

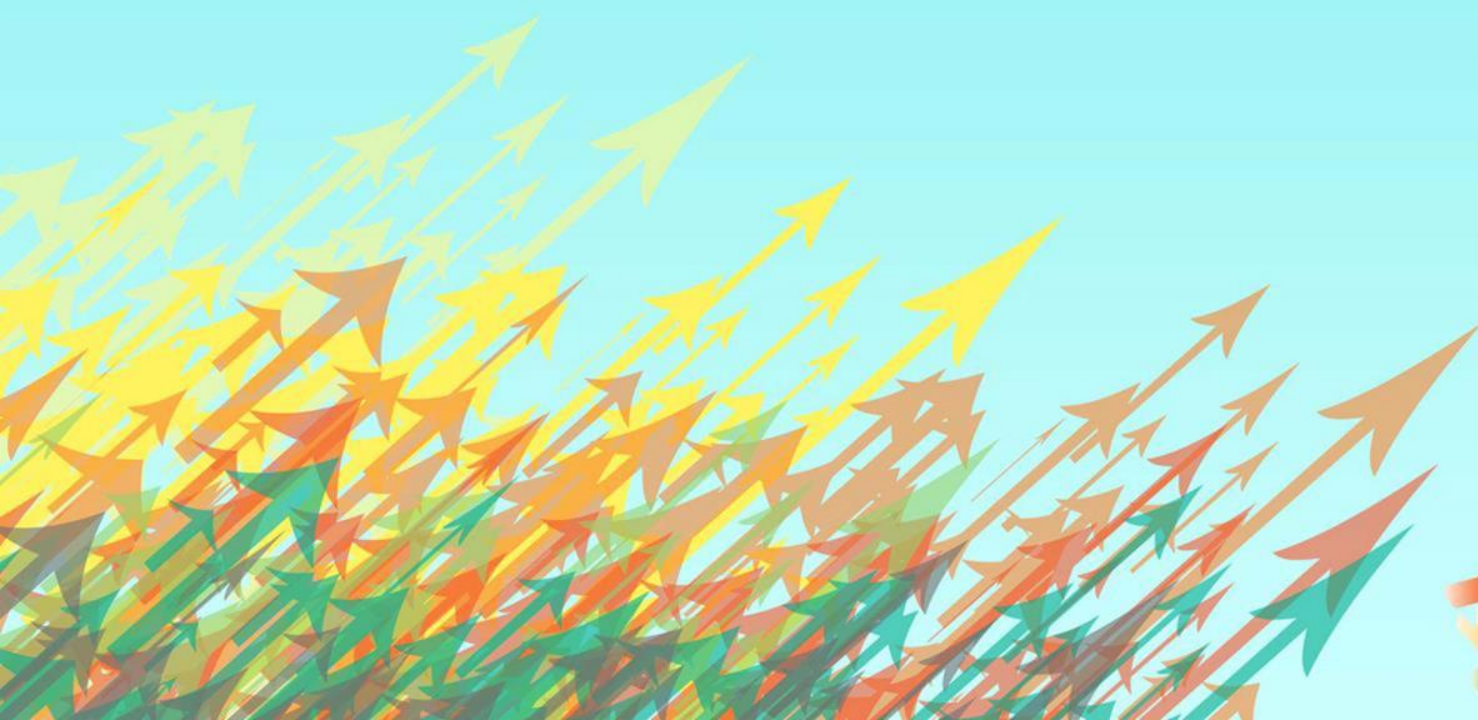
LIFE INSURANCE DISTRIBUTION NOW AND IN THE FUTURE

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Talking points:

1. The future of agency distribution
2. How the agency model has developed through the years
3. Agency versus alternative distribution models
4. Changes in the distribution landscape
5. What does it take for local companies to compete with multinationals, especially in the light of ASEAN integration?

The Origins of Insurance



Hammurabi Code



Hammurabi (standing), receiving his Loyal insignia from Shamash, the Mesotamian God.



