

Melding Banks and Insurance

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The opportunities for partnership within the banking and insurance industry abound in the years ahead, but both industries need to carefully evaluate their options, avoid pitfalls of the past, and look to new models in order to reap success.

Those were some of the messages conveyed at the Toronto seminar, “Melding Banks and Insurance.” The workshop featured a panel of several experts who had successfully sold and marketed insurance products through the bank distribution channel. Participants included: Mark Ogren, director, of the Chicago-based Aon Financial Institution Alliance; Lawrie McGill, vice president strategic initiatives at the CIBC insurance unit of CIBC Group of Companies; and Jeffrey Oster, managing director at Aon Annuity & Insurance Services in San Francisco. I served as moderator for the panel.

Opportunities for insurance carriers and brokers to partner with banks are vast, according to Ogren. Market competition among those banks have compelled all of them to identify other types of non-interest-fee income that goes beyond their traditional product mix. Insurance products – sold to both their consumer and commercial customers – are a natural transition and opportunity, Ogren said. Insurance carriers and brokers can serve as a “manufacturer” for products, as well as provide additional sales and backroom support for such products.

Inhibitors to growth by banks in the insurance arena have focused on poor identification and integration of a fully-developed insurance strategy; lack of customer research to identify product needs; failure to integrate or maximize effectiveness of bank-owned insurance agencies; lack of inclusion of branch managers and platform personnel in the sales process and strategy.

The rewards – especially in terms of ROE – are there for both banks and insurance concerns to take advantage of, if both parties take a “new look” at what they have to offer and how to support it through this new distribution channel, and most importantly, how to make insurance part of the bank’s integrated strategic plan, Ogren added.

McGill’s case history of CIBC’s approach in Canada brought additional insight. The second largest bank in Canada and 12th in North America, with \$291 billion in assets, CIBC began offering creditor insurance for business and farm loans as far back as 1972. After the Bank Act in Canada was changed to allow banks to own insurance companies in 1993, CIBC aggressively dove into the marketplace, establishing its own insurance company focused on a “direct” insurance proposition. Product expansion included accidental death, travel medical insurance, life insurance and finally home and auto – growing to \$500 million in premium by 1999. CIBC used various marketing tactics – varying by product line – including mass market broadcast, direct mail, telemarketing. Further restrictive legislation in Canada – fostered by the powerful insurance agents/brokers coalition – ended up creating a highly unfavorable environment, and CIBC severely curtailed its insurance activities in Canada.

Despite that experience, McGill remains bullish about the opportunity for banks in general and is actively pursuing opportunities for CIBC in the U.S. market which is not as highly restricted. Lessons learned that will be applied to new ventures: The bank brand was exceedingly valuable

in selling insurance products to existing customers; there was no “mileage” in trying to “manufacturer” products on their own; and mass advertising could feed a call center.

He cautioned would be partners to be aware of the following key drivers with banks: customer satisfaction is paramount, increase the customer share of the bank’s wallet, pay close attention to tough ROE’s expected by banks, respect the bank’s brand, be mindful of competition and focus on channel integration.

Oster has successfully sold annuities through banks for a number of years. He provided attendees with 10 selling strategies in 10 short minutes to help jump start participants’ knowledge of how to sell products through banks. He outlined the basics for creating dynamic co-branded selling sites on the Internet linked to a bank’s Web site, as well as other ways to utilize electronic contact to generate leads. He emphasized the need to “educate” consumers about products rather than simply pitching the product per se. He emphasized the importance of “delivering” turnkey marketing techniques to banks who will then “look at you in a whole new light.” Other techniques such as survey mailings to potential customers, aggressive direct mail programs, proper training of bank reps who answer the phone, and utilization of outbound telemarketing are among the other success-generating techniques that have served Oster well.