

**6<sup>th</sup> Global Conference of Actuaries**



**Bancassurance: Building a Successful Product Strategy**

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# Product Strategy

## What needs to be delivered

- Simple range of basic Bancassurance products
- Products easily understood by customers & sales people
- Basic product designs, but distinctive & tailored to each bank
- Tailored to the needs of target customer segments
- Proven to meet identified needs
- Product design with inbuilt loyalty triggers
- Branding that meets customer expectations

## Philosophy of Bancassurance products

**Simplicity**

Easy to understand

**Profitability**

Acting as an additional profit source for bank & insurer

**Productivity**

Processes in synergy with the bank's products

**Loyalty**

Able to strengthen customer value over time

**Motivation**

Competitive enough to motivate sales staff

*Our aim is to make our product mix meet the needs of all stakeholders (i.e. the bank, customers, the insurer, and the sales people)*

# International Learnings for Product Success

## Key themes emerging from the UK / Europe:

- Simple products, simple distribution and simple processes
- Pricing to take advantage of available margins

### Simplicity is key

- Almost all companies emphasised simplicity as key
- Few, simple products
  - Minimise the variations available
  - Match product complexity to channel capability

### Pricing

- Extract margins during early stages of bancassurance
  - Customers expect lower prices but can't compare
  - Price to retain margins for bank and insurer
- Allow market forces to decide at point of sale
  - Brand, security, service also important

