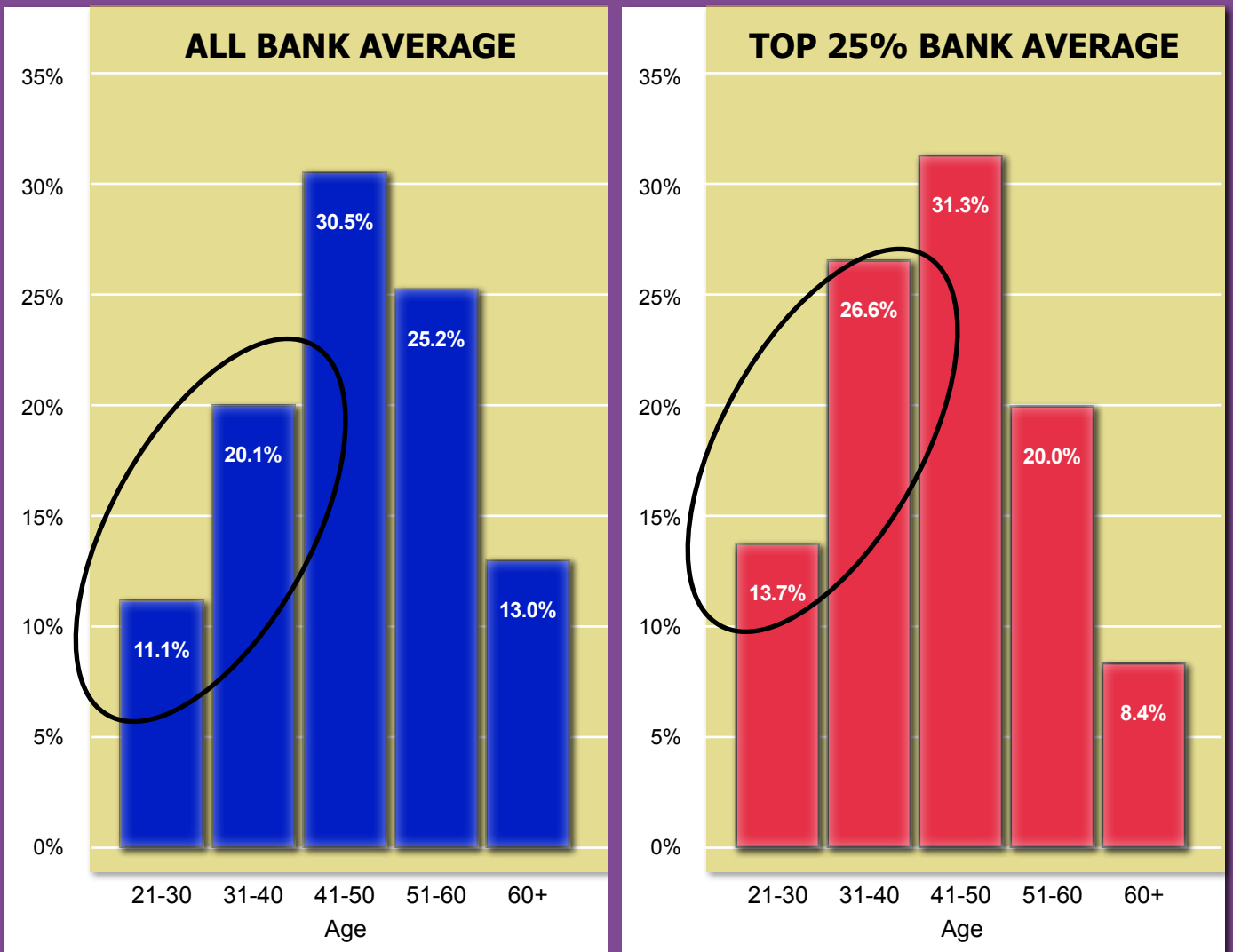


BANK-INSURANCE VIABILITY INDEX

Banks Failing to Perpetuate?

Two primary objectives of any CEO are to grow and perpetuate. Recent insurance revenue growth rates have been less than desirable. The perpetuation prospects are trending in a direction to fare much worse. We must review our compensation expenses, in this case producer compensation, relative to growth and perpetuation in order to evaluate future sustainability. The table below illustrates the average producer age dispersion for the average bank-insurance platform versus peak-performing independent organizations.

Producer Age Dispersion



As illustrated above, only 31.2% of producers in the average bank-owned agency are under the age of 40 years compared to 40.3% for peak-performing independent organizations. Peak-performing CEOs continue to excel in the consistent hiring, training and retention of the sales force. And they do so under the umbrella of lower overall compensation expenses. In the context of perpetuation, however, CEOs must also look at future risk factors associated with relationships and new business production.

In the average bank-insurance agency, producers over the age of 50 years handle approximately 48.8% of all customer-related commissions and fees as well as 44.3% of all annual new business sales. Comparatively, in the peak performing private agencies, producers over the age of 50 years handle only 36.9% of commissions and fees and 36.4% of new business production.

As producers over the age of 50 move toward retirement in the next 5 to 7 years, the typical bank-owned agency CEO must transfer the relationships related to almost half of their organizational commissions and fees and replace slightly less than half of their new business production capabilities. Perpetuating agency stock for those bank-agencies is not an issue. However, the inability or unwillingness of most bank-agency CEOs regarding perpetuating relationships and new business sales will only serve to further exacerbate the wasting asset problem of the bank-owned insurance entity.

Internal performance enhancements that the bank-insurance CEO can control are not being implemented. Hiring and acquisition freezes, both sound investment options, are stifling future sustainability. And the future looks grim unless external macroeconomic factors rebound hurriedly. Peak-performing agencies, on the other hand, whether bank-owned or private, are well positioned to perpetuate leadership, relationships and sales as they embrace long-term viability and asset enhancement. Regardless of the financial institution's ultimate decision-making authority, the bank-agency CEO masses who cannot push through perpetuation investments will become a dying breed. Followed soon thereafter by the bank's insurance asset itself.

