Gaining Market Share in Banks

By Andy Ross, Director of Sales & Marketing, OAS Software Corp.

Insurance companies looking to expand annuity distribution through banks must begin by first understanding banks' needs and then tailoring a servicing program to address those needs. Technology is an important part of that plan.

This article reflects my experience working at **First Penn-Pacific**, a subsidiary of **Lincoln National Life Insurance Co.,** for 15 years, during which time I worked as an annuity pricing actuary developing products for banks. I was also a member of the New Annuity Product Implementation Team, which gave me the opportunity to visit banks and meet with the individuals who were planning to roll out new annuity products. This gave me a deeper understanding of the bank marketplace and the types of things that were important to them.

Banks want to offer annuities because they view them as another service they can provide their customers. But to successfully sell these products, staff in each and every area within the bank need to be trained, educated and have the appropriate information and tools available to them. Commission, as one might suspect, is the No. 1 priority of agents, whereas senior management is most concerned with budgets. General bank personnel, whether they realize it or not, need to have a basic understanding of annuities, for the success of the entire program rests on this underlying knowledge base.

By understanding and catering to the needs within different areas of banks, carriers can win the bank's support and gain a competitive advantage within the institution.

Banks want everything to be easy. Most of the time, banks are selling several different carriers' policies. Given that commissions, surrender charges and interest rates are about equal from each carrier, they will sell products from the carrier that is easiest to work with.

How to Make it Easy

Here are three ways for a carrier to be considered easy to work with.

Product Design: Banks will have an idea of the type of product they want to sell. This will include interest bonuses, amount of commission, length of surrender charge and even level of surrender charge. Once product features are determined, banks typically like to name the product.

> **It is the insurance company's challenge to offer banks products that are not only fair to the customer but compensate the distributor appropriately.**

Private labeling gives them the opportunity to have the product name and image better fit their overall branding strategy.

Instant Issue: Banks want the capability to hand the customer their policy at the time the application is signed. This helps the customer feel that the bank is providing them complete service instead of having to wait a couple of weeks for the policy to arrive from the insurance company.

There are basically two ways to accomplish this. Either the insurance carrier should give the bank the ability to print the complete policy on-site, or assign a block of policy numbers and preprinted policy forms to the bank. The banks can then simply print out the policy spec page, attach it to the policy and hand it to the customer.

Electronic Deposits: Again, banks want to give the customer the impression that it is they, not the insurance company, that is providing the annuity. The bank has the relationship with the customer, not the carrier, and they want to capitalize on that relationship.

How money is deposited into the annuity certainly is a reflection of that. Banks want to have customers deposit their annuity money into an account set up within the bank as opposed to having them make out a check payable to the insurance company. The insurance company can then electronically sweep the money out of the account on a regular basis and reconcile the account. The frequency of the sweep depends on the amount of business the bank is writing.

Leveraging Technology

In this day and age, most of the larger banks have come to expect technology to assist them. But each bank embraces and uses technology differently. However, even the larger banks might have branches in remote locations that may have inadequate Internet access. There is little chance that these branches will utilize any application via the Web.

Alternate solutions must therefore be available, and it is important for insurance companies to anticipate these types of situations and be prepared to deal with them.

There are four areas where banks can use technical assistance to help them sell and manage their existing block of annuities better. These tools can address the various constituencies in a bank (see table) and minimize risks within each area. Good technology can strengthen a relationship between a bank and a carrier and help the bank feel that the carrier is easy to work with.

Cohesive Collateral Materials: The challenge here is that a bank wants to have just one illustration system for all of its products from each and every one of its carriers. They expect insurance companies to adapt their collateral materials to fit the bank's internal style.

The demands don't end there. Banks feel that insurers should pay for any tool that will increase their sales. And they want these tools to be Web-enabled and have the ability to create a pre-filled application if the customer decides to accept the illustrated proposal.

Data Collection/Application Entry: Banks would like to be able to take an application and automatically transmit information in it to the carrier. This can be handled in a similar fashion as any Web front-end solution that might be utilized by a broker. This tool should also provide the bank with the ability to instantly issue the contract, as described above. Ultimately, banks would like this tied to the illustration system and/or other back-office systems to avoid duplicate data entry.

Program Administration System: Once the application data is sent to the carrier, bank personnel may want to know about items related to that policy. They will want to track commissions, fee income or any other receivables. The bank would also like to know the status of the application to help answer any questions the customer may have. Bank management will also want to use this system to track sales reporting.

An insurance company must make it easy for banks to sell their products by educating bank personnel.

A Comprehensive Customer Service System: To this point, technology has been focused on the new business side of the process. However, once an annuity has been issued, the bank would like the ability to quickly and easily answer questions about a particular policy.

As well, a bank customer may have more than one annuity with more than one carrier, and it is should be the bank's goal to aggregate all data for the customer to get a holistic view of them. Again, the bank wants to present the image of complete service and does not want to have to refer the customer to the insurance company for simple inquiries. This type of system could require data feeds from multiple carriers, although if an insurer was able to supply a comprehensive, open architecture customer service system, you can be assured that the bank would find that extremely beneficial.

Two Customers

Insurers should remember that when they work with a bank, they essentially have two customers: the bank and the annuitant.

Banks are asked by many insurance companies to sell their products, and they are in the unique position of being able to sell whichever annuities they select. However, banks are not going to offer a new product if it is not profitable to them. Therefore, it is the insurance company's challenge to offer banks products that are not only fair to the customer but compensate the distributor appropriately.

In sum, an insurance company must make it easy for banks to sell their products by educating bank personnel, providing technology to expedite the sales process, paying commissions in a timely fashion and not asking them to complete too many manual steps.

Andy Ross can be reached at: ARRoss@oasvas.com

Needs Assessment for Bank Distribution

Who	What they need	Why they need it	Risk of not providing It
General Bank Personnel	Product training and assurance that referrals are accurately tracked and customers are well served.	To enable all bank personnel can maintain and expand customer relationships.	If all bank personnel don't have adequate product knowledge, the program may not perform to expectation.
Agents/Reps	Assurance that sales and commissions are accurately calculated.	Reps need clear understanding of goals/current results to manage sales activities properly.	Continued sales/commission reporting mistakes will eventually result in a disgruntled sales force.
Senior Management	Overall program results, especially Budget vs. Reality.	To evaluate the program and create effective future marketing plans.	Goals, commissions and incentives may be improperly established, resulting in poor program performance.
Finance/ Accounting	Knowledge that receivables are paid promptly and accurately and commissions or incentives are not overpaid.	To ensure the program is administered as efficiently as possible.	Profits will leak out of the system.
Compliance/ Regulators	Accurate reporting of all program sales. Quick notification in the event of problems.	Instead of identifying problems, compliance personnel can focus on correcting them.	A program that is out of control reflects poorly on all bank operations.