Bank Life Insurance Sales Down in 2015

But millennial customers offer reason to be hopeful.

LIMRA's recently released results for bank life insurance sales in 2015 present a glass half-full/half-empty type of situation: In 2015, life insurance sales reported in the bank channel[1] for the year were down 19 percent compared with 2014. A key factor in this decrease was reduced sales of universal life with lifetime guarantee policies, one of the largest product lines in the bank channel.

On the glass half-full side, a LIMRA survey of bank investment and insurance executives showed optimism for the future, as 61 percent of respondents believe consumers will look more to banks and credit unions for insurance. Despite the overall decline in bank life insurance sales, recurring premium sales increased from $40 million in 2014 to $49 million in 2015.

The best reason for banks to be optimistic may depend on how effectively they grow their base of millennial customers. LIMRA bank research shows:

- Millennials hold more of their savings/investments at banks or credit unions than other groups.
- More than 60 percent say it's very important to have all their financial needs met in one place.
- They are less likely to have a relationship with a life insurance agent or other financial advisor.

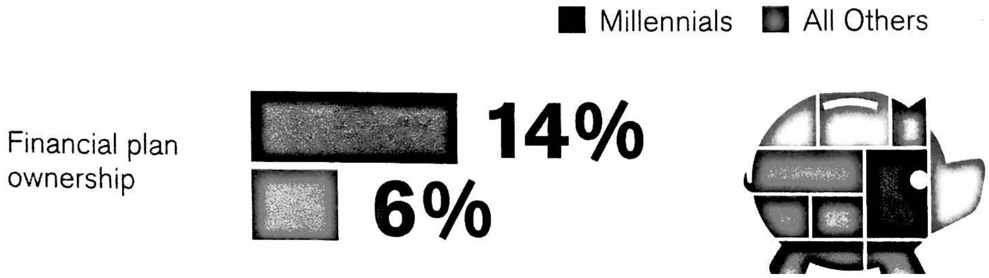
Millennials are also less likely to have preconceived notions about who offers what financial products and services, as four in 10 said they would consider a financial plan through their bank.

LIMRA Secure Retirement Institute research shows that nearly three in four clients who have a formal financial plan tend to buy the additional insurance and investment products suggested by the plan. Advisors who offer to review their clients' insurance coverage can effectively move the conversation from financial planning to life insurance.

So despite the recent decline in sales, banks have real opportunities going forward.

[1]Some sales occur at the bank level, but since they are placed through a broker, they are reported in the brokerage general agency (BGA) channel.

Millennials more likely to own or consider a financial plan through their bank



SERIOUS Business

The role of wholesalers has moved past the entertainment function to the vitally important function of expert consultants to financial institution broker/dealers.

By Andrew Singer

"Taking reps out to dinner, on golf outings — those days are gone," said Bruce Stava, managing director of Beechwood Global Distributors. Stava has worked on both sides, as both a wholesaler and a bank program manager, most recently at First Bank. The wholesaler as entertainer is a thing of the past, given tighter profit margins, reduced expense accounts, and heightened regulatory scrutiny, he said.

These days, more banks count on their wholesalers to be experts in a given product line, especially as insurance and investment products become more complex. "They are really expected to be a kind of consultant — a source of best practices since they often see what is working outside," Stava said.

The wholesaler's role is evolving. "There is less point-of-sale activity than in the past," said Keith Burger, senior vice president/national sales manager, AIG Financial Distributors, like wholesalers accompanying bank financial advisors on sales calls.

But wholesaling is more critical than ever, Burger said, adding that wholesalers can play a key role in extending their client firms' message. ('Clients,' for purposes of this article, are bank and credit union [financial institution] broker/dealers.) Along these lines, AIG has recently ramped up its seminar efforts, including public seminars on behalf of its financial institution clients.

The party's over

The diminishing role of entertainment is one of the more apparent changes. Wholesaling today is a more serious endeavor, and the days of wholesalers as "party pal" are indeed long gone, Burger said (noting that AIG never participated in such actions). His clients, including third-party marketing (TPM) firms that distribute AIG-underwritten products through financial institutions, have clamped down in this regard.

