



# 2013 ABIA Annual Conference

Connect with the Best  
In Bank Insurance

September 16–18, 2013 | Ponte Vedra Beach, Florida



# How Trends are Influencing Bank-Insurance Strategies

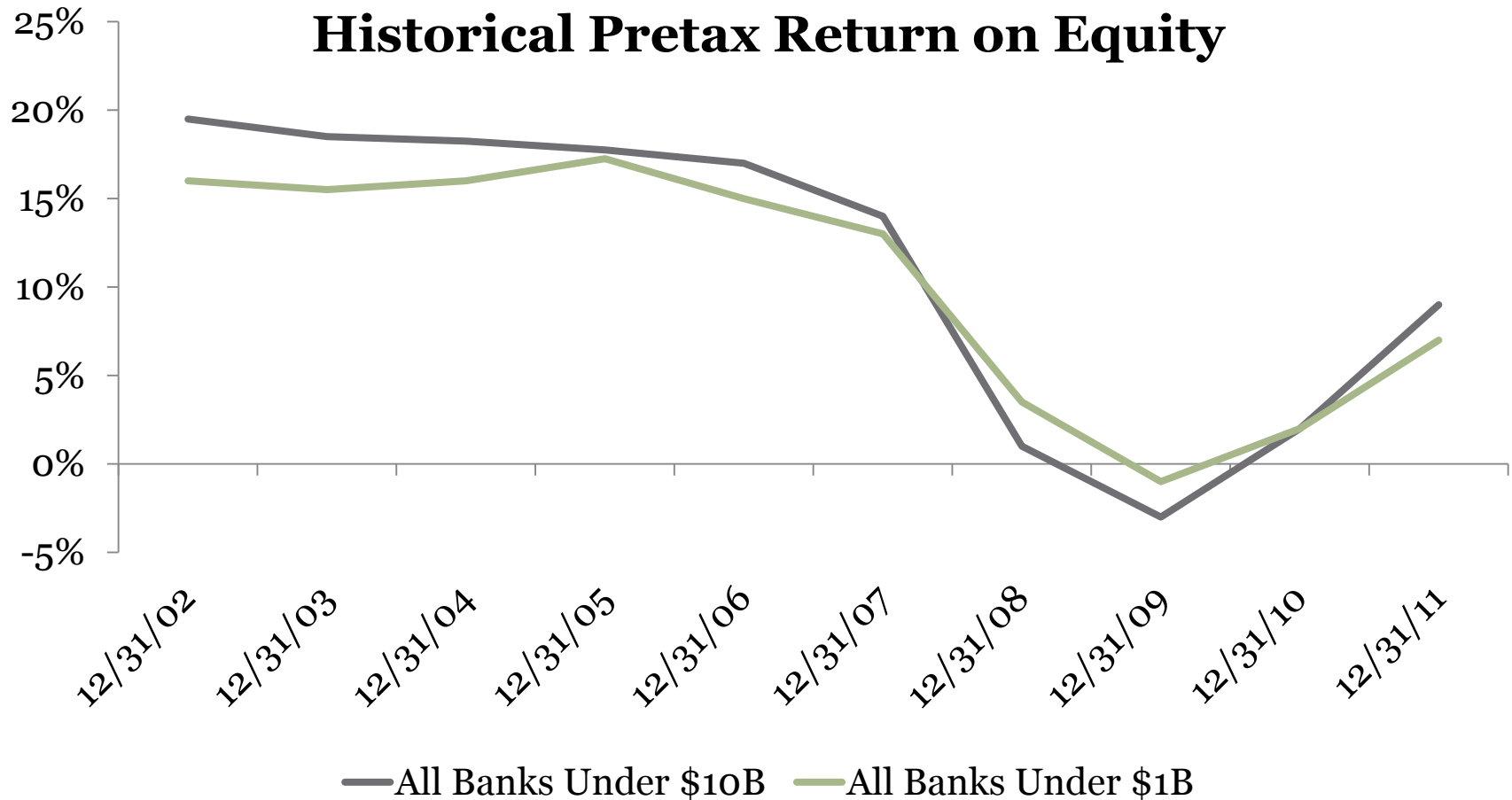
Jim Campbell



Carmen Effron

