

Leading Insurer maximizes sales through Banking Institutions .



Executive summary

The following is a case study on a bancassurance solution that Allfinanz deployed for a leading consumer financial company with locations in 17 countries, over \$110 billion of assets and serving more than 25 million customers worldwide.

With a wide range of financial products spanning multiple distribution channels, this client had been searching for new distribution avenues for their underwritten products. Banks seemed the obvious roll-out channel for these products due to the convenience of reaching new customers. However, this channel presented problems with brokers/agents not familiar with selling life insurance, alongside underwriters who lacked faith in the prescribed approach.

Allfinanz software provided a solution by empowering insurance providers to take the customer through the underwriting, sales and acceptance procedures in a controlled manner. Importantly, this was completed in a mere 20 minutes - instead of the usual weeks required by traditional methods!

Background

One of the world's leading consumer financial companies initiated its relationship with Allfinanz when it began looking for new distribution methods for its life products. The Company had become aware of the condition for a new methodology to satisfy the transactional nature of the banks and brokers that sold its products.

With a broad-based bank distribution channel that covered the entire US, The Company distributes a wide range of products including a full annuity suite, mutual funds, life products, long-term care and supplemental products.

The goal had been to improve the penetration of their underwritten products - in particular their life and long-term care products. US banks represented a huge opportunity for the distribution of these products, via their account-holding customers in the underinsured middle market.

The Company was looking to Europe for critical success factors emanating from their more successful bancassurance experience. They focused on ascertaining why European countries were able to have such high penetration rates, with banks accounting for as much as 60% of life policy new business in comparison to less than 1% in the US. The Company discovered Allfinanz during this organised 'best practices' trip to Europe.

Challenges

The Company was initially faced with a lack of faith in the prescribed solutions. Specifically, skeptical underwriters and product managers did not believe that banks would ever be able to sell life products and that if they did so, the sale would result in poor quality cases.

By working with Allfinanz to better understand the key elements of their solution, The Company strove to overcome some of the objections typically raised by brokers/agents specifically:

- **The uncomfortable position of having to answering medical questions;**
- **Waiting for a decision and their due compensation;**
- **Not having sufficient knowledge of life insurance to make competent decisions.**

The Allfinanz solution enabled The Company to provide practically immediate decisions, which effectively eliminated any time related issues or concerns. By providing a step-by-step process, the Allfinanz solution diminished the sensitivity of medical questions and enabled the utilisation of a call center for Part II questions. In addition, it enabled the broker/agent to get a decision almost immediately without having to wait the usual five or six weeks after the initial consultation.

Effectively, Allfinanz put the enabling technology in the Company's hands while guiding them through the entire end-to-end process.

The Solution

“ Browser technology has allowed for remote and instant access to underwriting while carried out at the point-of-sale. Decisions could then be passed by the representative to the applicant almost immediately...”

The entire process took only six months. This joint solution was developed utilising the Allfinanz software to integrate a specially designed term life product for banks. This product was designed for an 80% approval rate at the point of sale - actually achieving 82% inception to date.

The pricing model comforted and provided underwriters, product managers and profit & loss managers with the mix of proposed insured. With pricing 10% above standard levels, research indicated that this was well within consumer tolerance for the premium paid for convenience. It was also anticipated that cost reductions would be significant in the case management, underwriting and rework areas.

The solution encompassed a fully underwritten term life policy, simplified in the sense that approved cases were only supported by swab tests in the \$100,000 - \$300,000 face amount range. Underwriting rules were built and the system deployed on servers in the carrier's location. Banks were also signed up to the program and accessed the product by way of Internet connections and browsers. The advantage of browser technology has allowed for remote and instant access to underwriting while carried out at the point-of-sale. Decisions could then be passed by the representative to the applicants almost immediately, instead of taking the usual several weeks.

The Allfinanz front-end also allowed the representative to take the applicant through the underwriting process asking a set of simple qualifying questions while excluding the need for any tedious application forms or medical exams. With the application completed on-line and run against the rules defined by the carrier and reinsurer — asking reflexive, drill-down questions as needed — the Allfinanz system instantaneously returns a decision, complete with rating where appropriate.

The Benefit

The combination of automated underwriting and browser technology has allowed this large financial institution to considerably reduce their cost base while increasing the volume of business transacted. Close to 20 separate bank entities and over 1,000 branches now actively sell the product.

Cycle times have been reduced from 62 days for fully underwritten term life policies to 20 minutes for the 82% of cases that are approved at the point of sale. Costs have been reduced by around 85% from the original total policy acquisition cost of \$385 for a typical fully underwritten term.

It's a win-win situation for everyone, where:

- **Agents/brokers enjoy the elimination of paperwork and extensive medical processing;**
- **Consumers like the fact that they leave their bank branch with coverage the same day;**
- **The Bank's reputation is enhanced and its relationship with the life insurance company maximised through high productivity sales.**
- **Both agents, brokers and consumers enjoy a short contract cycle – usually finalised in a matter of days as opposed to months.**

“ Using Allfinanz web-enabling technology, we were able to break down many of the barriers typical in the bancassurance sale - time, complexity, declinations, etc.

Having a server-based system further reduced some of our own headaches with forms, compliance and underwriting consistency. All around, it's been a win for us, our bank's customers and the consumer. ”

- Anonymous Senior Company Executive