



Bancassurance Drivers and Considerations

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Agenda

- **Value of Operating Bancassurance**
- **Success Drivers**
- **Challenges**
- **Impact of Stage of Market Development**

Value of Operating Bancassurance

- **Helps diversify against shrinking interest margins; additional stable, non-interest-based stream of income**
- **Fills a gap in a bank's ability to meet customers' financial needs**
 - Helps meet increasing sophistication of customer's financial needs
 - Answers protection needs (i.e. retirement and income protection products)
 - Creates multiple connections with the customer and develops customer loyalty
- **Helps develop long-term customer relationships and allows banks more chances for customer life-cycle interventions**
- **Brings insurance company's strong sales culture into the bank, which the bank can leverage to sell other bank products**
- **Opens potential cross-selling of bank products to insurer's customers**
- **Makes client base a more productive resource**
- **Creates new "products" without going through regulatory approval by combining the bank's and insurer's pre-approved products**

Common Success Drivers

- **Full integration into the strategy of the Bank**
 - Not just an additional product offering
 - Full engagement of bank and insurer at all levels of performance (tellers, branch heads, service, backroom, executives)
 - Re-aligned performance systems and scorecards
 - Re-aligned compensation systems
 - Integrated capacity planning, marketing, and review of end-to-end processes
- **Win-win relationship among stakeholders**
 - Focus on the customer
 - Balance between growing topline and sustaining commitments to bank clients
 - Risks of extremes in product mix

Common Success Drivers

- **Continuous development**
 - There is no one-size-fits all
 - Joint experiences build expertise; best practices evolve as the partners and their markets evolve
 - Joint enterprise learning of partners (high-level insighting, cross-training of front-liners)
 - Effective execution of continuing development efforts
 - Product complementation
- **Ability to develop multiple distribution classes to cover the bank's market effectively**
 - Direct Mail, Telemarketing and Internet
 - Licensed Bankers
 - Specialist
 - Financial Planner

Distribution Classes

- Direct Mail, Telemarketing and Internet
 - Targets mass markets
 - Simple products for simple needs
- Licensed Bankers
 - Targets mass customized markets, branch patrons
 - Products are simple, packaged, and similar to bank's
- Specialist
 - Targets retail bank clients
 - In-branch or mobile insurance expert who partners with bank sales personnel who owns client relationships
 - Full product range sold by insurance agents
- Financial Planner
 - Targets high net worth clients
 - Relationship-based; concern goes well beyond just making a sale
 - Sophisticated product solutions to answer complex needs

Challenges

- **Managing conflict - potential conflict points include**
 - Strategic priorities
 - Product conflicts
 - Opening insurer's access to bank's clients
 - Bank commission
 - Cultural conflicts
- **Speaking the same language**
 - Simplifying insurance buying
 - Appreciating the requirements of the insurer
- **Minimizing profit strain on insurers to encourage top-line growth**

**“I’ve done all of these.
Why can’t I make it work?”**

Impact of the Stage of Market Development

There is no “one best way” of doing things

In addition to available degree of control and existing regulatory environment, the stage of the market's development can determine success

Movement of Trust from one influencer to another

• Newly opened markets

- Market does not understand insurance
- Only Agency works because they hold buyer's trust (relatives, neighbors, friends, etc.)
- Some newly opened markets have underdeveloped bank markets (few have accounts)

• Developing markets

- More people open bank accounts and begin to trust bankers

• Developed appreciation and understanding

- Direct and telemarketing begins to make sense as people start to grasp the insurance concepts more, especially for simple, commodity products

• Sophisticated markets

- People begin to realize that an agent can only represent one option, and start hunting for best offers.
- People try to find “experts” and “professionals” which brokers can provide

• Trust in Technology

- Buyers become open to buying from the internet