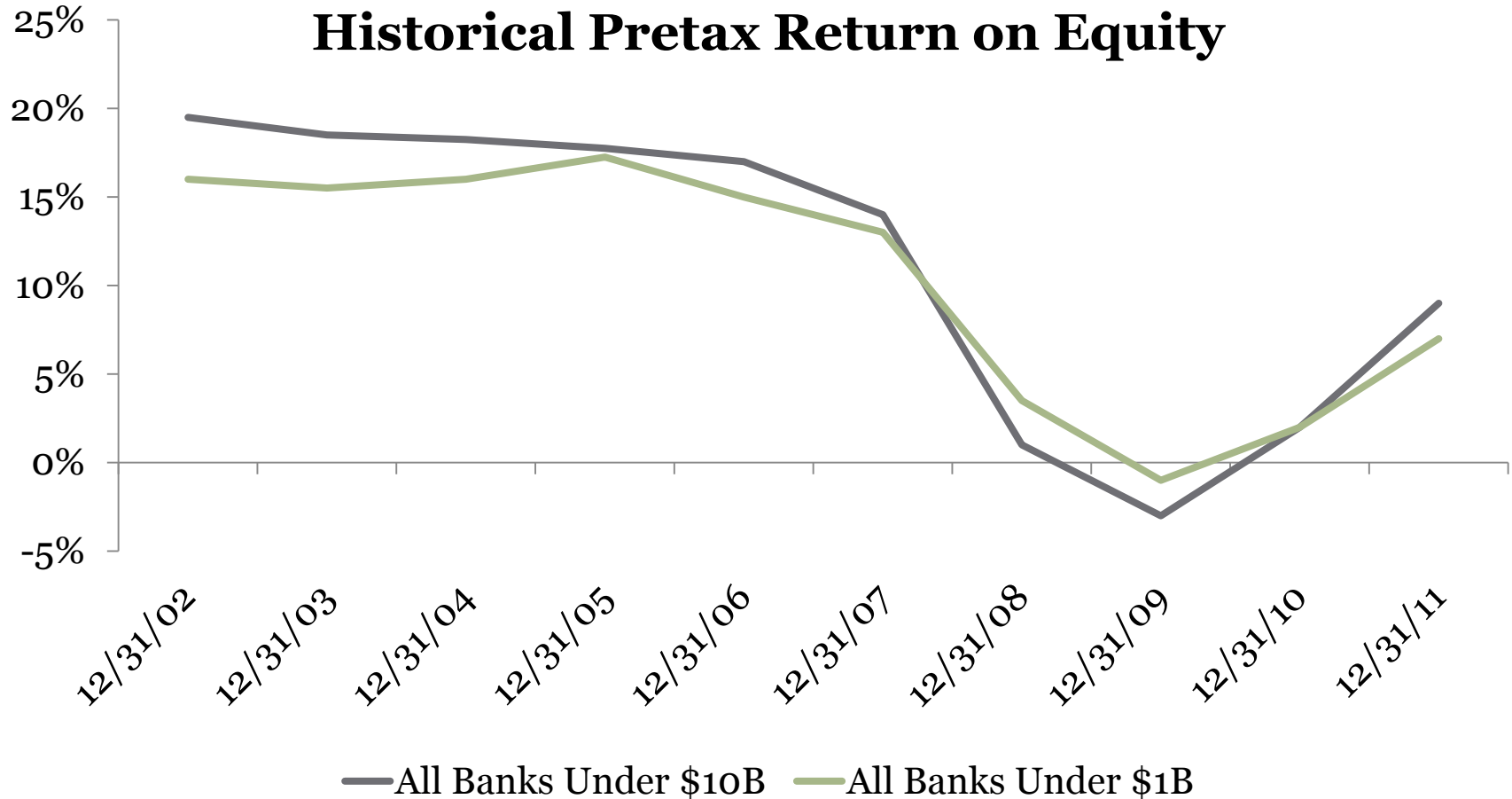


# Will community bank ROEs return to pre-crisis levels?



Source: Reports of Condition and Income for Insured Commercial Banks

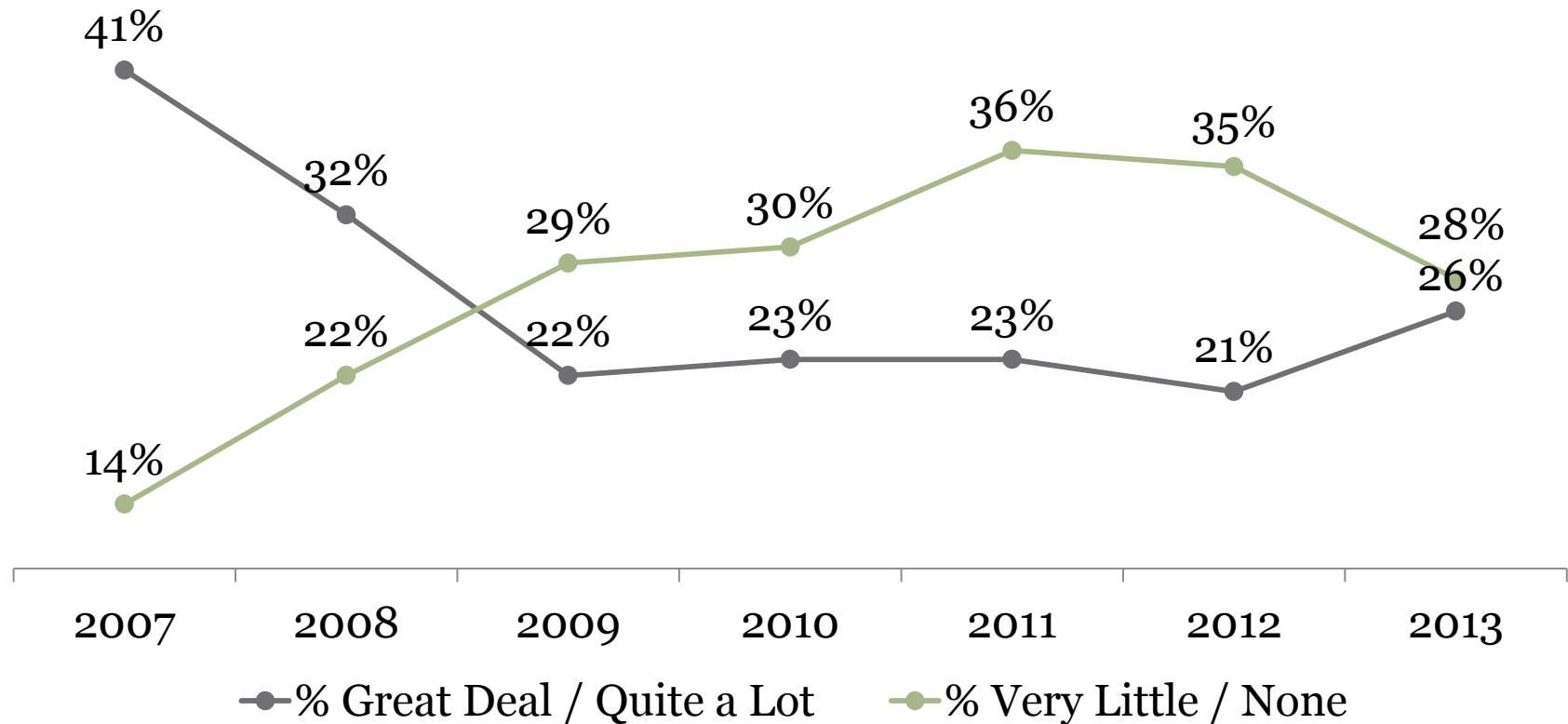
# Will community bank ROEs return to pre-crisis levels?