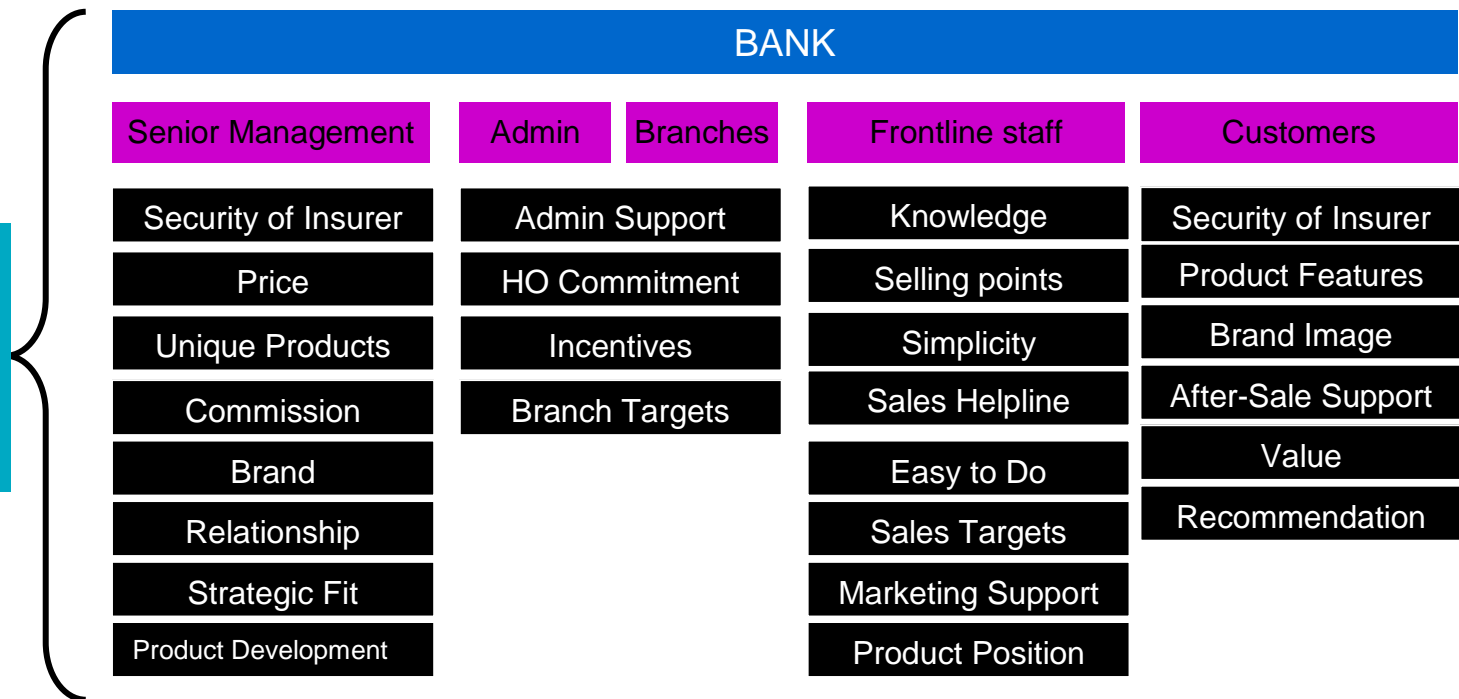
### The sales process

- Getting lead generation and referral is crucial
- Have clear propositions for customers
- Match product and customer's interaction to sales process
- Leverage the bank's brand loyalty

# Gatekeepers and Product Acceptance

**Key Issue:** stakeholders in the chain have different priorities

Choice of product must satisfy all differing needs & requirements



# Gatekeeper 1

## Bank Management Preferences

**Security and Solvency:**  
**Products that are adequately priced**  
**Insurer who is financially stable**

Banks should choose a partner who is financially stable, and ensure products are adequately priced to survive

**Good, steady commission stream**

Generating fee income is necessary, and a key reason  
 Insurance is a good opportunity for additional fee income

**Respected brand**

Does the insurer's brand engender a sense of trust and respect with the customer?

**Price and Value for Customer**

Product must be sensibly priced (for long term security of insurer) but not over priced so that the customer gets reasonable value for money.

**Unique products**  
**Product Development Input**

Because the 'brand' tends to be the bank, it is natural for the bank to want a set of products that appear to be their "own" products

Senior Management

Price

Security of Insurer

Strategic Fit

Product Develop.

Brand

Relationship

Unique Products

Commission

# Gatekeeper 2 - Sales People Preferences

**Knowledge and Selling points help the sales person “sell” more**

Must feel comfortable they understand the product - to explain and sell it.  
Important influence in product selection / recommendation of the sales person.

**Simplicity in design, no options and few conditions**

**LIKE**

- Easy to remember
- Little conditions
- Simple benefits
- No options
- Easy premium calc
- Quick sale
- Selling points

**DO NOT LIKE**

- Complex designs
- Lots of rules
- Difficult paperwork
- Multiple premium tables
- Long sale process
- Expensive products

**Marketing Support material and Key Selling points**

Products that come with effective marketing material, sales support material, illustrations, and quotation support.

Product designs that are built around key selling points

**Targets**

Sales targets, profit targets and commission will also have an influence on the product selected and product line promoted.

**Easy to do**

Products that are easy to complete from an application and admin point of view (including premium calculations and collection).

Frontline Staff
Sales Targets
Easy to Do
Product Positioning
Knowledge
Selling points
Simplicity
Sales Helpline
Marketing Support

# Gatekeeper 3 - Customer Preferences

**Security and Trust** Customers will have an interest in “who” is the insurer, whether they will be able to pay, and their impression of the company (brand value and recognition).

**Meeting Needs** Customers want products that meet their needs. Once the sales person has been able to identify their needs, the product should reflect the needs

Protection	Income Creation	Wealth Generation
Death Disability Income Illness Loan cover Personal Lines cover	Annuities Pension Funding Death	Mutual Funds Personal Banking Wealth management Tax planning

**Recommendation** Customers are heavily influenced by the “recommendation” of the sales person. Faced with choice, they usually follow staff advice

**Value, return and performance** Customers are interested in the aspects of cost, value, and performance.

**Simplicity, ease to understand** They need to understand what they are buying - a simple design that is easy to explain is important.