(Lower part of stele) Code of Hammurabi

source: http://history.swissre.com/item_detail.php?id=5&comefrom=item*71

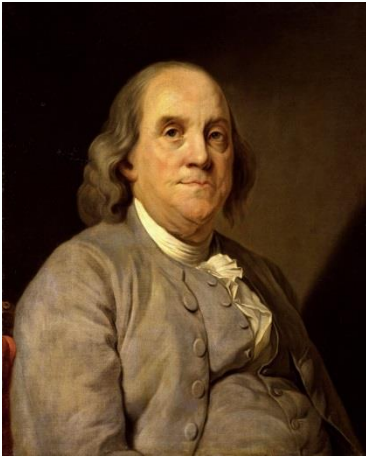
Benevolent Societies



Benevolent societies were guilds created during ancient Greek and Roman times which cared for the families of deceased members as well as paid for their funeral expenses.



Presbyterian Ministers' Fund



The first American insurance company was organized by Benjamin Franklin in 1752 as the Philadelphia Contributionship.



A sample of life insurance company for ministers and was located in Philadelphia Pennsylvania. This item lists Alexander Mackie as the president.

<http://www.ebay.com/itm/HS915-Vintage-The-Presbyterian-Ministers-Fund-Philadelphia-PA-life-insurance-CO-/290705368684>

Who else can better explain the merits of life insurance than people who are trained and dedicated to the advocacy of financial security?



The Agency System



Agency Manager

DIRECT AGENCY MODEL

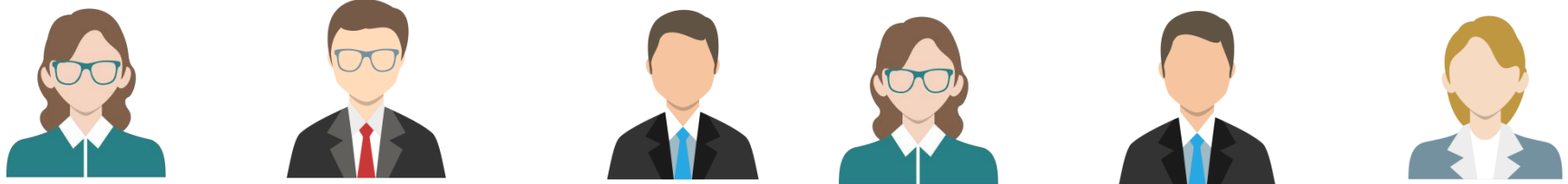
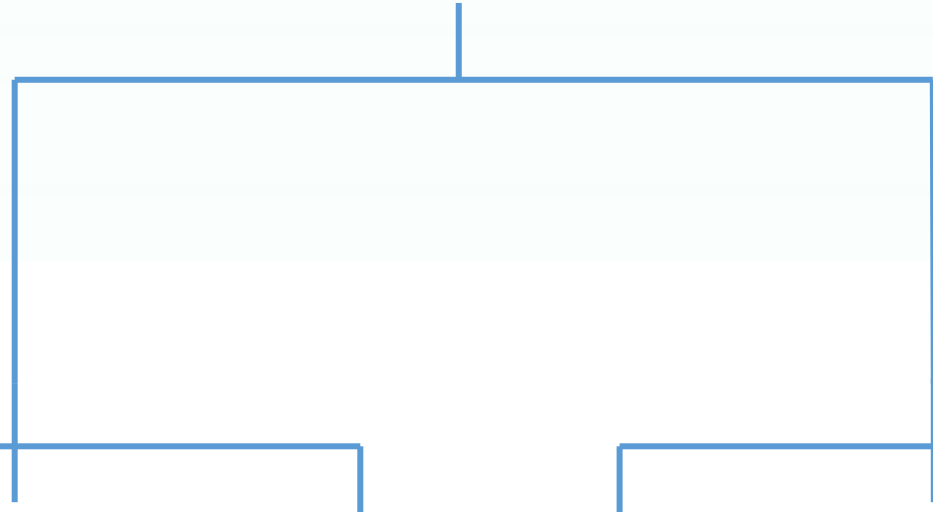