Source: Reports of Condition and Income for Insured Commercial Banks

# Confidence in banks takes a hit

*Please tell me how much confidence you, yourself, have in banks – a great deal, quite a lot, some, or very little?*



Source: Gallup Poll

Note: % Some not shown

# Cost of regulatory compliance still unclear

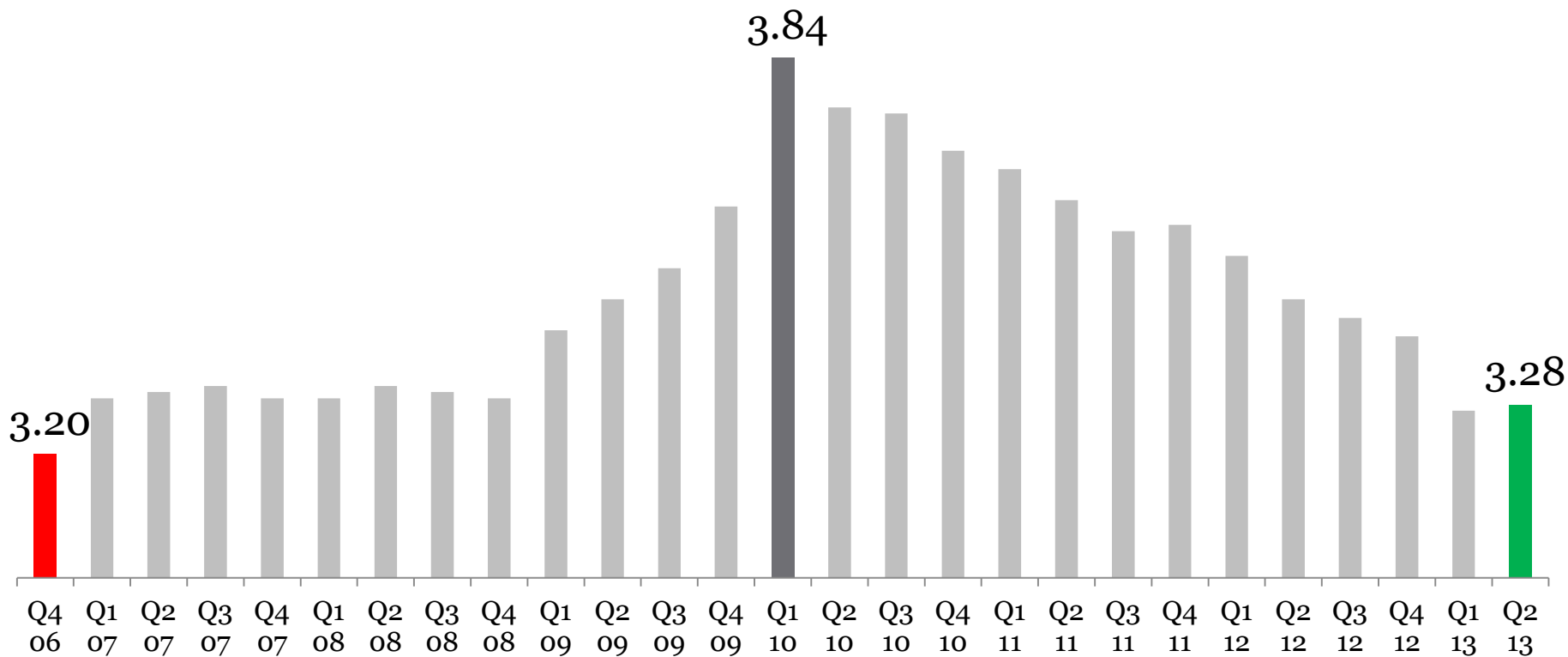
## Dodd-Frank Rulemaking Progress



Source: *Davis Polk Regulatory Tracker*

# Average net interest margin at lowest level since 2006

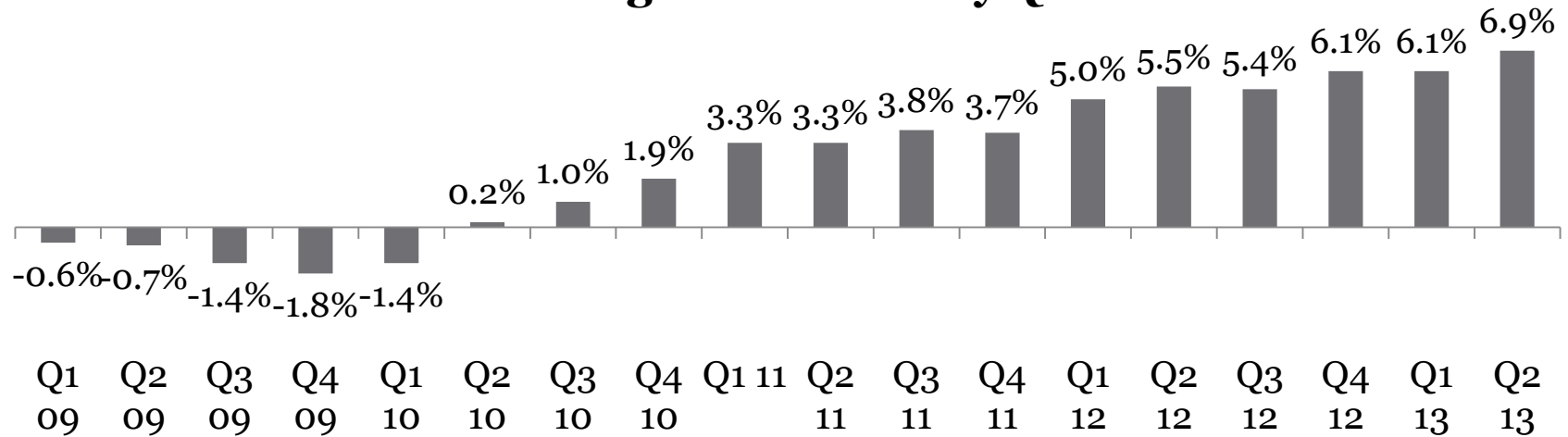
## Net Interest Margin – Q4 2006 to Q2 2013



