ON MY MIND

Bank Insurance Batting Tips

By

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I grew up playing baseball when the corner sandlot or church parking lot in the neighborhood served as a suitable playing field. It was a time that seems so different from today, when a boy who wanted to play ball hopped on his bike and rode to the game. He did not depend on parent-chauffeured car pools and coaches who took the fun out of the game by relentlessly treating their teams as semi-pro recruiting grounds for big-league ballplayers.

It was a time when you learned best from men who volunteered as coaches for the love of the game, not for the vicarious fantasy that a college or pro-ball scout was watching their 12 and 13-year olds with an eye to signing them next week. These men wanted to pass their knowledge, their lore and their passion for baseball on to their sons and their neighbors' sons.

They coached, offering instruction and providing tips, but always understanding they were teaching more than baseball. The kids were not just learning how to play their positions, read a pitcher, cover the field, handle a bat, and play the game. They were learning lessons about life: teamwork, cooperation, following instructions, discipline, training, preparation, hard work and how to handle themselves.

Baseball, like other sports, is a metaphor for life. That's why we have sayings like "Sometimes life throws you a curve." Good coaches not only inspire, but also explicitly preach the notion that baseball and other sports are metaphors for life.

For the Love of the Game

To play a game well, you have to love it. You have to appreciate the action of the game, and you have to respect the purpose and results of the game. So it is with bank insurance. To community banks, fee income is like scoring runs. Generally speaking, scoring measures how well you are playing the game, whether you're winning. No point in playing a game if you don't try to win, is there?

But, there's more to winning than just scoring. There's pitching, fielding, running the bases, and sacrifice-outs. A true ballplayer loves doing all these, because he loves the game. He doesn't just love the game when he crosses home plate.

In the case of bank insurance, this love entails an appreciation for what insurance does. It protects people against loss – loss of life, health, income, property, and especially time – time to earn the money to build an estate and accumulate assets. It protects people against financial suffering, against poverty resulting from an event that destroys all they worked for and the time it would take to re-accumulate those possessions.

Agree or disagree, baseball has been called "America's pastime," meaning it is the nation's most popular sport. Insurance may not always be popular, but it similarly occupies a unique position among America's financial services. Before this country had a national bank, it had an insurance company. I've said it before, and I'll say it again. The banking industry would do well to have just a modicum of insurance agents' missionary zeal for what they do and admiration for what their products accomplish on behalf of individuals, businesses and this nation.

Select the Proper Bat

Baseball players have the tools of their trade: gloves, spikes, caps, balls and bats. But each player has his own glove – well oiled, limbered, and suitable to his hand and his playing position. Each player has his favorite bat, the right length, well balanced and light enough to get around on the pitch.

So it is, or should be, with each community bank that sells or wants to sell insurance. Like a player who uses his own glove, not a teammate's, and gets his own bat out of the bat rack, each community bank must select its own tools and methods for selling insurance to its customers. While each insurance-selling bank may be playing the same game, it needs the equipment and style that is right for it and its particular customer bases.

Bank insurance selling cannot be based on a desire to imitate other players. You can't be Mark McGuire; you can't imitate Sammy Sosa. You have to be able to play on your own field, using your own skills, hitting with your own bat. How do you do that? By first measuring your situation and calculating what you need – just as you would select the most appropriate insurance policy to meet the particular needs of an individual customer.

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A banker cannot approach entry into bank insurance by saying, "I'm going to sell the same insurance the same way Mark McGuire Community Bank down the street does." Or, "I can afford to buy the Sammy Sosa Insurance Agency, too." One doesn't go to the plate with some other bank's bat.

Take a Comfortable Stance in the Batter's Box

In the batting box, a batter must maintain his balance and avoid overreaching. He should square his feet to his shoulders, stay on the balls of his feet, and not spread them too wide apart. He should avoid "stepping in the bucket" by stepping into the ball with a short stride.

Overreaching occurs in bank insurance, just as it does in batting. Whether it derives from ignorance, naiveté, overconfidence, or unrealistic expectations, it results in lost opportunities. It starts when a bank takes the wrong stance in terms of how it should enter the insurance business or the specific lines of business it should sell.

A thrift CEO asked my firm to evaluate and financially value an agency it considered a potential acquisition target. The assignment was finished in an hour when we reminded the thrift CEO that his was a classical thrift – it didn't have a single commercial client. The "targeted" agency, on the other hand, generated 90 percent of its revenue from commercial customers. It was not a suitable strategic fit with the thrift. The thrift CEO almost took the wrong batting stance, both in terms of his market-entry method and the business lines his bank-agency would sell to banking customers.

Keep Your Eye on the Ball

Once in the batter's box, it's essential to keep your eye on the ball and hit it where it's pitched. A few years back, I was amazed at a banking association's survey that found a substantial plurality of bankers believed they would derive their greatest profit from selling auto and homeowners insurance. Many of these survey-respondents don't have their eyes on the ball. They have no idea what commission rates these products pay and how many policies they must sell to produce meaningful revenue.

Before entering the bank-insurance batting box planning to sell auto and homeowners insurance, a community banker had first better know how many direct auto and home loans the bank originates annually. Can a bank score enough runs just selling personal lines insurance when it produces 400 auto and 800 home loans yearly? No, this bank will not hit the ball where it is pitched.

Almost 45 percent of another client bank's retail customer base was age 55 or older – twice the national average and two-and-a-half times that of its state. Originally thinking it would sell property-casualty insurance, this bank came to keep its eye on the ball and hit what's pitched – customers who need retirement annuities, estate-preservation insurance, wealth transfer products, and long-term care.

Bat Speed

Good bat speed enables a batter to adjust to different pitches like a fastball, change-up or curve. Coaches often admonished me, “You’re swinging too late; get that bat off your shoulder, and get it around faster. Use a lighter bat or choke up on the handle if you need to.”

Community banks need faster bat speed. Every pitch imaginable is being thrown at them these days: the high, hard fastballs of Citigroup and other mega-banks; change-ups from some three-dozen insurer-owned thrifts and commercial banks like State Farm Bank, ING Direct and the new MetLife bank, and longer leads from first by their agents who will attempt to steal the second base of banking; curve balls from investment companies like Fidelity, which beat insurers on their own field when it secured the Internet domain “insurance.com.”

Sure, the big guys don’t always score. Some will continue blowing billions of dollars on acquisitions like Money Tree. But, they’ve got more of what community banks don’t have – deeper bench strength (more capital) and equipment bags full of balls and bats (more products and services).

Community banks can’t stay in the league by playing ball the same way they have for decades. Declining returns on equity, diminishing shareholder value, riskier loans, and shrinking deposit bases won’t improve unless banks increase their bat speed. In baseball, bat speed is the equivalent of market entry. One can’t hit the ball with the bat resting on the shoulder. Insurance is still one of the financial products most needed by consumers and businesses. Thus, if community banks hope to score runs in the competitive game of financial services, my best batting tip is: “Pick up the right bank-insurance bat and step in the batter’s box.”

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