By

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Bank Insurance D-Day

BY COINCIDENCE, I finished reading General George Patton's *War As I Knew It* the first weekend in June, the same weekend commemorating the 55th anniversary of D-Day. *War As I Knew It* is based on Patton's diary and letters written from 1943 to 1945, and details his campaigns — from the invasion of North Africa through the Sicily campaign, to the breakout from the hedgerows of Normandy and the pushback against the Bulge, the race across the Rhine, his magnificent successes in the Palatinate, and his reluctant stop just short of Prague.

Patton is an articulate and cogent writer. The book is not that of a blowhard which popular culture has sometimes made him. *War As I Knew It* provides excruciatingly exact descriptions of strategies, tactics, and troop movements. General Patton's military skills, philosophy of leadership, and stellar results of these talents are to be respected. There is much from which we can learn…in war, in life, even in the business of bank insurance. For example,….

If you cannot defend, then attack

Sometimes, and with ostensible reluctance, community bankers recognize that they need fee income if their banks are to survive and thrive. But, reformulating their competitive positioning poses an often-daunting prospect in the face of intense deposit and asset competition from formerly discrete nonbanking sectors of the financial industry.

A subordinate general once lost a hill in battle and, discouraged and similarly reluctant, told Patton it could not be taken, it could not be held. In response to this pessimistic assessment, Patton told him two stories. First, that General Grant once said, "In every battle there comes a time when both sides consider themselves beaten; then he who continues the attack wins." The second story was what Robert E. Lee supposedly said at Chancellorsville: "I was too weak to defend, so I attacked." The result? The subordinate immediately retook the hill.

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Perhaps, we might do well to stop considering the seeming enormity of the task of building a bank insurance business. We would do better to confront the fact that the banking industry, as we know it, cannot defend, cannot survive, and cannot win, unless it attacks. Like Patton, we should repeat to ourselves Stonewall Jackson's self-admonition, "Do not take counsel of your fears." Besides, building a bank insurance program is hardly the same as liberating Europe or crossing the Rhine. Keep things in perspective. Keep fear under control, and do not let doubt overwhelm.

Plan to fit the circumstances

There are many ways to sell insurance. That's why some bankers who want to get into the bank insurance marketplace often start by first deciding whether to "buy, build or rent." While mode of entry into the business is an important decision, it is not the appropriate starting point for formulating a bank insurance strategy. First, there may be more than one correct answer. More importantly, knowledge of what insurance to sell and how to sell it can only be had after a bank has evaluated and ranked its diversification opportunities.

Again, General Patton reminds us in common-sense ways that strategic planning applies to planning any endeavor and forecasting the possible outcomes of any activity, including a bank insurance program. "One does not plan and then try to make circumstances fit those plans. One tries to make plans fit the circumstances. I think the difference between success and failure in high command depends upon the ability, or lack of it, to do just that."

That is why it is so important that each bank determine which products are strategically right for its customers and, simultaneously, which strategies have realistic

potential to produce significant sources of operating income, thereby maximizing bank profits. Thus, bank management needs to examine its own circumstances – its core banking businesses and customer profiles. The insurance programs it offers must fit both. What insurance products neatly dovetail with customer transactions and business relationships, thereby directly aligning with the known needs of target customers? Is there an effective and efficient match between customers' needs, products, distribution and servicing? Can the bank deliver appropriate products to target-customers at an acceptable cost to those customers and a sufficient profit to the bank?

Too many times, however, some bankers appear to rush into the business without projecting – by market, product and distribution – sales closing ratios, average premiums per sale, average gross commission rates, and associated direct expenses and investment. These calculations should form the foundation of a bank's strategic evaluation process. These fundamental projections enable a bank to estimate the potential premium, revenue and income to be derived from its sale of various insurance products. They are indicators of the likely best mix for implementation of insurance programs appropriate for the bank's customer base and the means of market delivery.

Haste versus speed

General Patton understood the difference between haste and speed. "Haste exists when troops are committed without proper reconnaissance, without the arrangement for proper supporting fire, and before every available man has been brought up. The result of such an attack will be to get the troops into action early, but to complete the action very slowly…. Four hours spent in preparation for an attack will probably insure the time under fire not exceeding thirty minutes. One hour spent in the preparation of an attack will almost certainly insure time under fire lasting many hours with bloody casualties."

Too often, bankers rush into the business without projecting sales closing ratios, average premiums Per sale, average gross commission rates, and associated direct expenses and investment.

For more than a quarter century, bankers have fought for the right to sell insurance to their customers. Having acquired

those rights only recently in most cases, bankers ought to take a little time to analyze carefully their insurance opportunities. They should properly plot those strategies that will fulfill their strategic objectives and logistically organize themselves for their efficient and effective entry into the field of insurance in ways that minimize their losses and maximize their victories. To win, they must invest some time and intellectual and financial capital. Without acquisition of or preparation of sufficient support and logistical infrastructure, bankers will be fast to the market, but slow in reaping successful results. The campaign will lengthen, casualties will mount, discouragement and low morale will set in, and the chances of recovery – let alone success – will be substantially diminished.

On the other hand, bankers must be careful that that syndrome of indecision, "the paralysis of analysis," doesn't trap them. It does no good to delay or dither. Shortly before D-Day, meteorologists forecast the likelihood of storms in the English Channel. Faced with the risks of delaying the Normandy invasion and the risks of bad weather ruining the Channel-crossing and troop-landing, Supreme Commander of the Allied Forces, General

Dwight Eisenhower, made the ultimate life-and-death decision. He concluded simply, “Okay, let’s go.”

While bankers must deliberate their bank insurance options with objective and discerning methodologies, too much study may lead to the equivalent of a college degree, but not to a timely business decision. Too much study can be as bad as too little study. Good planning without subsequent implementing action is not, in fact, good planning. It is a waste of time. Indeed, some people use extensive planning as an excuse for not taking action. “I need more facts,” they explain. “I need to examine the bigger picture,” they justify. “I don’t think we have enough detail here,” they rationalize. Ultimately, one reaches a point where one has to say, “Okay, let’s go,” or, in the advertising vernacular of the 1990s, “Just do it.”

As General Patton said, “Don’t delay. The best is the enemy of the good. By this I mean that a good plan violently executed now is better than a perfect plan next week. War is a very simple thing, and the determining characteristics are self-confidence, speed, and audacity. None of these things can ever be perfect, but they can be good.”

Consider the fact that, in this last decade of the century, financial institutions comprise the fastest growing annuity distribution system in the country, accounting for approximately $130 billion from 1990-98. Bank sales in 1997 and 1998 of over $40 billion in annuity premiums represented approximately $2.4 billion in gross commissions or fee income.

Amazingly, despite this record of success, only about one-fifth of all banks and thrifts are selling annuities. The potential opportunity for banks is obvious. While those bankers not yet distributing annuities and insurance must consider thoughtfully how to start selling such products, mostly they need first to believe that they must commit themselves and their troops to the battle. It is a necessity. They can no longer defend. They must attack.

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