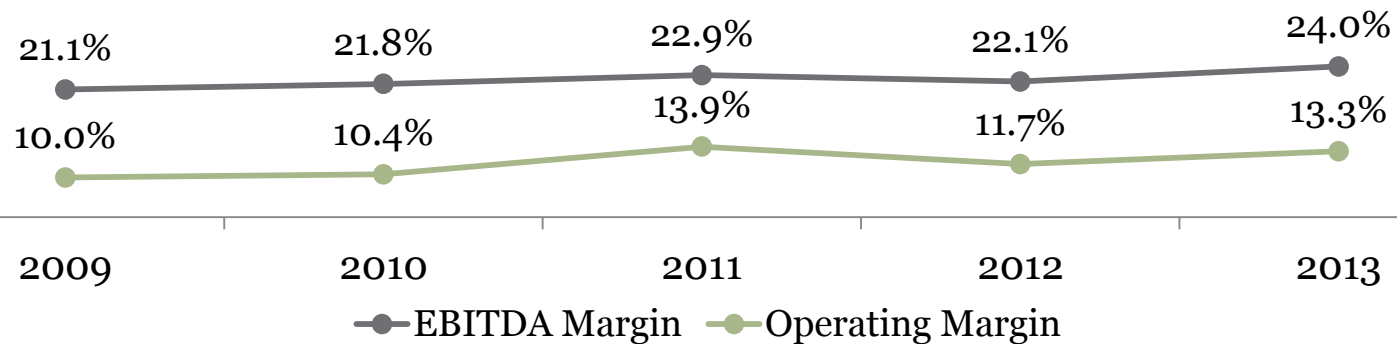
Source: *BankRegData.com, FDIC*

# Insurance brokerage has returned to strong value growth

## Median Organic Growth by Quarter



## EBITDA Margin and Operating Margin

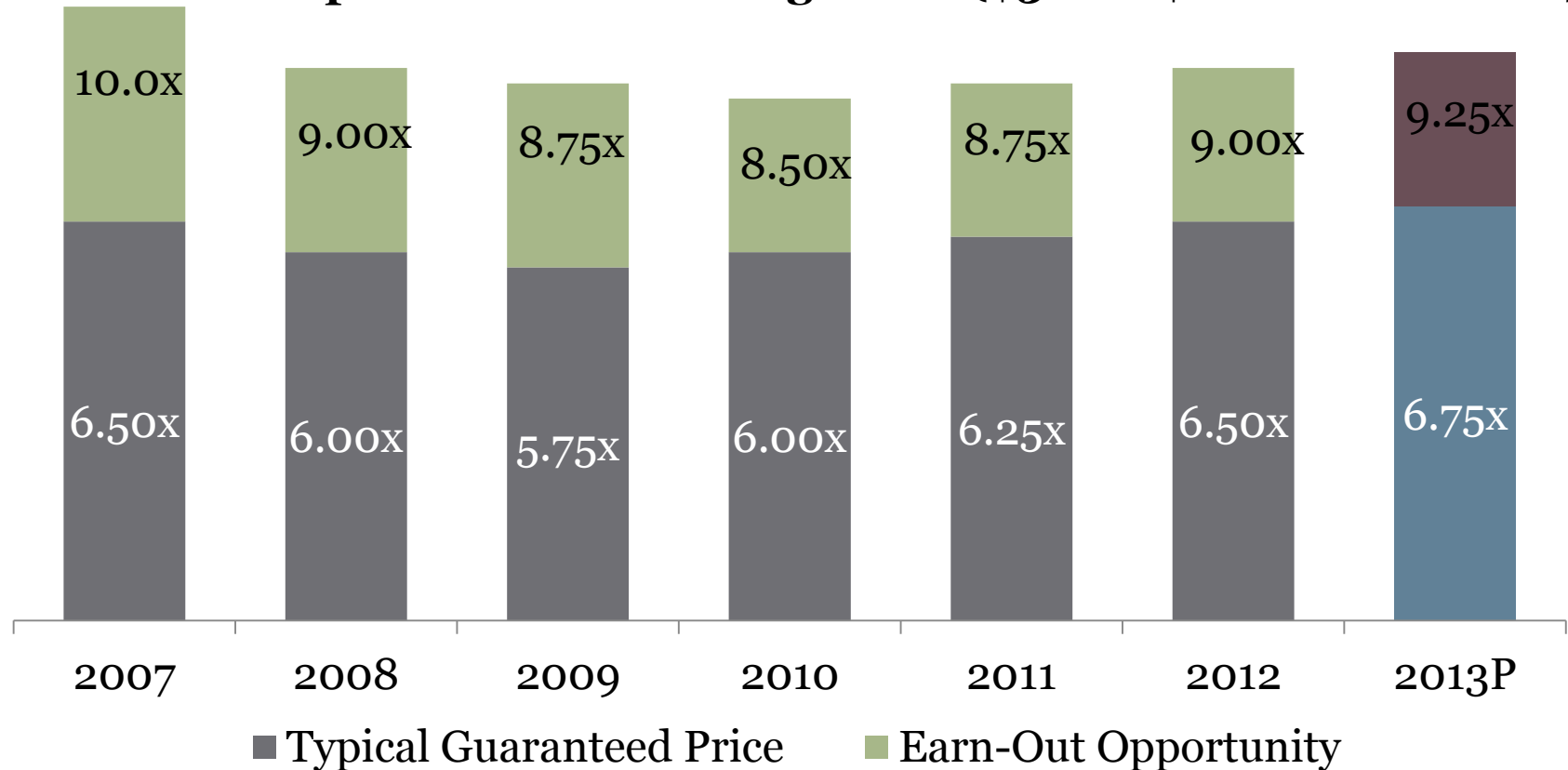


Source: Reagan Consulting Organic Growth & Profitability Survey



# Deal valuations reflect strong buyer demand

## EBITDA Multiples for Mid-Sized Agencies (\$3M to \$10M in revenues)



Source: Reagan Consulting Organic Growth & Profitability Survey

# Competing trends complicate decision-making about insurance

- Banking trends drive increasing need for non-interest income
- Insurance brokerage performance and value growth are soaring

