Bank advisors are embracing products such as life insurance, LTCI hybrids and VAs to meet the needs of clients seeking wealth-transfer solutions and a secure retirement.

A New Era of Growth

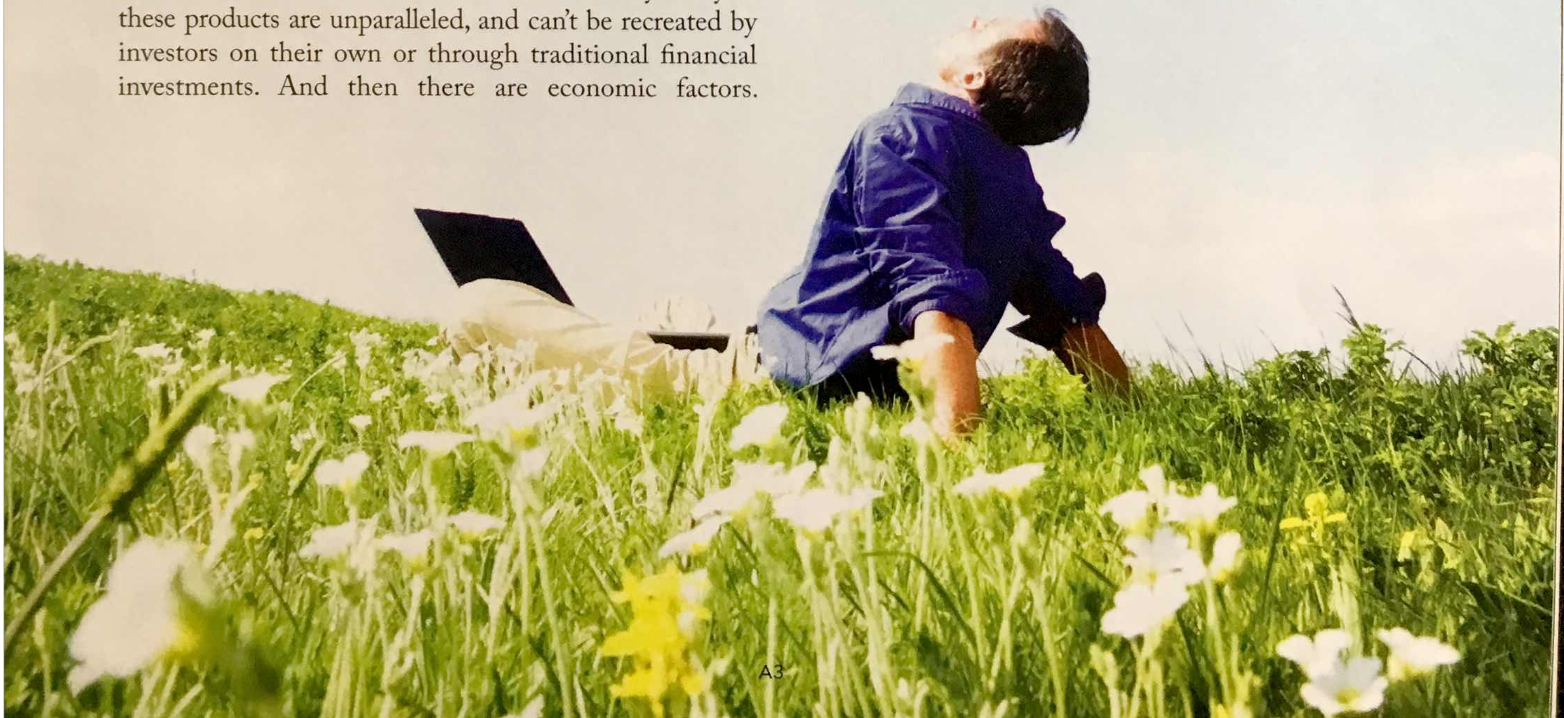
As baby boomers shift from the accumulation phase of life to the spend-down and wealth-transfer stage, the bank investment channel is shifting gears with them, offering insurance products specifically designed to meet these new objectives. "As an industry we need to make sure we are as good at providing for clients' income and wealth-transfer needs as we were for accumulation. And this is where insurance products play a role," says LeAnn McCool, national sales manager at the broker-dealer PrimeVest, located in St. Cloud, Minn. The changing financial needs of baby boomers—among other factors—are helping to drive the robust sales of insurance products such as life insurance, long-term-care-insurance (LTCI) hybrids and variable annuities. In fact, a confluence of forces has exponentially boosted sales, creating what some industry analysts are calling a perfect storm for sales growth.