Unit Managers



Agents

Agency Manager

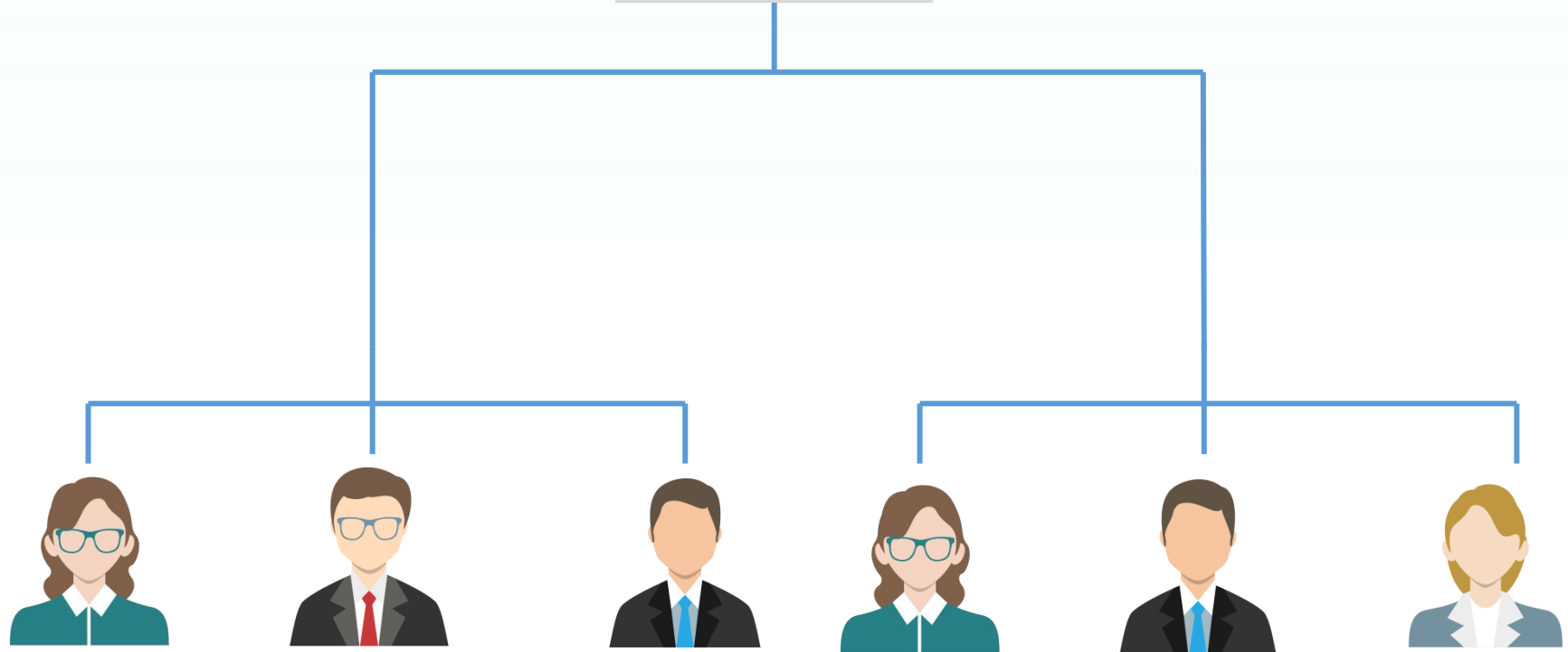


Agents

General Agent



GENERAL AGENCY MODEL



Agents

District Sales Manager



Assistant District Sales Manager



Unit Managers