But that's how it should be, Burger said. The purest kind of wholesaling, in Burger's view, is one that provides good advice, not good times. "It's about who has the best ideas," he said. "It's a more serious game now."

As products and silos blur, more advisors may find themselves working with wealth management clients. Some investment products may be applicable now for two traditional financial institution client segments: trust and brokerage.

Entertainment aside, the technical role of wholesaler appears to be more complex these days. "The wholesaler is not just a product specialist but a consultant," Stava said. They are likely to work with a broader group of bankers, often assuming a multiplicity of roles.

If a program has 20 reps, five might be stars, five might be struggling and 10 could be somewhere in between. The wholesaler could help that middle-tier group take it up a notch, moving from good to great.

As products and silos blur, more reps may find themselves working with wealth management clients. Some investment products may be applicable now for two traditional financial institution client segments: trust and brokerage. A fixed annuity, for instance, may have some resonance with wealth management clients — not just mass retail or mass affluent, as was largely the case in the past. In such an instance, a wholesaler might abet this expansion process, as they could already be supplying bank wealth management units (in other institutions) and may also be able to support you, the financial institution program manager, as you make a presentation to your own trust or wealth management group.

A product like life insurance, for example, could be useful for both brokerage and wealth management. The wholesaler could help set up the internal meetings and make the case for a program that touches both constituencies, Stava said.

Joint sales calls are not necessarily a thing of the past, either. Financial institution reps often want to know how to approach clients with a certain product. Depending on the complexity of the product, the external wholesaler may still play a useful part in a joint client meeting.

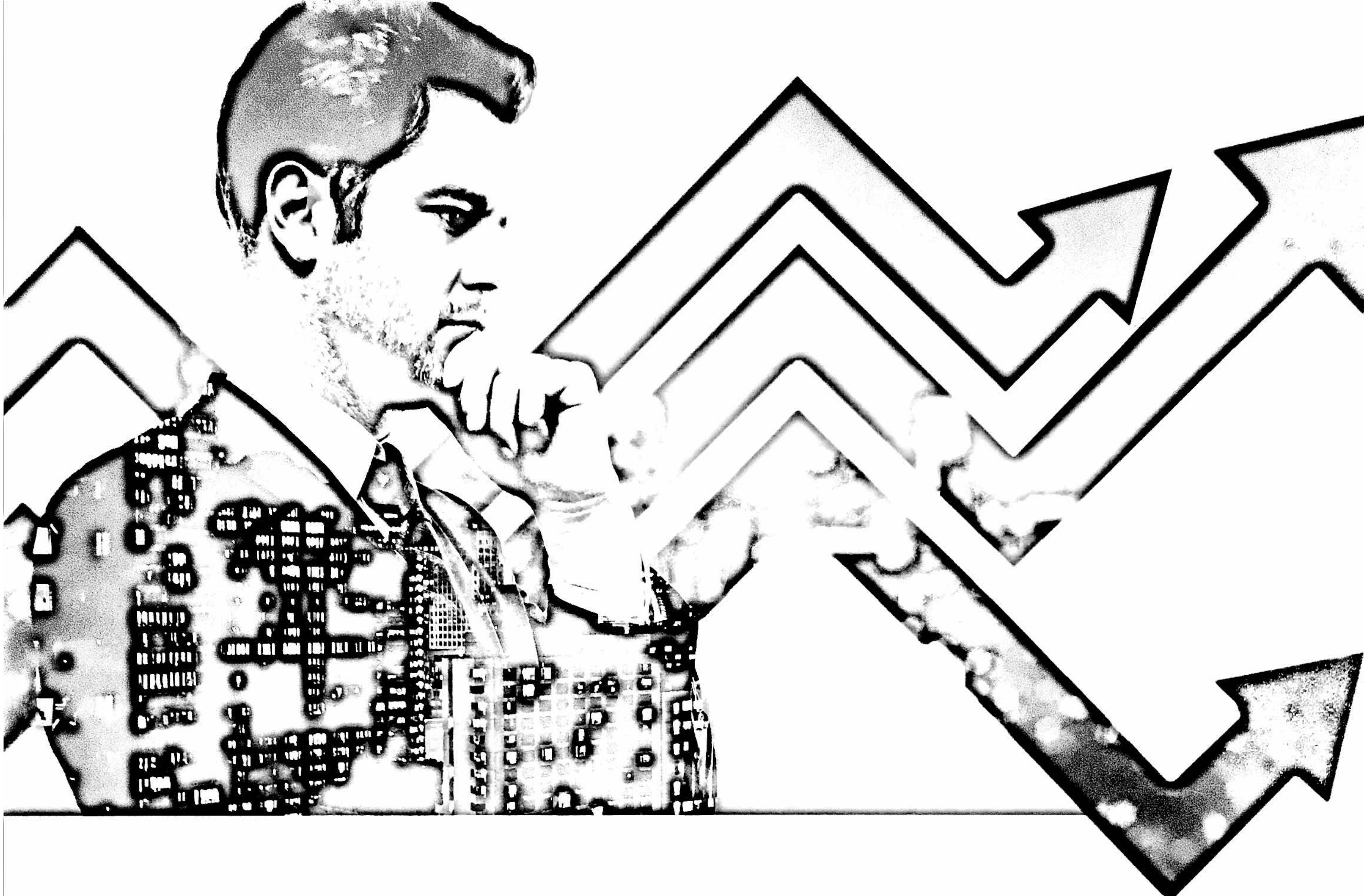
Most agree that communication is critical. The wholesaler and financial institution should get together at least once or twice every year to review the relationship and to set parameters, Stava said. If a wholesaler has budgeted $50,000 to support a financial institution's investments program, the wholesaler and financial institution may need to have a frank discussion about the most productive uses of that money. It may or may not include one-on-ones with reps.