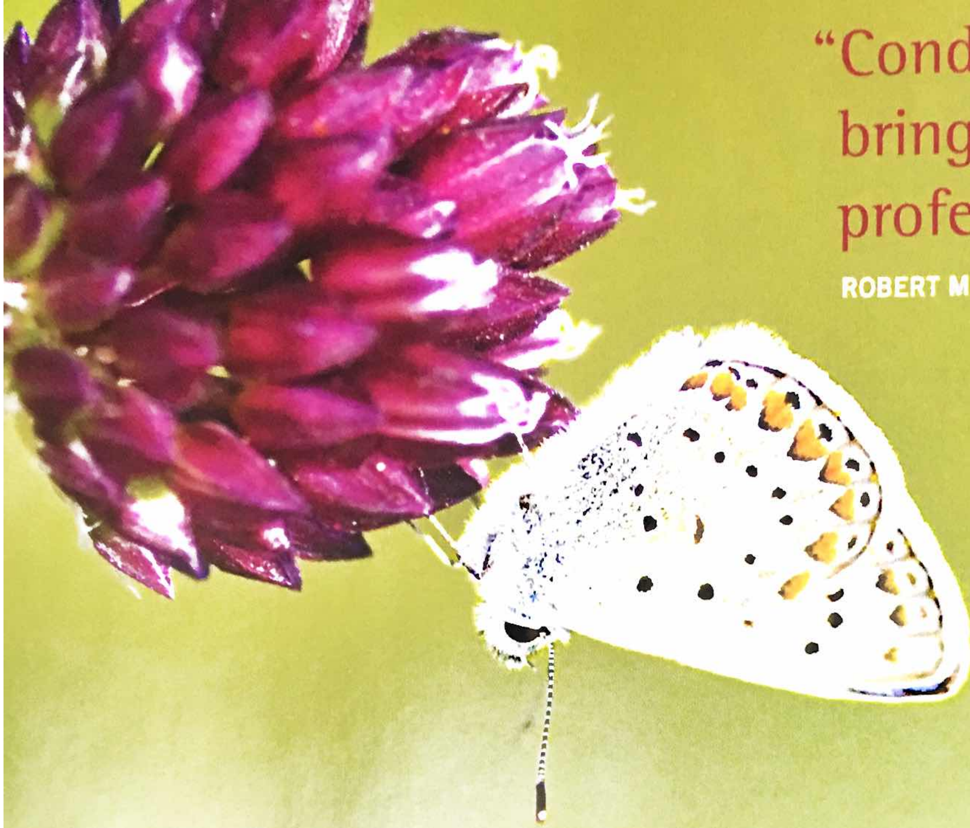
Part of the expansion stems from the fact that these products are being redesigned to make them more transactional, helping them gain market traction in the bank channel. In addition, the benefits offered by many of these products are unparalleled, and can't be recreated by investors on their own or through traditional financial investments. And then there are economic factors. "Insurance products allow advisors to talk about something other than the economy or the stock market, and they can highlight these products' guarantees," says Bing Waldert, director at Cerulli Associates in Boston.

Even better, insurance products tend to be "sticky" in terms of client retention because these products involve regular interaction between bank advisors and their clients. Insurance products usually include an annual report of values, a process which lends itself to an ongoing relationship where the producer has a strong reason to communicate with the client. And because the value of the insurance policy often keeps growing, clients remain loyal to the advisor who set up the policy.

The resulting cross-sales opportunities can increase the bank channel's overall "wallet share."

The market dynamic of each insurance product in the bank channel is slightly different; below is a market snapshot of current conditions, and future opportunities, for individual life products, LTCI hybrids and variable annuities.





"Conditions are poised to bring the client and finance professional together."