Associate Unit Managers



Agents



Senior Agency Manager



Agency Manager



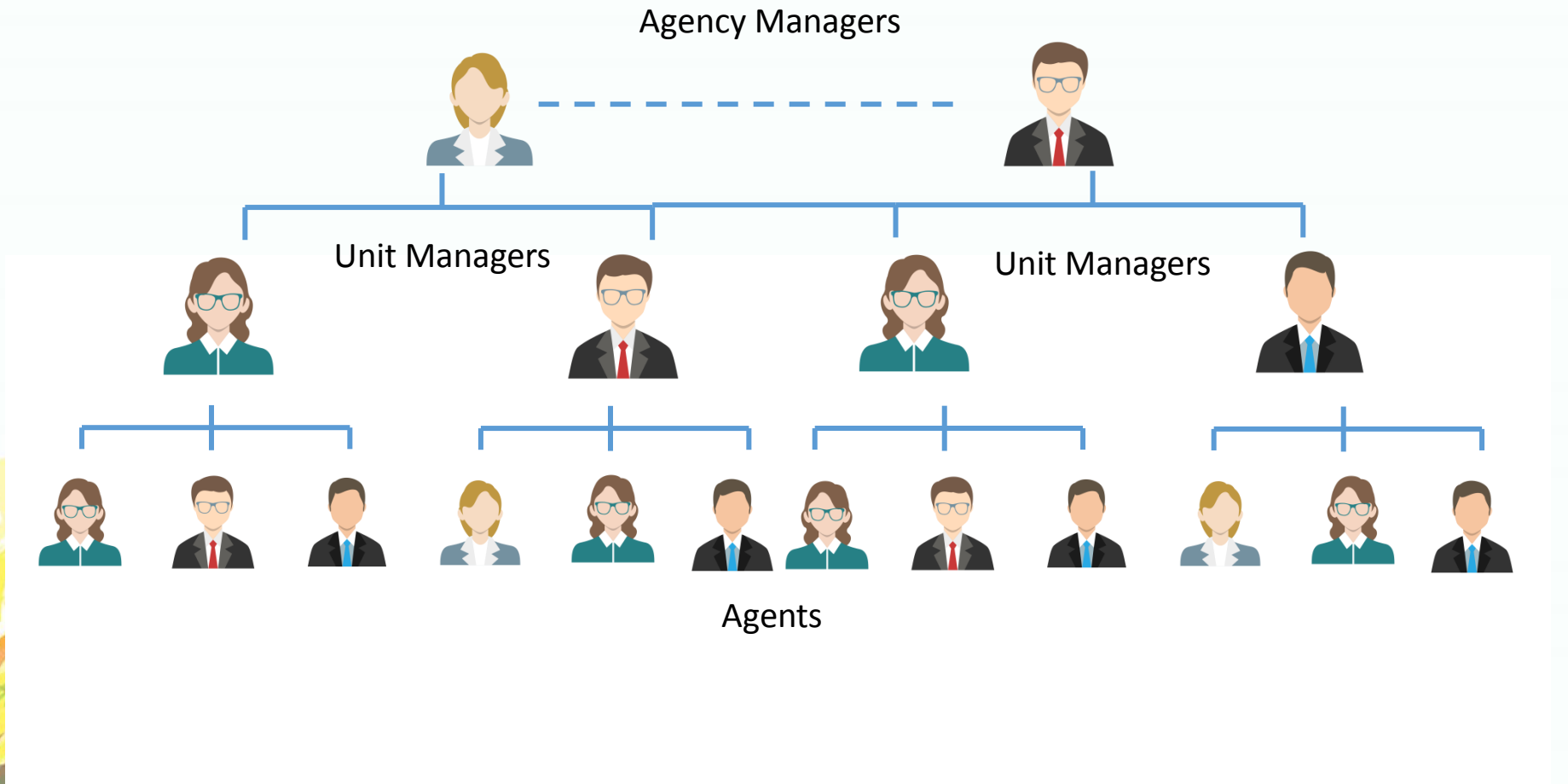
Unit Managers

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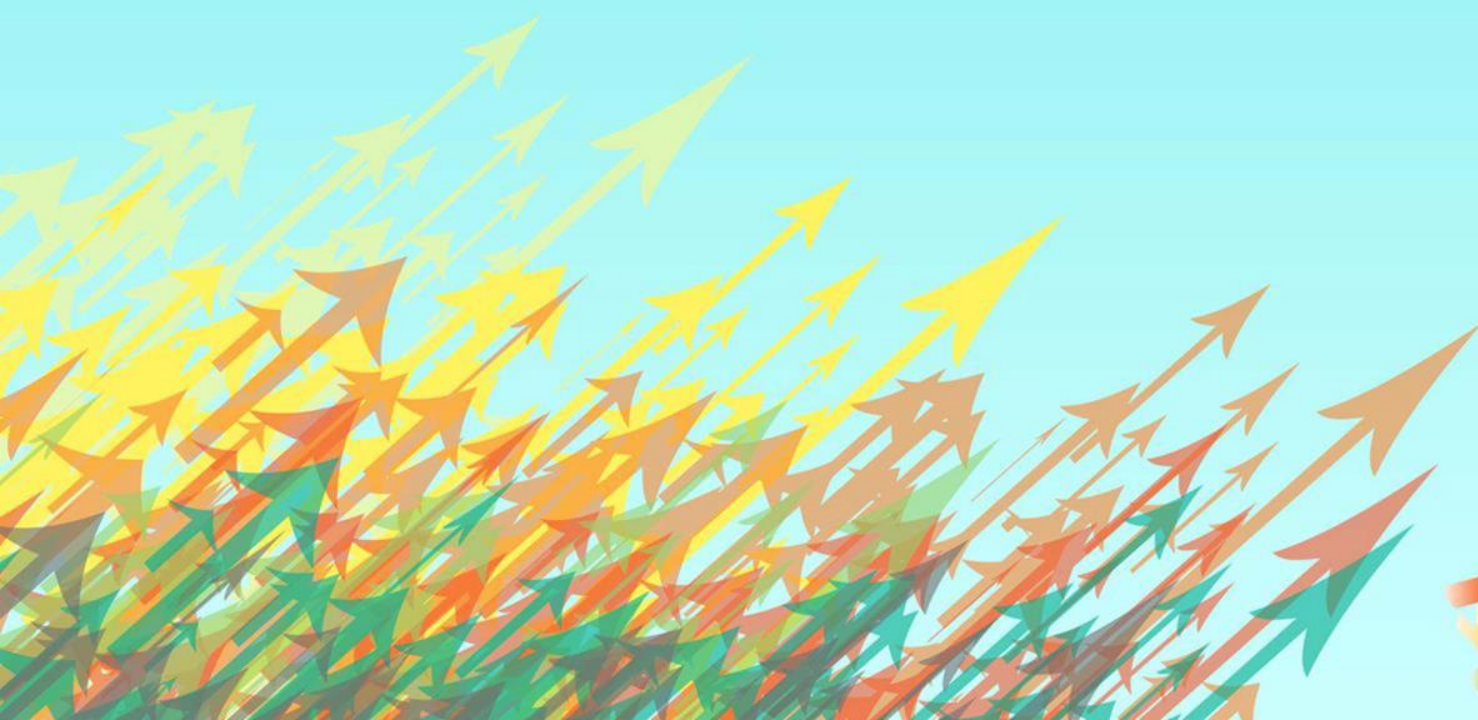


Agents

JOINTLY MANAGED AGENCY



Agency System: Pros and Cons





1. Capacity for expansion.
2. A very mobile distribution channel.
3. Market prefers face-to-face transactions;
life insurance is best explained by agents.