Dedicated wholesalers

What else is it reasonable for a financial institution to demand from a wholesaler? Some individual wholesalers work only with financial institution, not with independent brokerage firms or wirehouses. AIG, for instance, has a distinct channel for financial institution clients, another for independent brokerage, and a third for wire houses. This makes sense because the channels are very different, Burger said. A wholesaler working with a financial institution client has to deal with issues like generating referrals from non-licensed platform bankers and/or private bankers — issues that don't arise when wholesalers work with wirehouses.

Marc Vosen, CEO of Key Investments, the retail broker/dealer of Ohio's Key Bank, prefers to work with wholesalers that specialize in the financial institution channel. "As our business becomes more commoditized, it comes down to [the relationship between] wholesalers and financial advisors; that's where the needle really hits the vein," Vosen said.

It's a plus, too, to have wholesalers who have previously worked in, not just with, financial institutions,



said Prudential Life Insurance Vice President Robert J. Mittel. Several of Mittel's top wholesalers have spent more than five years each working in financial institution.

Today there is more virtual wholesaling and not as much face-to-face wholesaling. Why? For one, there are fewer people to visit as the industry consolidates.

"They know what it's like," Mittel said. They know that a financial institution employee, especially licensed bank employees (LBEs), may not be totally focused on offering your product, Mittel continued. That particular LBE also has checking accounts to offer, CDs to market, and maybe the financial institution employee is also being asked by the consumer loans department to assist them with referrals. If a wholesaler really knows what's going on in financial institutions, that can be huge.

Mittel cited other changes in the financial institution-wholesaler relationship. Today there is more virtual wholesaling and not as much face-to-face wholesaling. Why? For one, there are fewer people to visit as the industry consolidates. For another, travel is expensive and alternatives are available.

More wholesaling is now being done via online meetings or webinars — using WebEx, for instance, which combines phone access with computer access (e.g., callers have access to PowerPoint presentations).

