

Carmen F. Effron*
(203) 226–2645
www.effronsurvey.com

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Charles T. Richardson*
(202) 312–7487
crichardson@bakerd.com

Robert J. Kabel
(202) 312–7408
rkabel@bakerd.com

*Principal liaison

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Jordan Kuperschmid*
(908) 347–5610
jkuperschmid@navigantconsulting.com

Linda M. Barber
609.219.8786
lbarber@navigantconsulting.com

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Scott G. Stathis*
(978) 448–0198
scott.stathis@ungersoft.com

Steven L. Bock
(212) 888–7200 x 220
stevenbock@ungersoft.com

J. Russell Isaac
(860) 355–0543
russ.isaac@ungersoft.com

*Principal liaison

ACLI Bank Insurance Enterprise Committee Members and Participant

ACLI Financial Institutions Insurance Distribution Committee

James W. Loveridge,* *Chair*
Western & Southern Financial Group

Hans L. Carstensen, III
Aviva Life Insurance Company

John P. Comerford, CLU, ChFC, FLMI*
Farmers Insurance Group

Betsy Cosgrove, CLU, ChFC
Liberty Life Assurance Company of Boston

Peter B. Dahlberg
American Health & Life Insurance Company

William J. Gaffney, Jr.*
The Savings Bank Life Insurance Company of Massachusetts

Frank T. Gencarelli
GE Financial Assurance

David Giertz
Nationwide Financial Institution Agency, Inc.

Bill Gray
Principal Life Insurance Company

James Higgins*
HSBC Insurance Agency (USA) Inc.

John M. Howard*
Prudential Financial

Alan F. Liebowitz
OMNIA Life (Bermuda) Ltd.

Mark J. McVeigh*
Aviva Life Insurance Company

Kieran R. Mullins
The Lincoln National Life Insurance Company

Gregory M. Smith
Lincoln Financial Distributors Inc.

Timothy J. Titus*
Household Life Insurance Company

William A. Waldie, Jr.*
Transamerica Capital, Inc.

Mimi Yee
SBLI USA Mutual Life Insurance Company, Inc.

Other Insurers Participating in 2004 Workshops

Dean Borgh
Transamerica Capital, Inc.

Jon Romer
Transamerica Capital, Inc.

Timothy Sellers
Nationwide Financial Institution Distributors Agency Inc.

Bankers Participating in 2004 Workshops

Stephen Angelis
National Commerce Financial Services

Ann Bellinger
Bank of America

Caryl Brown
Sterling Financial

Joan Burns
HSBC Insurance Agency USA, Inc.

Thomas Cook
National City Insurance Group

Robert Gallmann, Jr.
Fulton Financial

Douglas Jackson
Washington Mutual Financial Services

Jonathan Randall
PNC Bank

David Russell
Virginia Financial Services LLC

Thomas Ryan
Charter One Bank

Martin Zoller
Sovereign Bank

Other 2004 Workshop Participants

Elizabeth Georgakopoulos
Networks Financial Institute

*Workshop participant

ACLI Bank Insurance Enterprise Chronology

March, 2002	ACLI identifies strategic partners C F Effron Company, Baker & Daniels and KPMG to devise bank insurance distribution discussions and investigation.
Summer 2002	Subjective qualities “gap analysis” survey devised. Draft survey tested with bankers and insurers in New York and Chicago.
September 2002	ACLI surveys banks and insurance companies on bank insurance distribution and the institutions’ operational expectations of their respective partners. Surveys published to members of ACLI, American Bankers Insurance Association, and Financial Institutions Insurance Association (now the BISA).
December 2002	An ACLI Bank Insurance Marketing Advisory Group is established to provide member review of survey findings and next steps.
January 2003	Survey responses received from 100 banks and insurers, providing statistically valid sample of opinions. Analysis by ACLI and strategic partners commences. Conference planned for March for survey results publication.
March 2003	ACLI creates new Financial Institutions Insurance Distribution Committee, merging the Bank Insurance Marketing Advisory Group into new entity and expanding Committee responsibilities. Western & Southern Financial Group’s James Loveridge is appointed chairman. First Committee meeting March 6. Conference planned for survey results publication postponed due to US military intervention into Iraq, which inhibits travel to Washington DC.
May 2003	Second meeting of the FIID Committee.
June 2003	Third meeting of the FIID Committee.
September 2003	Survey results published to all survey participants. Survey available for sale by contacting Alain Taylor at ACLI (202.624.2330), alaintaylor@acli.com
October 2003	Survey results announced at ACLI Annual Conference in Miami Beach, Florida. Strategic partners present findings and conduct public discussion. FIID Committee meets, plans 2004 workshops to validate survey findings with bankers and insurers.
December 2003	KPMG retires from ACLI strategic partnership. Navigant Consulting and Unger Software join the partnership.
March 2004	FIID Committee meets to continue workshop planning as well as to contribute to Capitol Hill advocacy of Optional Federal Charter.
June 2004	First workshop in Washington DC.
September 2004	Second workshop in Washington DC.
October 2004	Initial workshop results presented at ACLI Annual Conference in Chicago. Third and final workshop in Washington DC. Strategic partners compile notes/data/information and distill ideas and recommendations.
January 2005	This whitepaper published, concluding three-year effort. FIID Committee retires and transfers activities to the new ACLI Distribution Committee for 2005.

Estimated Bank Insurance Premiums from American Bankers Insurance Association Studies ($Billions)

	2003	2002	2001	2000	1999	1998	1997
Annuities	$51.6	$47.7	$37.1	$31.0	$24.2	$19.6	$18.8
Credit Coverages	2.4	2.5	2.8	2.7	2.9	2.9	2.8
Commercial Lines	14.2	11.5	8.9	5.4	4.4	4.0	2.8
Personal P/C Lines	6.3	5.0	4.1	3.7	3.1	2.9	2.0
Individual Life/ Health/ DI	3.6	2.8	2.3	2.1	1.8	1.5	1.3
Total	$78.1	$69.5	$55.2	$44.9	$36.4	$30.9	$27.7

Source: American Banker Insurance Association