ROBERT MITTEL, PRUDENTIAL

Individual *Life* Products

Individual life insurance sales through the bank channel continue to experience "phenomenal" and "amazing" sales according to analysts. While these descriptions may seem over the top, they are factually accurate: "Individual life insurance sales through financial institutions are shattering records," says Scott Stathis, managing director and COO of Kehrer-LIMRA. Sales for just the first nine months of 2010 surpassed all of 2004, the previous record year. Compared with flat or worse life insurance sales in other channels, bank channel sales have been up for six straight quarters without interruption. According to Stathis, "We've never seen anything like this [trend]."

What is behind these impressive numbers? And, equally important, will the trend continue in the future? Stathis, based on Kehrer-LIMRA's quantitative surveys as well as qualitative discussions with industry leaders, has identified several factors driving the surge, none of which he expects to disappear anytime soon. One dynamic at play is the dearth of attractiveness of other platform products, with fixed annuities being a notable example. Exceptionally low interest rates have made fixed annuities uncompetitive with comparable CDs, at least for the moment. These products also don't offer the same FDIC protection. "Salespeople have had to broaden the quiver of what they are selling," says Stathis. "And some early adopters understood that life insurance could be the next go-to product."

The challenge, historically, for the bank channel was that life insurance was a heavily relationship-based product that was not easily sold through a transaction-based market. Today, however, advances in product design and processing of simplified (as opposed to fully underwritten) policies have made life insurance a much better fit for the bank channel. Insurers have dedicated substantial resources to develop processes tailored to this growing channel. The result, says Stathis, "is that selling an individual life insurance policy has become so easy that the client can actually get their electronic version before they leave the rep's office."

Take, for example, Prudential's experience: "Our term solutions are so fast that they take less than 10 minutes," says Robert Mittel, vice president, financial institution channel leader at Prudential. He reports that 2010 was the company's best year ever for life insurance in this channel. Term insurance is

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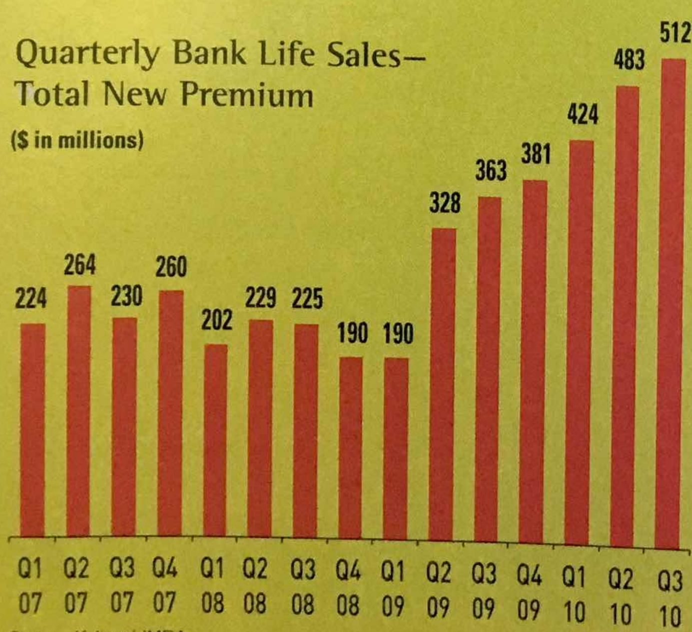
SCOTT STATHIS, KEHRER-LIMRA

products, such as universal life insurance, are selling even faster. Adds Mittel, "Conditions are poised to bring the client and finance professional together."

These conditions include continuing economic uncertainty, which only adds to the appeal of wealth-transfer products, with their stability and guarantees. An equally significant driver is the growth these products can offer, particularly when compared with stock market returns over the past 10 years, which have essentially been flat. These products are a way for clients to leverage the assets they have, building wealth for the next generation.

Additionally, the bank channel is particularly well situated to sell life insurance products because of advisors' interactions with customers during what Mittel terms "critical life events." These events could be marked by a client coming into a branch for a mortgage or opening an account for a child. He says, "These all raise the need for insurance; banks are positioned to understand these events and offer great products to fill these needs." ■



Source: Kehrer-LIMRA