

# BANK-INSURANCE VIABILITY INDEX

## Bank Agency Cross-Selling

The holy grail of all bank insurance platforms is cross-sell revenue. The coveted success of a few is desired by many, but what differentiates the cross-selling success from those scratching their heads? In leading banks, cross-selling remains an institutionalized priority.

Many in the insurance industry will proudly proclaim that banks have failed in the bank-to-agency cross-selling strategy. So too have many banks shifted the stated purpose of their respective entire into insurance from wallet share to non-interest income. But before judging whether banks have been successful in their agency cross-selling efforts, we must first define what success actually means. One mechanism to define and quantify success resides in assessing the amount of annual new agency business generated from cross-sell activity. And we can measure this ratio for both intra-agency cross-selling as well as bank-agency cross selling.

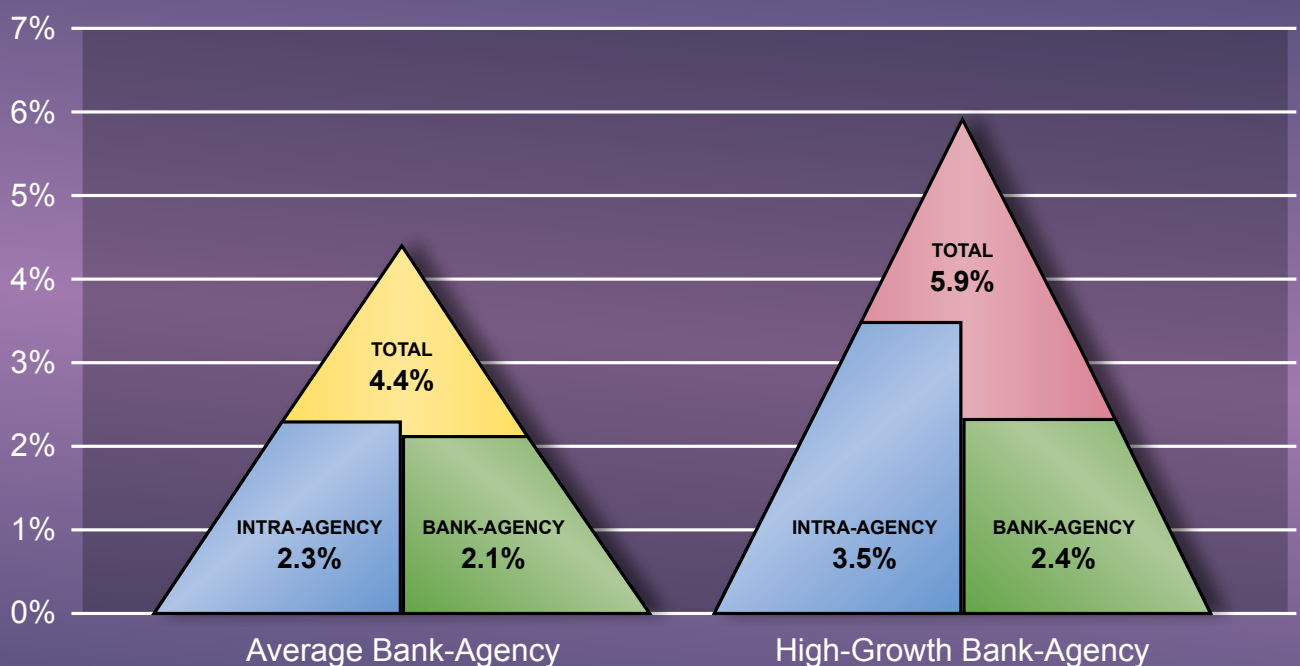
### (Agency New Business Written Commission Dollars from Cross-Selling)

#### (Prior Year End Agency Commissions/Fees)

Remember, most bank-agency platforms will write *total* new business equivalent to between 14% and 18% of prior year end commissions/fees. Every percent increase of new business is critical.

As the chart below illustrates, the average bank-owned agency annually writes 2.3% of prior years commissions and fees via intra-agency cross-selling and another 2.1% from bank customers. At the same time, leading bank-owned agencies realize 3.5% annual new business via intra-agency cross-selling efforts and another 2.4% from the bank. While at first glance, this too may seem disappointing, it is a clear differentiator and in the current economic and soft-rate environment may make the difference between organic growth and shrinking.

### New Business as a % of Prior Years Commissions/Fees Cross-Selling



*The above data is based on average agency revenue sizes of \$20M as of 6/30/10.  
Source: MarshBerry's Perspectives for High Performance (PHP) benchmark report.*

High-growth banks in insurance realize an additional 33% new business written over their agency peers just from systematic cross-selling programs alone. And the fundamental difference between average and best begins with the commitment by the bank CEO. Every CEO espouses philosophical benefits of cross-selling, but CEOs also have a significant number of high priorities including credit losses, capital position, stock price and earnings. These important responsibilities distract CEOs from the message of rounding out customer accounts and increasing wallet share, but for those that make this effort, growth in fee income rewards both bank revenue and earnings.

Banks in insurance must document goals and the account rounding process in a cross-selling plan that includes:

- *Defining quantifiable success metrics*
- *Documenting a plan*
- *Executive and/or managerial-level participation and oversight*
- *Team-based sales approach (pull vs. push referrals)*
- *Internal relationship building amongst cross-selling teams*
- *External relationship development with pre-defined target customers*
- *Team tracking and accountability*

The number one goal is to expect results. Less than 50% of bank-owned agencies establish cross-sell goals. Organizations that fail to establish cross-selling and referral goals between production lines are doomed to their old behaviors and lack of cross-selling revenue. Remember, that which gets measured and rewarded gets accomplished. Every organization seeks organic growth. Cross-selling remains critical to both solidify the retention base as well as write new business.

