

Technology Eases Bank Entry For Insurers

By Matt Essieh

With approximately 9,000 community banks in the U.S., representing over \$2.9 billion in annual annuity sales alone, insurers should take a closer look at how technology could reduce the cost of reaching such an important customer base.

In fact, the right technology could equip both insurers and banks with more complete information on consumer investment patterns.

The community bank channel has its challenges. Insurance companies need to achieve sufficient volume in any given channel to offset distribution and administrative costs. In addition, the cultural and regulatory differences that exist between the insurance and banking industries complicate data collection and reporting.

Bank systems typically are not structured to handle insurance products, and vice versa. The inefficiencies and incompatibilities that result can be costly.

For many community banks, the cost of acquiring and deploying the resources required for a successful retail investment program can be prohibitive.

As individual entities, they lack the economies of scale to purchase the technology, train users, and hire staff to manage compliance and meet regulatory reporting requirements. Yet the potential for these programs to increase revenues and strengthen customer loyalty is high.

Innovative thinking can address these issues. Technology can be effectively leveraged to accommodate the needs of both banks and insurance carriers. What is needed, however, is a creative approach to providing this technology as well as the necessary support in a way that leverages costs across multiple institutions.

Both community banks and insurers stand to gain by addressing these challenges-with high-profit programs and broader access to loyal customers.

The full potential of any retail investment and insurance program can only be reached if the technology addresses the demands of both the bank and the insurance company. Such a "hybrid" system provides the ability to present, capture, and report on data needed to meet each participant's business,

regulatory, and decision support requirements.

For example, bank systems are primarily transaction-driven. Even today, banks typically lack a consolidated view of the consumer, as customer information is maintained separately by different departments.

On the other hand, insurance companies have made significant strides in their ability to manage customer relationships via relational systems. This disparity between data types makes accurate and timely reporting, commission accounting, and other necessary activities difficult to accomplish.

A successful system blends these requirements and facilitates transfer of appropriate data to both the bank's and insurance company's systems. It maintains complete information on each insurance product offered through the bank, including product features, current rates, commission structures, and underwriting data.

It also supports products from multiple carriers, allowing the bank to tailor its offerings to its market demographics. Finally, it provides real-time access to carriers and clearing firms on-line or via the Internet.

Current technologies make this type of solution possible and attractive. Client/server architectures, the Windows® NT® operating system, the Internet and electronic data interchange can all play a role.

For community banks, these technologies present the opportunity to establish a centrally managed system that can support a wide variety of insurance carriers and products.

Such an approach would provide several benefits to both banks and insurance companies. For example:

- Insurers can distribute a broader product array to a large, loyal customer base more cost effectively.

- Smaller banks can leverage technology to improve customer relationships.

- Complex insurance products can be supported more efficiently and accurately.

- Production data and required reports can be transferred electronically to both bank and insurance systems.

- The cost of administering and supporting both the technology and the data can be reduced.

- Both banks and insurers can gain a more comprehensive picture of customer financial profiles.

- Current customer, agent, and program information can be accessed immediately, which can better equip management to make strategic decisions on a more timely basis.

By bridging the banks' and insurance companies' information requirements, such a system can enable both entities to build their businesses, lower the cost of acquisition, and increase cross-selling opportunities that enhance the customer relationship.

By leveraging client/server technology with remote access,

and establishing a flexible "hybrid" system as described above at a centrally managed site, community banks could create a shared infrastructure which would support each bank's retail investment program goals in a cost-effective manner.

This approach would spread the cost of administering such a program across a number of institutions.

It also would provide insurance companies with an efficient mechanism for reaching a broader audience with a wider range of products than is currently possible.

Lowering the cost of distribution while increasing access to detailed information on consumer investment patterns can provide savvy insurance companies with potentially significant competitive advantage.

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