- Continued regulatory and economic uncertainty challenge “strategic clarity”
- Highly competitive agency M&A market (mixed perceptions of banks as buyers)

# Forecast

- Need for non-interest income



- Agency performance



- Strategic reluctance



- Agency M&A marketplace



- Bank participation in retail insurance



# Can insurance brokerage deliver for banks?

- Remains an insignificant contributor to **INDUSTRY** Non-Interest Income (2% in 2012)
- But is a key Non-Interest Income Source at the **Bank/BHC level**
  - 86 BHCs with >\$5MM in insurance brokerage fee income (2012)
  - 45 BHCs earned >25% of total Non-Interest Income from insurance brokerage (2012)

Source: SNL Financial, Michael White Bank-Insurance Fee Income Report 2013

# ABIA Conference 2013

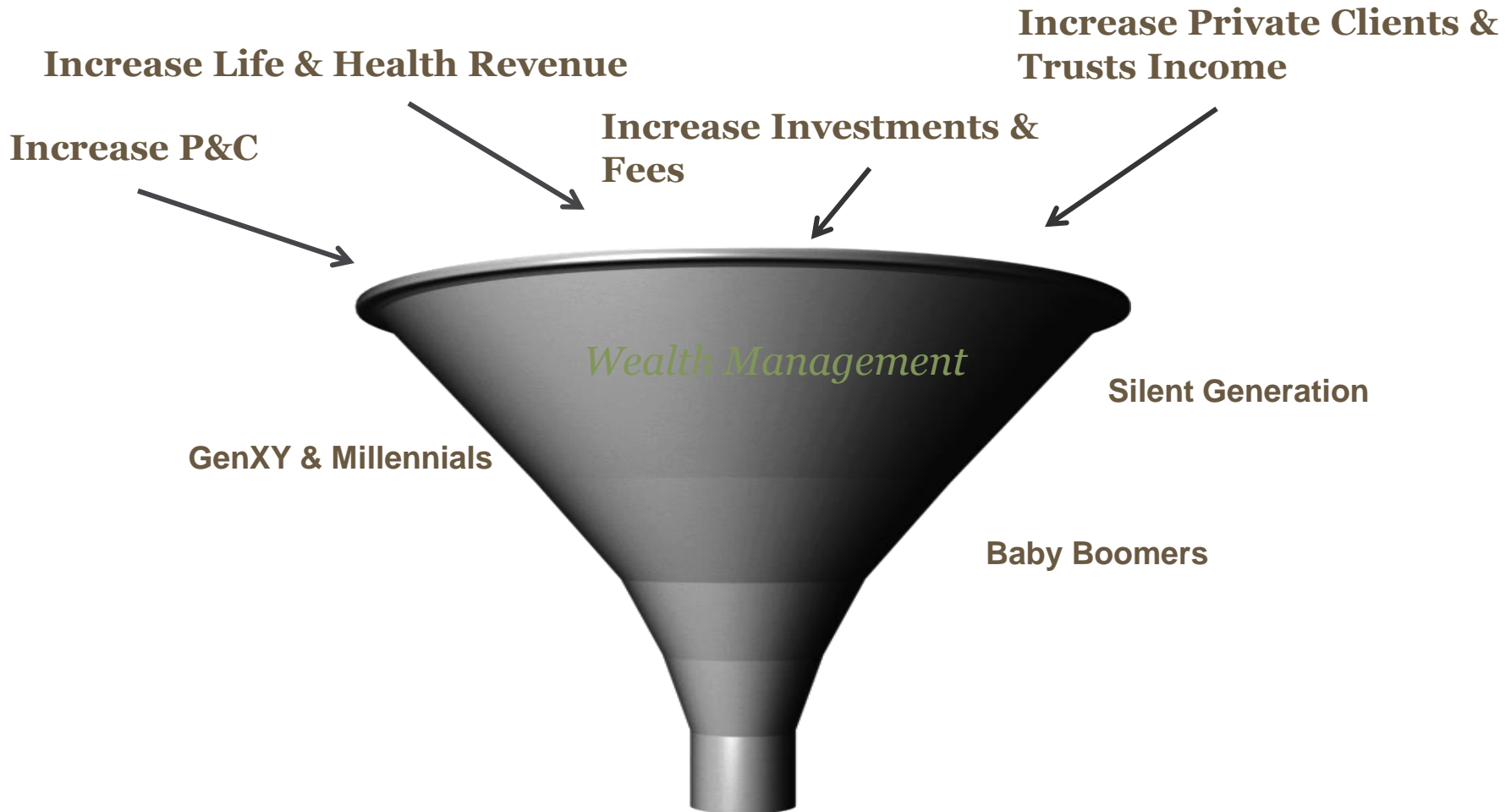
How Trends are Influencing  
Bank Insurance Strategy;  
Focus on GenXY



*CF Effron Company, LLC*  
*With reflection the divide can be bridged*

# Increase Non-Interest Fee Income

## Options



# Stretch Exercise

# Ethnography

Is an approach as well as a set of methods. Originates out of the discipline of anthropology.

Ethnography is a great way to understand:

- What **meaning** your product or service carries for people?
- What are the **unmet needs that need to be uncovered?**
- What is the broader context that is occurring around that moment that your product and your customer's lives **intersect?**





# Research Objectives

**Investigate the deeper needs and concerns of the target audience around Wealth Management; banking, insurance and investments and then highlight “gaps” in thinking between Bankers and Consumers.**

*“Serious Play, Gaming Techniques” used with 17 Bankers in charge of Insurance & Investments and GenXY consumers with greater than \$500,000 in assets.*

**Consumers: Design your Dream Wealth Management Bank**

**Bankers: What do you **think** GenXY Consumers want from a Wealth Management Bank?**

# Actionable Research

**How to service GenXY as they move into wealth.**

Must Haves verses Nice to Have. What influences purchasing decisions? Alignment of social strategies for marketing and service?

