On My Mind

“The Name Game”

By

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Agent trade associations are aggressively lobbying Congress to pass a federal version of their restrictive Rhode Island bank insurance bill. (“H.R. 10,” with Roman numeral one, should serve to remind banks of the regressive nature of the Rhode Island legislation and spur all who are interested in a non-restrictive bank insurance marketplace to action: “Here’s Rhode Island, Ouch.”)

At the same time that insurance agent trade associations are working to outflank the banking industry with legislation punitive to bank insurance powers, agent organizations are also trying to bolster their memberships and treasuries by appealing to bank insurance agents, accountants and financial planners. To do so, however, they are changing their names.

New name, same membership

Last fall, members of the former American Society of CLU & ChFC voted to change that organization’s name to the Society of Financial Services Professionals (SFSP). With its new name, but same membership, the SFSP now describes itself as “an organization of financial service professionals” and “the premier association for professional development in the field of insurance and financial services.”

I appreciate the value of professional designation programs, but, I wonder what the Society will do, under any name, to truly include the growing number of insurance agents who work in alternative distribution systems—and not the career-agency insurance companies that were, for many years, the mainstay of the Society. The Society is addressing its mission statement to “fulfill the changing needs of members by maintaining an effective organizational structure for the Society, including potential development of additional membership categories.” But it will be interesting to see how the Society handles its other mission to “address governmental policy issues which impact members’ abilities to serve the public.” Will the Society recognize the value to its members of free markets in the distribution of insurance products and consumers’ freedom of choice in their selection of insurance providers?

Will a rechristened NALU embrace insurance and financial professionals who market insurance products through banks?

The proud, so-called granddaddy of all insurance industry associations, the National Association of Life Underwriters (NALU), is also considering a name change. The NALU has vociferously argued and lobbied against bank insurance marketing. But the NALU has proposed to rename itself the National Association of Insurance and Financial Professionals (NAIFP). This suggests that the association intends to welcome new members from non-traditional agency distribution systems. If this is so, the NAIFP will have to recognize the benefits of enlarging the insurance distribution system beyond the walls of the career agency. This raises the issue: Will NAIFP embrace insurance and financial professionals who market insurance products through banks?

What’s In a Name?

If “a rose is still a rose by any other name,” will these renamed organizations remain comprised of traditional agents with traditional protectionist attitudes towards distribution of insurance products? Or will they really expand to become “financial services professionals” and “financial professionals”? In changing their names, these associations are responding to the desegregation of financial services that is allowing formerly discreet sectors of the financial world—banking, insurance and securities—to drink from the same fountain. These name changes also underscore recognition by traditional agent groups that their memberships are declining precipitously, their budgets are strained, and they need new sources of revenue. This is occurring in spite of the fact that the need for insurance products remains high.

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The traditional agency system isn't working like it used to. More agents know it, and fewer agents are in the business of selling insurance. In the last fifteen years, 56,000 career life agents left the insurance-selling business. In the last five years, 46,000 life agents quit the industry, a decline of about 20 percent. This rupture in the traditional life agency system continues, while the need for insurance remains great. Many of these agents left behind dated agency walls to sell insurance to bank customers in banks. They awakened to the possibilities of new distribution systems for life insurance.

The NALU has been dependent upon traditional agents to fill its membership roster. Not surprisingly, the size of this roster is shriveling, reflecting the general defection of traditional agents from the traditional agency system in particular and the life insurance business in general. In 1997, NALU membership stood at 108,000, a decline of 22,000 in two years and nearly 25 percent in five years. Without the new blood provided by bank insurance agents, membership in the NALU could be expected to decline to 86,000 life insurance agents by the end of this century. If one-time traditional agents and other bank insurance agents are welcomed into the NALU, their numbers may help stem the ongoing decline in NALU's membership roll.

Can no longer "stay true to your school"

The NALU and CLU may intend to solve the problems of membership attrition and shrinking financial resources by changing their names, increasing their members and maintaining their old attitudes and positions against open insurance markets. But this strategy is unlikely to succeed, and a membership change may have the unintended Trojan Horse effect. Once bank-based sellers of insurance are members of these associations, traditional agents will find it difficult to maintain their exclusionary and protectionist policies. The new market-generated "financial specialists" will not support traditional NALU policies that restrict bank-competition in the sale of insurance.

To succeed as associations of "financial service professionals," the CLU and NALU need to embrace the open financial services marketplace and abandon their anti-bank insurance bias. This is not their current stance. Therefore, it is difficult to accept the proposition that they offer a "big tent" for members of different views. These associations, if they truly wish to represent "financial services professionals," need to drop their anti-bank, anti-competitive and protectionist policies now and declare their opposition to H.R. 10. They must sincerely embrace a diverse membership and swear off discriminating against their brethren based on the latter's employer or place of business. With a new philosophy and real bank-based membership of all varieties of insurance agents, these associations of "financial service professionals" can survive … and prosper.

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