For savings plans and investment products, “performance” and “expected yield” are key – customers understand pricing, and can easily compare with other suppliers, and will calculate the differences between premiums and return on investment

Customers
Product Features
Security of Insurer
Brand Image
After-Sale Support
Value
Recommendation

# Some Basic Product Rules

1

Fit the Distribution

2

Fit to the Sales Process

3

Know your customers

4

Look like a Banking product

5

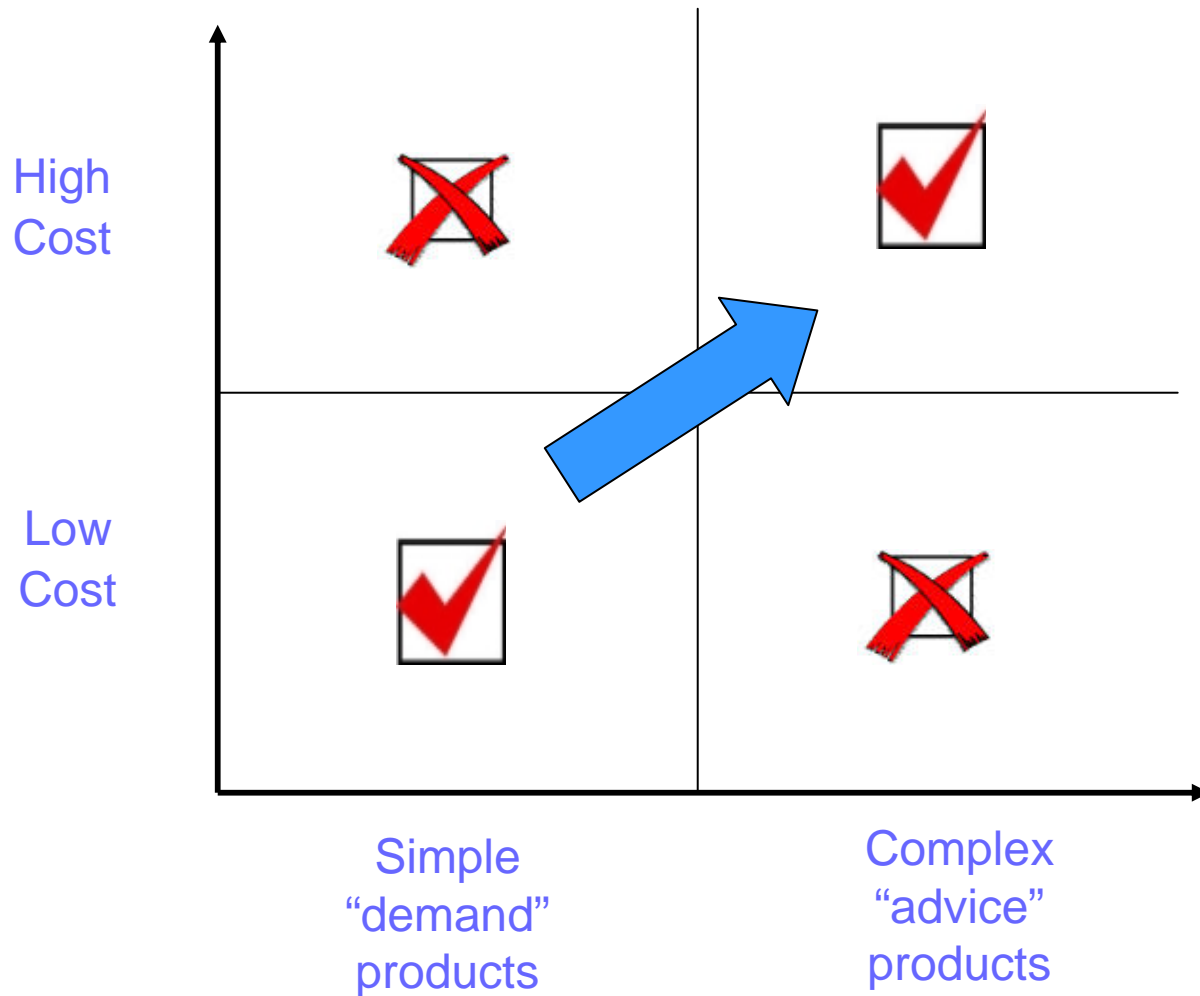
Keep it Simple

6

Promotion and Marketing



# Rule 1 - Fitting Products to Distribution



# Rule 1 - Matching Products to Channels

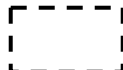
Complex products - with channels that are designed for face-to-face interviews

