

# ACLI tackles the cultural divide between banks and insurers

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Despite cultural differences between insurers and bankers, the two share a deep commitment to working together to provide consumers with more options for life insurance industry products, a new American Council of Life Insurers study finds.

"Bridging the Cultural Divide Between Banks and Life Insurers: 2003 Bank Insurance Study," unveiled yesterday at the ACLI's Annual Conference 2003, was conducted by ACLI, Baker & Daniels, CF Efron Company, and KPMG LLP. The report examines in detail what separates banks and insurance companies and how that separation can be eliminated so more life insurance can be sold through banks.

"By exploring the gaps in perceptions, we were able to identify the differences hindering success in the bank insurance marketplace," says ACLI Senior Counsel Michael Lovendusky.

## Different Approaches to Marketplace

The passage of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 drastically changed the business landscape for insurers and bankers. This report highlights the differing approaches each industry uses in identifying and penetrating the marketplace.

The report recognizes that bankers and insurers still need to find common ground in areas of distribution, marketing and sales, product design, risk and profitability, administration and operations, and effectiveness.

"The cultures of banks and insurance companies are different – no surprise there. But our study highlights why the cultural divide has a direct impact on the sale of life insurance and suggests how the barriers can and should be eliminated," says Charles Richardson, partner, Baker & Daniels.

Study findings show that life insurers want to move banks toward partnership via production goals and regular business planning meetings. Meanwhile, bankers seek customized processes integrated into banking systems and procedures.

These differences limit the amount and kinds of products being made available to middle- and emerging-affluent bank customers. Banks look for standardized products to target the profitable segment of a mass market, which conflicts with both the traditional insurers' marketing strategy of personalizing each sale and the intricacies of state insurance regulation.

The report offers recommendations on how insurers and bankers can standardize sales and marketing practices, training techniques, and new product and process designs.

## Lack of Enthusiasm

"Despite the lifting of a number of some regulatory barriers, the lack of enthusiasm for bank/insurer cooperation in the life insurance product area remains as strong today as ever before," said Richardson.

"This study is the first to zero in on what separates banks and insurance companies and identify how to eliminate that separation to enable future sales."

The successful history of annuity sales in banks seemed to signal similar success for life insurance. This prophecy appeared especially true in light of the 1999 passage of the Gramm-Leach-Bliley Act, which removed the barriers to bank and life insurer affiliations.

However, scholars and industry experts have been at a loss to explain the lack of cooperation between banks and insurers when it comes to traditional life insurance sales.

The sale of life insurance products by banks during 2001 was a mere 3% of total premiums written, according to estimates in a 2002 TowerGroup report. A March 2003 TowerGroup report indicates that the average U.S. consumer has 10.14 financial products with an average of 4.15 separate financial institutions. According to the report, 70% of consumers polled expressed a desire to consolidate these relationships with one institution, but only 20% believed that a single financial institution could competently meet all of their financial needs.

"The ACLI study indicates that predictions of mass affiliation between banks and insurers failed to consider deep cultural differences between the two," said Richardson. □