

Bookshelf

A Comprehensive Guide to Bank Insurance.

Michael D. White, Ph.D., CLU, ChFC. The National Underwriter Company, 505 Gest Street, Cincinnati, OH 45203-1716 pp 450.

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In preparation for a review of Michael White's *A Comprehensive Guide to Bank Insurance*, it seemed appropriate to pose a series of questions that would be expected to be answered in this pioneer work. It is satisfying to note that all questions raised were considered. It thus seems obvious that this comprehensive volume should be compulsory reading for both bankers and insurance executives who are considering a joint effort to expand their operations and profits.

The arguments for the entry of banks into the insurance arena are really quite simple. Banks need to distribute insurance products to strengthen their competitive position. And insurers need banks as an outlet for their products. The difficulties of supporting the traditional agency system of life insurance dictate the development of new distribution channels.

There are many difficulties to be overcome in achieving a successful entry into insurance marketing by banks. It is clear that considerable study and dedication are required to follow the steps mapped out to implement such a policy. Careful attention is given in the book to the issues that must be resolved, and a comprehensive blueprint is laid out to achieve a successful entry into insurance.

This book is not simply a how-to-do-it publication, as the procedures presented are rooted both in theory and practice. Conclusions are founded upon a large number of studies and on an examination of specific cases that are germane to the issue at hand. The recommendations offered are based on strong theoretical planks, as well as on a variety of case studies.

Any student of banking would find much of value in this volume whether entry into insurance is being considered or not. The summary of the problems banks face if they continue with long-held practices makes it clear that the industry has deep-rooted problems that need to be addressed. Their role as a depository has been challenged severely by such services as Merrill Lynch's cash management account and by money market mutual funds. On the asset side of their balance sheets, there has been an erosion caused by competition from the securities market. The share of credit supplied by banks has slipped from 66 to 44 percent in the past two decades.

The in-depth review of the marketing problems of life insurers documents how companies have failed to expand their sales commensurate with the growth of the market. The industry's agency force is declining rapidly, the number of uninsured and under-insured individuals is growing, and the productivity and service offered by the agency force is declining. Those responsible for the health of their companies

are searching for alternative distribution systems. One such is bank insurance.

The major problem in confronting the question of a bank's involvement in insurance relates to federal and state laws and regulations, as well as to court rulings. A wide variety of measures have been enacted which, in essence, permit banks to participate in insurance distribution in one way or another. The author does a masterful job of documenting the restraints and opportunities that have existed for sometime now. As bankers contemplate insurance marketing, they can find answers in this book on a variety of legal problems in the entry process and in the on-going management of this form of service to the public. This is considered of such importance that a large portion of this volume is devoted to this subject. It is hard to see how such a meaningful review could be done in less space.

Chapter nine is rather unique in that it takes the reader through a case involving a medium-sized bank that is considering entry into life insurance distribution. The guidelines, which are enunciated, will serve well any bank seeking similar goals. Insurance agents and companies similarly can benefit from the lessons offered. The analysis is a detailed one. It indicates the kind of factual data that must be secured and studied before a decision is made to undertake insurance operations. It is a highly practical run-down of a demanding decision-making exercise. It is encouraging to note that estimates are based always on a "worst-case" scenario. Economic assessments are uncertain at best, so this is no place for undue optimism.

This book is not designed for casual reading. Much factual information is presented in tabular form. The layout of the text, with its frequent headings, makes it easy to see the parameters of each topic. The appendices are especially useful for persons seriously considering a marriage of banking and insurance. Legal citations are helpful in considering the authority of banks in this field. The listing of names and addresses of banking and insurance regulators, trade associations, education and training organizations, publications, and statistical services facilitate action on the issues involved. A comprehensive listing of abbreviations in common usage is of value.

In summary, the book answers the most significant questions those contemplating bank entry into insurance should ask. It shows why banks should undertake insurance operations, why there is a ready market for such services, why there is a potential for profit, what must be done to assure success, and what might be the relationship with the traditional insurance business. Finally, it makes clear the legal and regulatory framework within which banks must operate.

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