Simple products - to channels that have limited time to explain and sell

	ISP Annuity	Single VA	ISP Endowment	WL/Term	Credit life	Accident	Cancer	Priority
PB	✓✓	✓✓	✓	✓	✓		✓	Red
Teller	✓		✓✓		✓✓	✓	✓	Red
FA	✓	✓	✓	✓✓				Red gradient
Work site (FA)	✓			✓			✓	
Work site (Group)				✓			✓	
DM/TM						✓✓	✓✓	



Mainly considered

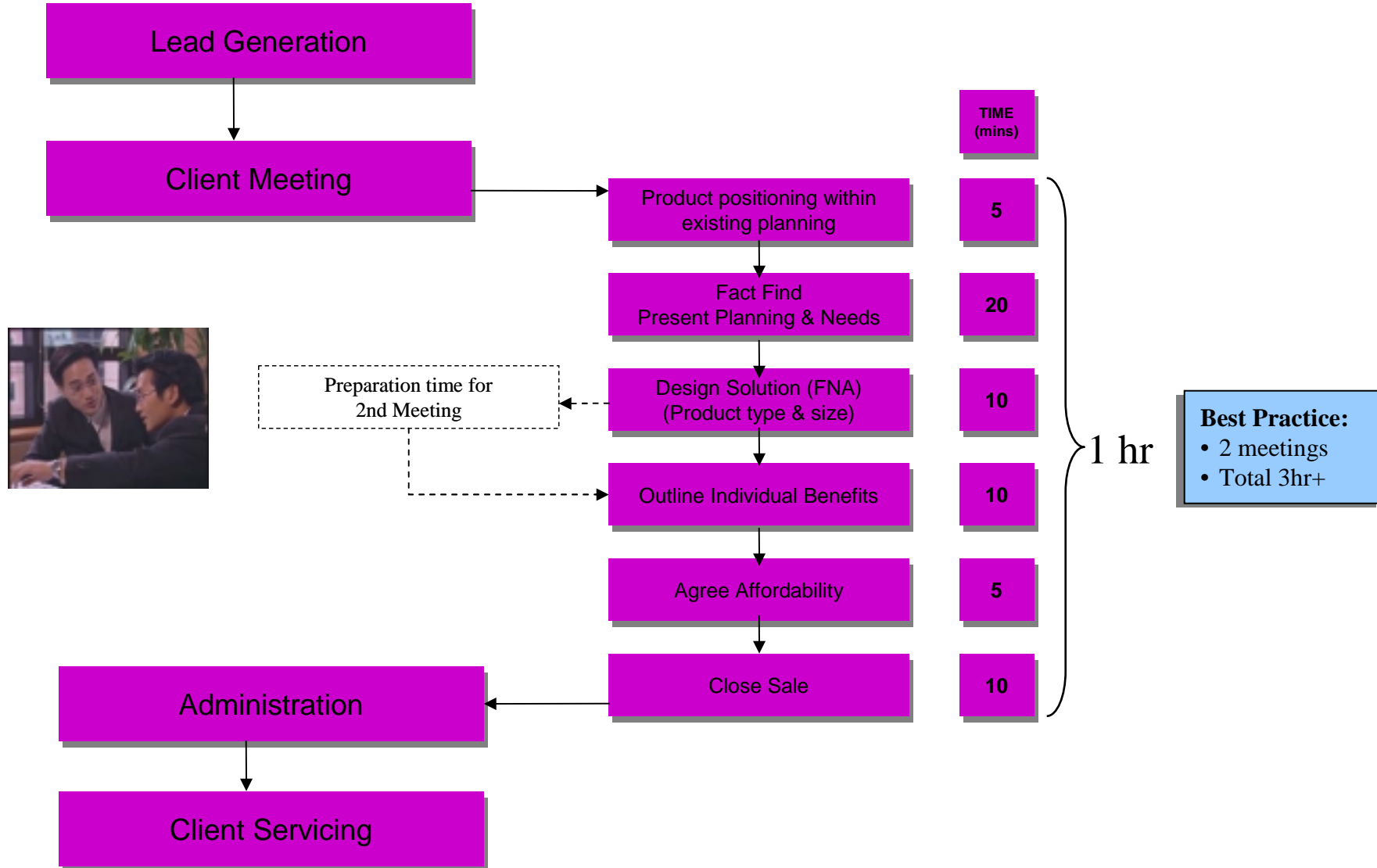


Optionally considered



Not considered at this stage

# Rule 2 - Fit products to the Sale Process



# Rule 3 - Know the Customer Segmentation

Segment	Common Traits	PRODUCT MATCH					
		VA	ISA	Annuity	Endowment	Education	Credit Life
	<b>Cost Indicator</b>	\$\$\$	\$\$	\$\$\$	\$\$	\$\$	\$
Learner	<ul style="list-style-type: none"> <li>• Young age (18 - 25)</li> <li>• Short term view / needs</li> <li>• Some liabilities</li> <li>• Restrictive income</li> </ul>				✓		
Earner	<ul style="list-style-type: none"> <li>• Varied ages, typically 23-35</li> <li>• Wish to protect earnings</li> <li>• Higher risk attitude</li> <li>• Want growth opportunities</li> </ul>	✓ ✓					✓
Partner	<ul style="list-style-type: none"> <li>• Aged 24 - 30, have liabilities</li> <li>• Planning for marriage &amp; children</li> <li>• Moderate to High risk</li> <li>• Longer term view</li> </ul>	✓ ✓			✓ ✓	✓ ✓	✓ ✓
Parent	<ul style="list-style-type: none"> <li>• Aged 28 - 40, increased responsibilities</li> <li>• Less disposable income</li> <li>• Want financial security</li> <li>• Longer term view</li> </ul>	✓	✓ ✓		✓ ✓	✓ ✓	✓ ✓
Provider	<ul style="list-style-type: none"> <li>• Age range of 35 - 55</li> <li>• Children planning for University</li> <li>• Planning for own retirement</li> <li>• More conservative approach</li> </ul>	✓	✓ ✓	✓	✓	✓	✓ ✓
Empty Nester	<ul style="list-style-type: none"> <li>• Age range of 45+</li> <li>• Children less dependant</li> <li>• Planning for own security</li> <li>• Has more buying power</li> </ul>	✓ ✓	✓	✓			✓
Enjoyer	<ul style="list-style-type: none"> <li>• Retired &amp; need replacement income</li> <li>• Want reliable returns</li> <li>• Taxation concerns</li> <li>• Estate Planning</li> </ul>	✓	✓	✓ ✓			

