



American
Bankers
Association

American Bankers Insurance Association
an ABA subsidiary

BANK-OWNED INSURANCE AGENCIES

PAST AND FUTURE GROWTH





AGENDA

- ⇒ Overview of the 2011 ABIA Conference
- ⇒ Stepping Back for a Minute
- ⇒ What Needs to Change
- ⇒ The Need for Scale
- ⇒ Marketing
- ⇒ Summary



ABIA 2011 ANNUAL CONFERENCE

BALANCING THE NEW REALITIES OF BANK-INSURANCE

⇒ Key Topics and Sessions

- ✓ Insurance Products and Programs
 - . Annuities, Life Insurance, Employee Benefits, Wealth Management, Direct Response, Voluntary Flood
- ✓ Regulatory Changes Affecting Banks
 - . Compliance
- ✓ Reaching Your Bank Customers
 - . Whatever the Size of the Bank
 - . New Marketing Trends Resulting from New Regulations
- ✓ Bank and Insurance Agencies
 - . Results, Compliance, Marketing to Customers
 - . Expected Results and Reality

STEPPING BACK FOR A MINUTE



STEPPING BACK FOR A MINUTE

Standard & Poors 500 Index– the last 10 years

PRICE HISTORY - \$INX (7/1/2000 - 7/1/2011)



-0.53%



STEPPING BACK FOR A MINUTE

Gramm-Leach-Bliley Act 1999

WHAT REALLY CHANGED?

- Citicorp purchases Travelers Group in 1998
- Citicorp sells Travelers to MetLife in 2005



STEPPING BACK FOR A MINUTE

Reagan Report –

2010 ABIA Study of Banks in Insurance

- ✓ Number of banks participating in insurance distribution down
- ✓ Recent profit margins decreased
 1. Organic growth rates down
 2. Pricing moved downward
 3. Market softened



STEPPING BACK FOR A MINUTE

- ✓ **M & As have declined in 2009 and 2010**
 1. Banks' capital requirements change
 2. Uncertainty in the marketplace
 3. Return on capital is weak

- ✓ **Large and Small Agencies have Challenges**
 1. Hard to get scale in large banks
 2. Smaller banks struggle for scale

- ✓ **Product Offerings**
 1. Sales of Traditional Product Lines shrink

STEPPING BACK FOR A MINUTE





STEPPING BACK FOR A MINUTE

To Recap

- ✓ Mortgage Crisis
- ✓ Soft Economy
- ✓ Shift in Consumer Spending
- ✓ New Banking Regulations (Dodd-Frank)
- ✓ The Scale Issue



WHAT NEEDS TO CHANGE

WE TOUCHED ON WHAT'S HURTING OUR BUSINESS:

NOW ...

WHAT CAN WE DO TO GROW THE BUSINESS?



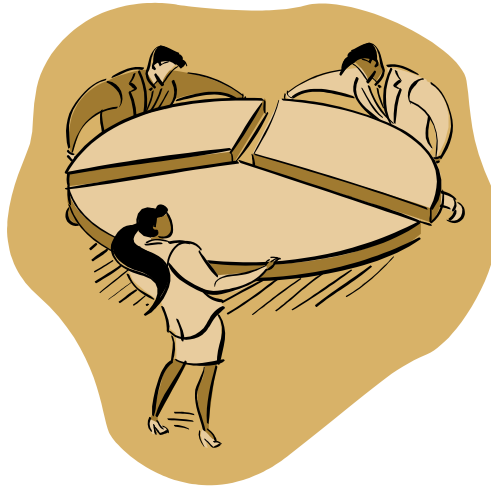
WHAT NEEDS TO CHANGE

⇒ COMMITMENT from the Bank

- ✓ Agency must be part of Bank's Strategic Plan
- ✓ Agency must get to Scale

. . . . Probably means acquiring a sizable Agency

WHAT NEEDS TO CHANGE



⇒ What **YOU** Need – An Experienced Team

- Marketing know-how
- Financial know-how
- Extensive knowledge of insurance



KEY INGREDIENTS OF THE STRATEGIC PLAN

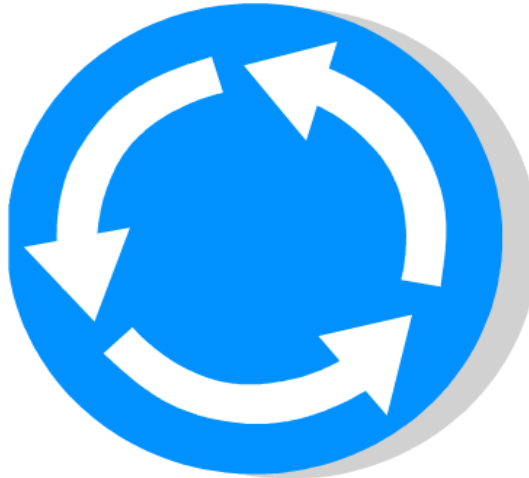
- ⇒ Identify your target Agency
- ⇒ Consider size, profits, management
- ⇒ Analyze successful products and programs offered
- ⇒ How does the Agency fit with the bank

CURRENT FACTS

. Banks need new revenue



. Buying agencies creates new income



. Insurance returns need to be stronger



. Bank capital is more scarce



MARKETING

✓ PricewaterhouseCoopers Report *

- Cross selling Insurance Products will receive strategic emphasis in the future
 - 40% of bank customers stay with their primary bank for 10 years or more
 - Average customer has 6 financial products but only half are with their primary bank
 - 85% of bank customers' insurance products are not with their primary bank
 - Need to change banks' silo structure

* New York, July 13 – PricewaterhouseCoopers News Release



AGENCY MARKETING PLAN

- ✓ Solid research of bank customer needs
- ✓ How, when and where to market and cross sell
 - Web sites, bank lobby, inserts, telemarketing, cross sell, etc.
- ✓ Know your competition
- ✓ Set attainable results
- ✓ Review actual result vs. goals
- ✓ Adjust and refocus
- ✓ Look for new products and trends to grow the business



SUMMARIZING 'THE PLAN'

- ⇒ Bank commitment and management is a must
- ⇒ Need for Scale ... acquiring the right agency
- ⇒ Cross sell, cross sell, cross sell ...
resulting in profits that count