Integrate insurance and Investment today to capture the GenXY wealth of tomorrow; which supporting technologies most important?

***CREATE THE FARM TEAM OF EMERGING AFFLUENT TODAY.***

**Design of product roadmap that should be followed.**

**Respectful of differences in the way and what should be communicated;**

**Empower FCs and agents to handle interactions in social media.**

**Determine the metrics that will drive success, how communicated and analyzed against peers.**

# Ethnographic Research Techniques Used

Serious Play

# Why Playing Games Works

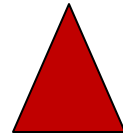
- The human brain is a pattern-making machine.
- We seek and find patterns everywhere we look.
- We're so good at making patterns that once we find one, it can be difficult to see anything else.
- Creating randomness is a way of fooling the mind so that you can more easily search for new patterns in a familiar domain.



# Games Tap Into What You Don't Know You Don't Know



What we know



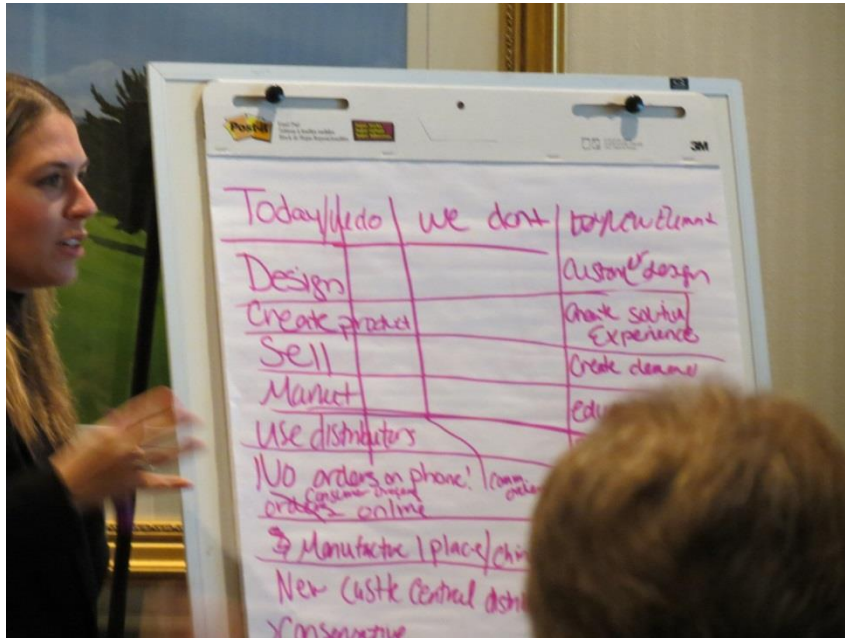
What we know we don't know: like how to fly a plane or speak Mandarin



What we don't know we don't know—  
**EVERYTHING ELSE**



# It Looks Like This



And works because it is;  
Systematic, Objective, Focused and  
Actionable!

