



Cross-Pollination of Financial Services

Property and casualty insurers wishing to cross-sell life insurance and wealth management products should be considering new specialists, new office cultures and new technology



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To cross-sell life insurance and investment products effectively, property and casualty brokers need a compelling combination of people, culture and technology. Signs exist today that some brokers are finding success in broadening product offerings, reinforcing client relationships and driving increased revenue. They are also protecting themselves from competitors such as banks and direct writers. Will others follow?

Integrating financial services into property and casualty brokerage operations is not a new topic in Canada. Several examples exist of leading-edge intermediaries that, particularly in Quebec and Alberta, have successfully expanded their range of offerings to include life insurance, investment and even banking products. One of Canada's largest insurance companies has worked diligently to transform some of its concentrated brokers into full financial services providers.

Nevertheless, for many brokers, there is still a lingering sense of a distinct dividing line between property and casualty insurance and life insurance and wealth accumulation products. In some cases, the per-

ception of such a conceptual dividing line has resulted in failed experiments to cross-sell, or an inability to recognize the vast potential in building better client relationships and increasing broker profitability.

Such a lack of success becomes a more prominent issue when one considers the role of banks and direct writers in providing a broader range of products to customers. Questions directly confronting brokers today include: Do brokers want to take a proactive stance on protecting their client base, or do they want to wait and see what their competitors will do in the years ahead? Would they rather be on the offensive, or defensive?

THE ART OF CROSS-SELLING

The three most important areas on which a brokerage should focus when integrating financial services are people, culture/process and technology. If these are improperly planned or poorly executed, cross-selling efforts will encounter obstacles and often lead to frustration or weak performance. Good intentions don't necessarily translate into solid financial results.

People

If we first look at people, and specifically who is placed in charge of financial services integration, some brokers have made the mistake of simply encouraging customer service representatives (CSRs) or property and casualty producers to cross-sell other financial products. Not only is this unrealistic, it is ineffective and potentially dangerous in terms of insufficient product knowledge. If producers or CSRs have traditionally sold only property and casualty products, most will not be familiar with life insurance and financial products and will not dedicate the necessary attention to sales.

Hiring a life insurance or investment specialist is critical to the success of any integration initiative. That person should have the proper education and accreditation to sell a broad range of insurance and wealth management products.

But simply adding another body to the brokerage doesn't necessarily yield positive results. The life insurance and wealth management specialist has to build trust with CSRs and producers to ensure there will be a steady flow of referral business from cur-

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rent and prospective brokerage customers. This referral process is extremely important. Brokers have a ready-made source of prospects at their fingertips — their current clients. But they need to learn how to capitalize on the situation.

In our consulting business at Keal Technology, we have found that, although it is the job of the CSR or commercial producer to push business to the life or investment person, it does not happen until the producer or CSR trusts that person. Trust is the key ingredient to success. CSRs and producers have to be comfortable enough to buy their own life insurance from the new specialist before they entrust existing or potential customers to him or her. The concern is very real from the CSR or producer side: “Will this mess up my current relationship with clients?”

People in the property and casualty business will only give referrals to someone with whom they are quite comfortable. A life or investment specialist that comes into a property and casualty brokerage has to be savvy enough to “sell” the CSR or producer on his or her skills and knowledge. Once that is done, that person will get all the referrals needed — to the point where the brokerage will need to add a second life or investment specialist, and so on.

Culture/Process

In this sense, there needs to be a cultural, or at least attitudinal, shift in the brokerage towards sharing information about current clients, attractive customer segments and potential marketing campaigns. If trust is the first step, then incentive should be a key next move. CSRs or producers should be rewarded for providing information and referrals that lead to increased sales.

Money is an obvious motivator for some people, and so financial rewards for CSRs and producers related to referrals and sales are one way to gain momentum. Other, non-monetary rewards — such as earned time-off or gifts — are often used

as well. However, brokers often look at money or tangible rewards as the only incentive. In some cases, there are other non-financial forms of recognitions, such as posting results throughout the brokerage, personally acknowledging the individuals involved in the referral process and sharing the “wins” in cross-selling. This is a frequently overlooked benefit of integration — improved team building and a shared culture of performance and results.

Technology

If the people and culture/process side of cross-selling are in place, a brokerage still needs the right systems to support effective integration strategies. The lack of flexible technology in the past represented a clear hurdle for brokers. In some cases, traditional broker management systems had to be altered or modified to support business in other product lines. Similarly, brokers have had difficulties tracking referrals, leads and marketing campaigns in financial services products.

Technology exists today to run all of the arms of a full financial services brokerage, either independently or integrated. For example, Keal Technology has a BMS solution that caters to the integrated financial broker. It is divided into separate product “modules” that all reside on top of the same SQL database. There is, of course, sigXP for personal property and casualty and commercial insurance, and comXP for advanced commercial integrations and policy issuance. But other modules include lifeXP for life insurance and investment and banking modules. This gives brokers the opportunity to get into other kinds of business through a step-by-step approach. They can enter life insurance, but not investments or banking. When they are ready, they can turn on the investment or banking modules.

These modules are integrated through a client relationship management platform. This can be used to manage referrals, leads, activities and follow-ups. All

this information can be pushed efficiently to the life insurance or investment specialist. This helps brokers effectively mine their own databases and provide a unified view of client data.

For example, let's say a broker wants to segment all clients that have a minimum of two autos and home with minimum insured limit of \$400,000. That type of client profile suggests the person has money to invest and/or requires life insurance. These individuals could be targeted as part of a broader marketing effort run by a life or investment specialist. It becomes what we might call “smart marketing” — the ability of technology to create effective marketing campaigns by tapping into one source of information and using a centralized client relationship management platform.

INTEGRATED FINANCIAL SERVICES

One key to integration is protecting the confidentiality of client information based on current regulatory and privacy rules, which vary from province to province. The broker needs technology that provides proper security, access and compliance to regulatory guidelines. Systems have to be flexible in case the broker decides to be more stringent about how the information is used and how the client's information is protected.

There is ample proof that offering other product lines — such as life insurance, investment and banking products — helps brokers build value in their businesses. In addition to boosting revenue and increasing client retention, a huge benefit is the diversification of the brokerage's income stream. But it has to be done properly. To date, brokers have not created integrated financial strategies and used supporting technology to its full effect.

Those brokers who figure out how to do it effectively will not only survive, but also position themselves strongly against future incursions by competitors such as banks and direct writers. ■