Mittel recently held 12 WebEx meetings in a single week with a financial institution client. Up to 50 people dialed in to each session (the participants were mostly LBEs and financial institution-based financial advisors). The financial institution invited 700 of its employees overall, and most of them attended, Mittel said.

In the past, you sent individual wholesalers out to meet the financial institution branch staff at a scheduled time and day; here, LBEs could dial in for any one of the 12 online sessions being held that week. LBEs weren't restricted to attending only one meeting.

With the Department of Labor's (DOL) new fiduciary duty rule, face-to-face wholesaling — joint sales calls, specifically — will probably diminish even further given the regulatory scrutiny brokerage firms will face. "If there is less today, with DOL it will be close to zero," AIG's Burger said.

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Fewer sponsorships

What about the practice of wholesalers sponsoring clients? Is that something a financial institution broker/dealer can expect or demand from its wholesaler?

More financial institutions these days are resource-starved, Stava said, and so the financial institution may be interested in the wholesaler hosting its sales meeting every year.

If so, it behooves the financial institution program manager to make things work for the wholesaler, too. If the financial institution asks a wholesaler to support a campaign or an event, it should make sure that it isn't also having the wholesaler's competitors at the event, Stava said. It would also be beneficial for the financial institution manager to send a message to reps to disclose what they can or cannot ask of their wholesaler. "I don't want you [the rep] to call up the wholesaler and say, 'Take me out to Morton's,'" Stava said.

Are financial institution sometimes unreasonable in their demands on wholesalers? Some financial institutions may expect a wholesaler to visit with every financial rep in their footprint, but that isn't how it usually works. Wholesalers can't, or won't, do that. But they can handle cluster meetings in which they work with groups of reps and/or LBEs, said John Richter, Vantis Life's national business development director.

Financial institutions and carriers will build budgets, Richter said, but sometimes banks or credit unions ask for something, like a sponsorship, that isn't in the budget. That's why it's a good idea to sit down at the beginning of the relationship and discuss what you can and can't do, said Craig D. Simms, senior vice president of sales and marketing for Vantis Life Insurance Company. "That's a way to overcome these hurdles," he said.

A recent LIMRA life insurance study (see *BISA Magazine*, Q3 2016) suggests that financial institutions are not getting enough support from carriers.

The life industry has backed off supporting protection life insurance sales programs in financial institutions because they just haven't generated enough sales over the past 15 years, Simms said. The research is correct: The carriers are realigning their resources on the products that financial institutions are comfortable with — such as annuities, mutual funds, and single premium life insurance.

Simms's company is one of the exceptions, but even it can't support every financial institution to the degree financial institutions might like, which is why today it is providing more online support — "hitting the inboxes of the reps [with information and ideas]," Simms said.

Over the past five or six years, there's a "good understanding about what's allowable" regarding sponsorships, Mittel said, noting that he has always wanted to sponsor meetings with training and education. Doing so will blunt any potential compliance concerns. "If you combine sponsorship with education, you won't have issues with compliance," Mittel said.

Compliance considerations loom larger today. If your wholesaler is conducting seminars for clients, make sure that you can document just how you are working with the wholesaler, such as what the wholesaler is discussing with reps at sales meetings, Stava said. This is important in regard to FINRA and other regulators.

A Catch-22

These days it takes even more communication to create effective strategies and tactics that yield a value proposition for both sides, Stava said. That's why the financial institution and wholesaler at a high level should sit down at least once a year to discuss just what each is going to do for the other.

Discuss how the wholesaler fits into your entire game plan, the game plan of the financial institution, and the business plan of the financial institution or credit union, Richter said.

"The main challenge is balance," Mittel said. A wholesaler wants to support a financial institution's activities, but those activities have to generate the requisite sales to justify that support. If production doesn't come, you just can't continue to provide that high-level backing.

On the other hand, if you don't provide support, production won't come. "It's a Catch-22-type situation," Mittel said.

No one ever said wholesaling was easy. ▲