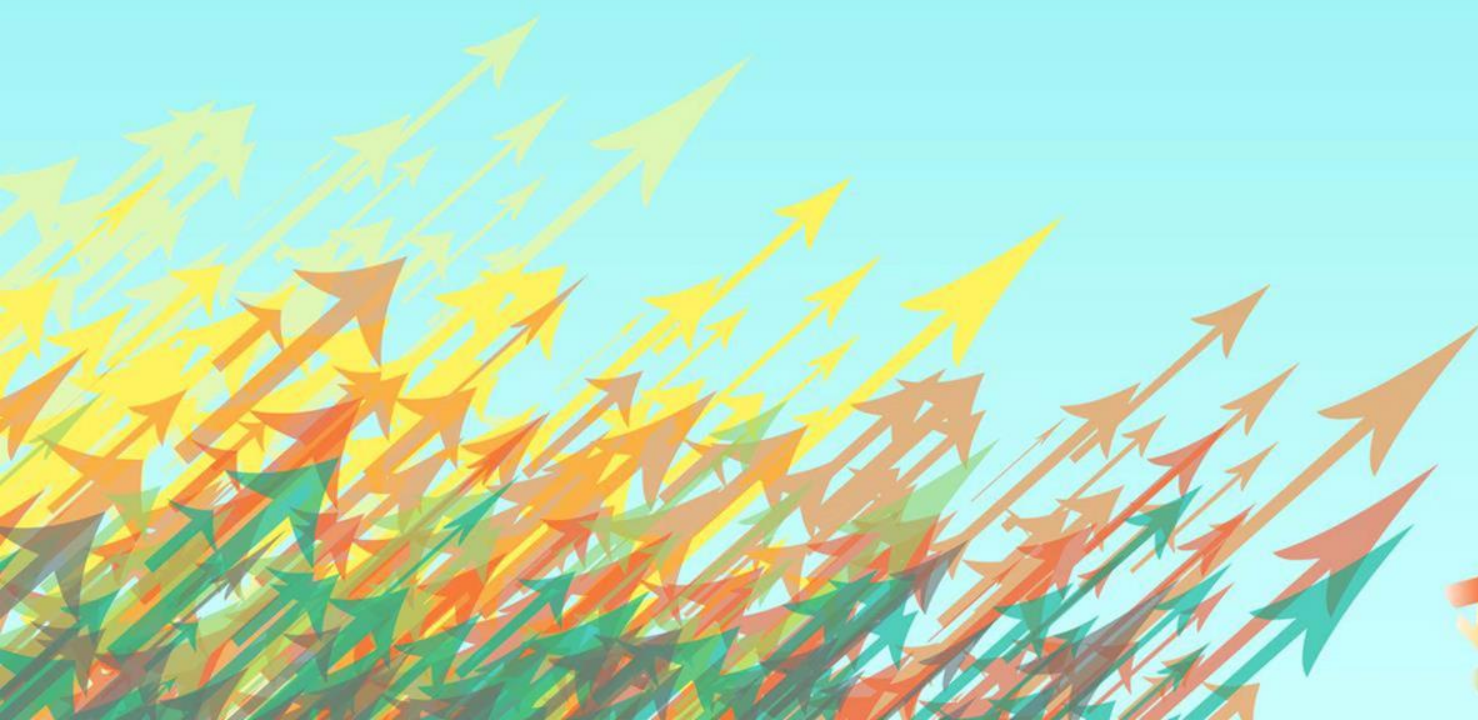


1. Agency distribution is a costly system
2. Efficiency - the sales force needs to be consistently and sufficiently productive.
3. Compliance and Market conduct issues.

The agency system will continue to operate well into the future, notwithstanding the emergence of other distribution platforms.



Agency System: Future Trends?