# Rule 4 - Products available in banking range

Products seemingly  
“integrated” with other  
banking products

“Integration” of insurance products into the usual suite of banking products  
Looks the same as other services

Only one “service” listed  
with all the other banking  
products and services



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# Rule 5 - Be simple

- Sales process and time to sell** The less time is spent explaining to customers, the bigger the need to keep products simple. Complex products need specialists.
- Skill set of the sellers** If you are using tellers (who will have little time and little training) the product choices need to be simple  
If using a specialist channel, with customised training and recruitment, then the scope for complex products can increase
- To capture “walk in” opportunities** Simple products will have more chance to capture the impulse sale
- Become part of “normal activities”** Products that require little or no advice can quickly become part of the normal daily activities of most client facing staff, creating faster adoption of the products

- **Simple to sell**
- **Simple to process**
- **Simple to explain**
- **Simple to complete**
- **Simple selling points**
- **Simple to administer**

# Rule 6 - Promotion and Marketing

## In Branch Promotion

- Monthly campaigns
- “Bancassurance” Day
- Seminars
- Special Uniforms
- Badges
- Greeters
- Service Direction Boards
- Collateral – posters, brochures etc

## Other Promotion

- Bank Internet websites
- E-Banking Channels
- ATM Machine messages
- Inserts with monthly statements
- Messages/inserts with Credit card billings
- Special “solo” mailing with special offer
- Telemarketing / lead generation

***Product designs need to fit selected marketing and promotion plans***

# Our experience

- **2 bancassurance articles**
- **2 case studies**

**Highlight Trowbridge Deloitte's experience and thought leadership in bancassurance**

## Questions?

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