# The GenXY Consumer



# Times are A'Changing

GenX; born 1965 - 1980; oldest today is 48; total population of 41 mm

Gen Y; born 1981 - 2004; oldest today is 32 ; total population of 71 mm

Millennials: 1977 - 1994; Part of GenXY; oldest today is 36

## Money vs. Mission



## Rules v. Judgment



## Place v. Idea

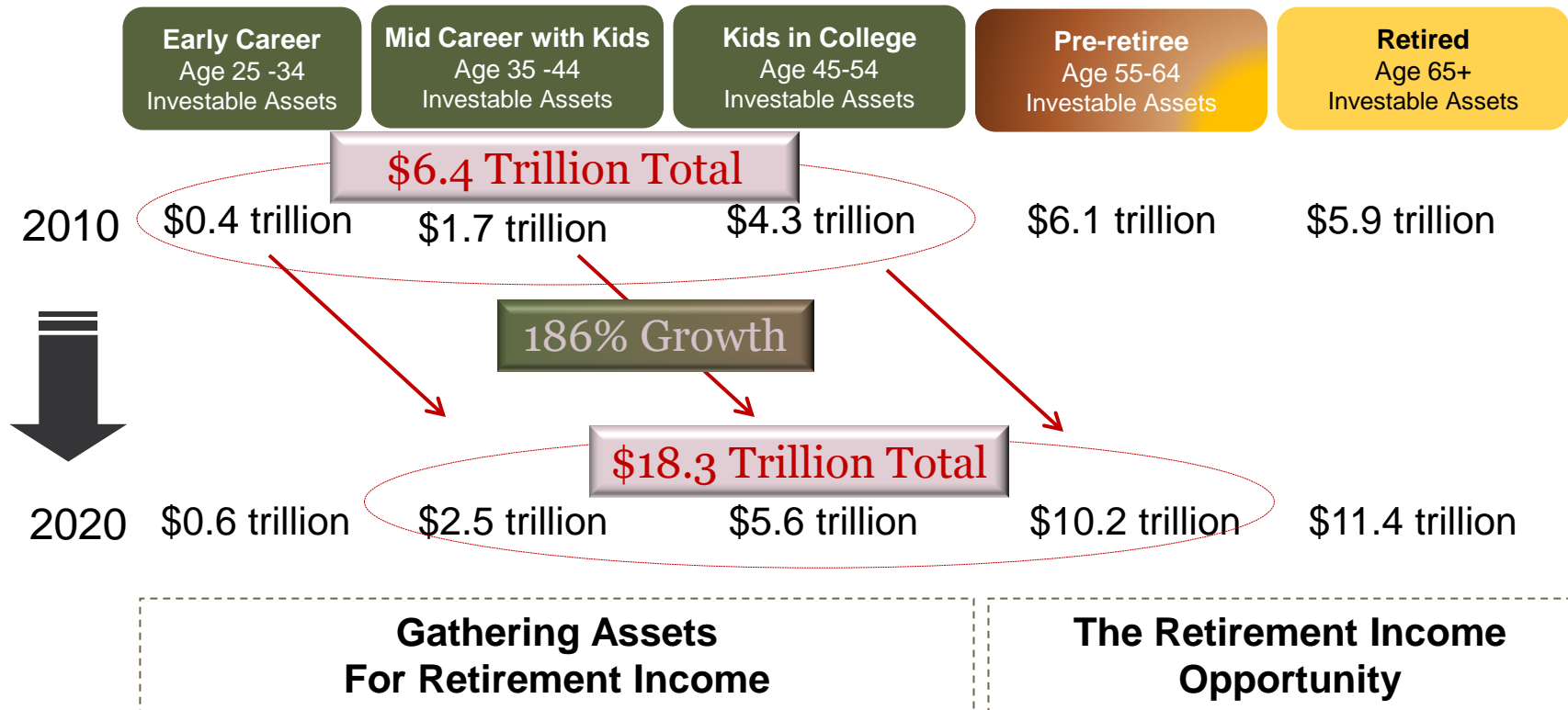


## OCD v. ADD



JOURNAL DE QUÉBEC | MARDI 22 JANVIER 2006

# Why GenXY Important?



Source: LIMRA, Based on 2001, 2007 and 2010 Survey of Consumer Finances, Federal Reserve Board and U.S. Census Bureau's *Current Population Survey, March 2011 Supplement*. All estimates and calculations reflect consumer segments of age 25 or more, and households with assets between \$50K and \$4.9M. Household HH by age group growth has been estimated by using Census projections by age and assuming that the proportion of HHs that have between \$50,000 and <\$5 million is constant within age group over time and the proportion in equities remains constant within each age group over time.

# Positioning

55% “yes” to insurance and  
75% “yes” to buying  
investments from bank\*.

- Currently GenXY has grown up where the segregation of assets is not as defined as for previous generations;
  - **Today Retirees Assets Are\*\*:**
    - 4% with Insurance Companies
    - 7 % with Credit Unions
    - 17% with Banks
    - 12% with Mutual Funds Companies
    - 19% with Brokerage Firms
    - 10% with Ind. Fin. Planners

41%



# GenXY Themes

*“I am fed-up with the inability of the staff to answer questions.”*

- Need a guide through our life transitions; from earning, to savings to enjoying it.
- A bank that makes me feel like I belong.
- A place to be educated on how to protect my assets and use them wisely.
- Can help design a sound budget and workable plan for an uncertain future.
- Not enough support, advise or knowledgeable people.
- We view bankers today as technology on steroids; why can't we have double miles so banking, insurance and investments are more fun.
- We do not feel appreciated.
- Too much turnover and I feel as though no one is managing my money.

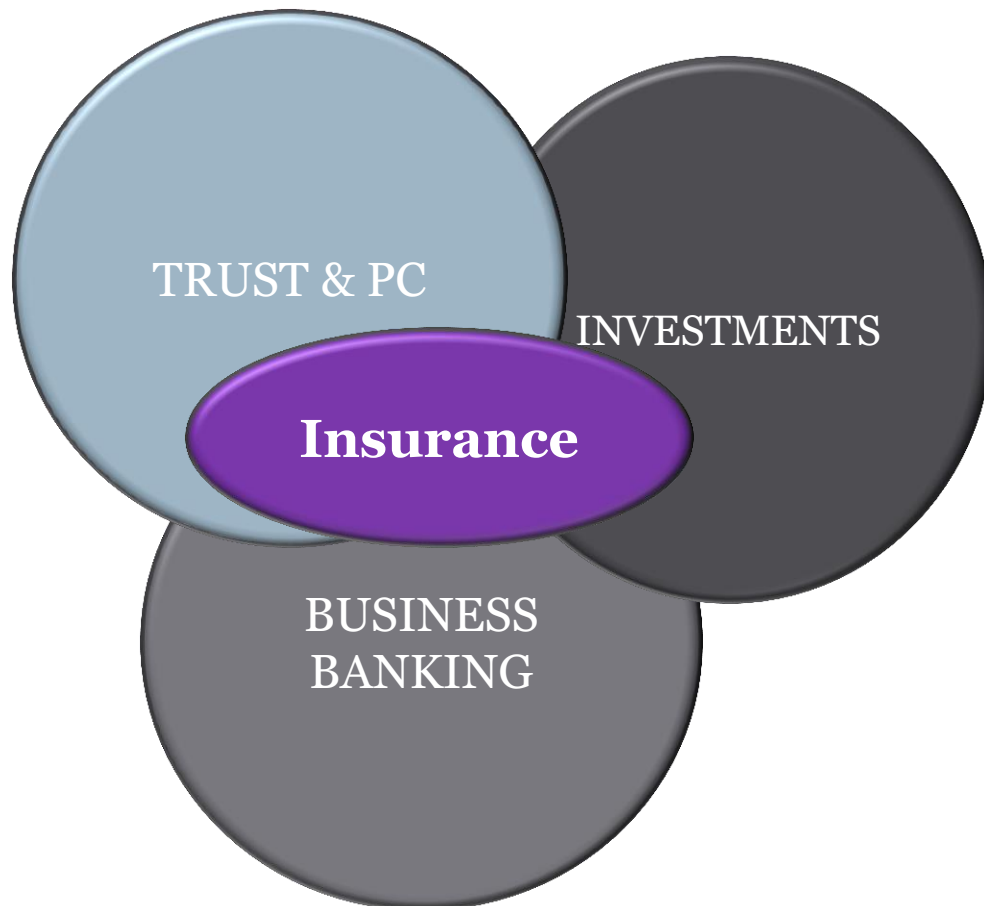
*“Privacy is important but perhaps it could be combined with someone who knows your name and appreciates your business”*

# The Bankers

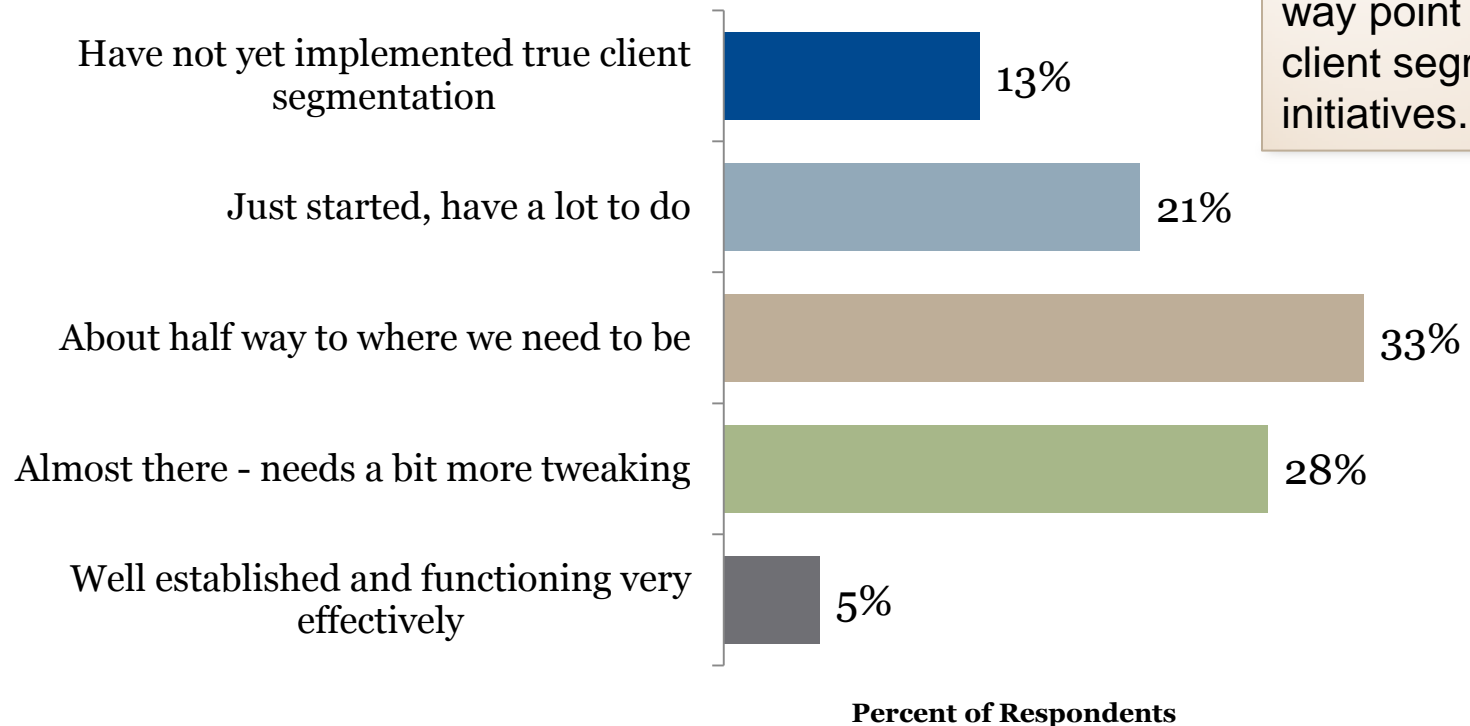
# Bankers Issues

- Need for integrated wealth management all working together in a seamless fashion.
- No silos and no “we own the customer” issues.
- A coordinated group of professionals and SME who specialize in various needs of managing wealth in a tiered fashion with products and services when and how desired.

*“Make my agents more productive; less time with unprofitable clients.”*



# How Complete is your Client Segmentation Strategy?



About two thirds of the industry is not quite to the half way point with client segmentation initiatives.

# Emerging Insurance Technologies



- Increased use of tablets by sales people
- Mobile access to accounts by clients
- Big Data Analytics
- Mobile access to accounts by sales force
- Online e-applications



# The Gaps

# Gaps

## BANKERS

- High Tech
- Integrated statements; banking, bill paying, investments, insurance, mutual funds
- Use of “financial games” & “avatars”
- Use of social networks to compare budgets and goal attainment with peers
- Financial advice through internet
- On-line financial community
- More self -directed & less advised

- **Rewards**

*Banker: “All clients mobile, tablet and internet work together.”*

## GENXY

- High Tech Expected
- High Touch Desired
- Knowledgeable people to talk to
- Use of banks bricks & mortar as social club
- More private info exchanged for more service
- **Rewards**

*Consumer: “Want all the sophistication of the big banks and their cool systems with the warmth and familiarity of the local credit union.”*

# Some Last Words & Thoughts

- Client-service focused...*“Willing to do pretty much anything you want, legal of course”*
- Specialized...*“If I have a need, whether it is budgetary, loan or insurance based, they field the team to make it happen.”*
- Strategic...*“They can help me plan for an uncertain future.”*
- Flexibility...*“Responsiveness of the overall team to my questions and concerns.”*
- Managing Process...*“They make it easy for me.”*
- Experts...*“I want to be able to trust that they have my best long-term interest at heart. I know they are making money, but get their efficiencies internally not through my interactions. ”*
- Communications...*“Can we please have a little color and fun; why are banks so one-dimensional and non-interactive?”*

# Next Steps

- Come Play With Us!
  - *More experimental collaborative Serious Play research to determine how banks should evolve their Wealth Management offerings and not lose this segment to the brokerage competitors.*
- Allow GenXY to speak openly and encourage creative expression to uncover the underlying non-conscious drivers of GenXY behaviors.
- Present to bank executives a precise picture of the factors and metrics required to understand and succeed with this segment.

Banking is still a people to people business; Watch and Listen to them PLAY!

# For More Information on Ethnographic Research and Serious Play

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