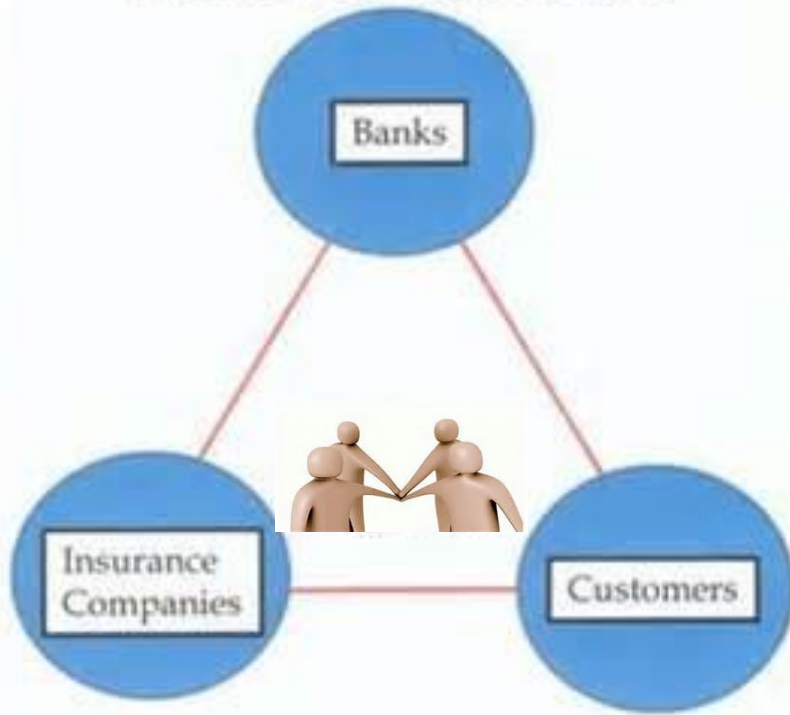


1. **“Flight to quality”**: future sales agencies will not depend so much on numbers as in quality of performers.
2. **Multi-line practitioners**: the most progressive sales agencies will offer the full range of wealth management advisory services.



Bancassurance Distribution

Pillars of Bancassurance



Copyright: Manoj Kumar



The bancassurance model consists of financial sales associates (FSA) who work in unison with the bank's personnel to identify and pursue prospects from their depositor base.





1. Captive market.
2. The infrastructure is already in place.
3. There is a strong partnership between the sales associates and bank management.
4. When it comes to financial advice, depositors are greatly influenced by their bankers.



1. Limited product array
2. Retention of sales personnel because of career and compensation concerns.
3. Bancassurance distribution not possible for all insurers.

Bancassurance distribution appears here to stay and will continue to have a sizable share of the market space that agency distribution once monopolized.



Online Distribution



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The pervasiveness of the Internet and its power to reshape consumer buying behavior are indisputable.



Digital Marketing

1. Internet (Online) selling is the new distribution method for the millennium generation.
2. Cyberspace links the manufacturer and the buyer, cuts down intermediation costs, expands market reach, etc.

Digital Marketing

3. End-to-end online distribution of life insurance is still an incomplete process.
4. Digital marketing is a “combination play” where online signals can lead to offline transactions with agents.

Other Distribution Channels



Making the choice: Rationalizing distribution strategy

STRATEGIC OPTIONS

1. Singular or Multiple?
2. High Touch or High Tech?
3. Direct or Indirect?
4. Retail or Wholesale?

Singular or Multiple

- One dominant distribution arm or multiple distribution?
- No need to employ additional methods if the entire top line requirement can be borne by one channel
- Good to have several distribution channels to augment the current channel and to extend market reach
- **Employing a multiple distribution channel strategy requires the company to be very adept at maintaining harmony among and across its distribution lines**
- Multiple distribution requires expertise and commitment
- Multiple sales channel development appears favored because of greater market segmentation

High Touch or High Tech

- People and technology – where should distribution focus and resources be more concentrated?
- People-driven distribution if interpersonal relationships is the most critical factor for sales
- Leverage on technology-led distribution if the market will be increasingly served by technology-driven business
- If life insurance is to be leveraged primarily on technology, should agency compensation be re-examined and revised?
- **It is really not a choice of one over the other but (a) having one or both as stand-alone systems or (b) developing a blended distribution model**

Direct or Indirect

- Is it better to directly manage distribution channels or to outsource them?
- Many companies maintain proprietary channels to better influence production as well as to strengthen loyalties
- Companies that own the distribution capability bear all the expenses for operating it
- Outsourced distribution can enable a company with limited resources to remain lean while having a wider business generation footprint and cuts down on the time needed to develop distribution capacity
- **Applying an indirect distribution strategy requires constant attentiveness and proficiency to nurture strong relationships**

Retail or Wholesale

- Is the sales volume needed by the company better achieved if done institutionally rather than individually?
- Developing proficiency, consistency and reliability in the agency channel is more time-consuming than pursuing institutional alliances
- **While most companies would not be opposed to forging institutional tie-ups, can it be a sustainable opportunity for distribution?**

Center for Insurance and Financial Planning (CIFP)

- 1. Changing lifestyles and buying preferences will decide the future models of distribution, while maintaining the equilibrium for the traditional patterns of distribution as well.*
- 2. Insurers have to adopt a multi-channel strategy that develops new alternative channel formats and drives out efficiencies in traditional channels.*
- 3. Trends prevalent in the insurance industry today run in parallel with the confluence of the financial services as banks, capital markets, and insurance combine distribution channels.*

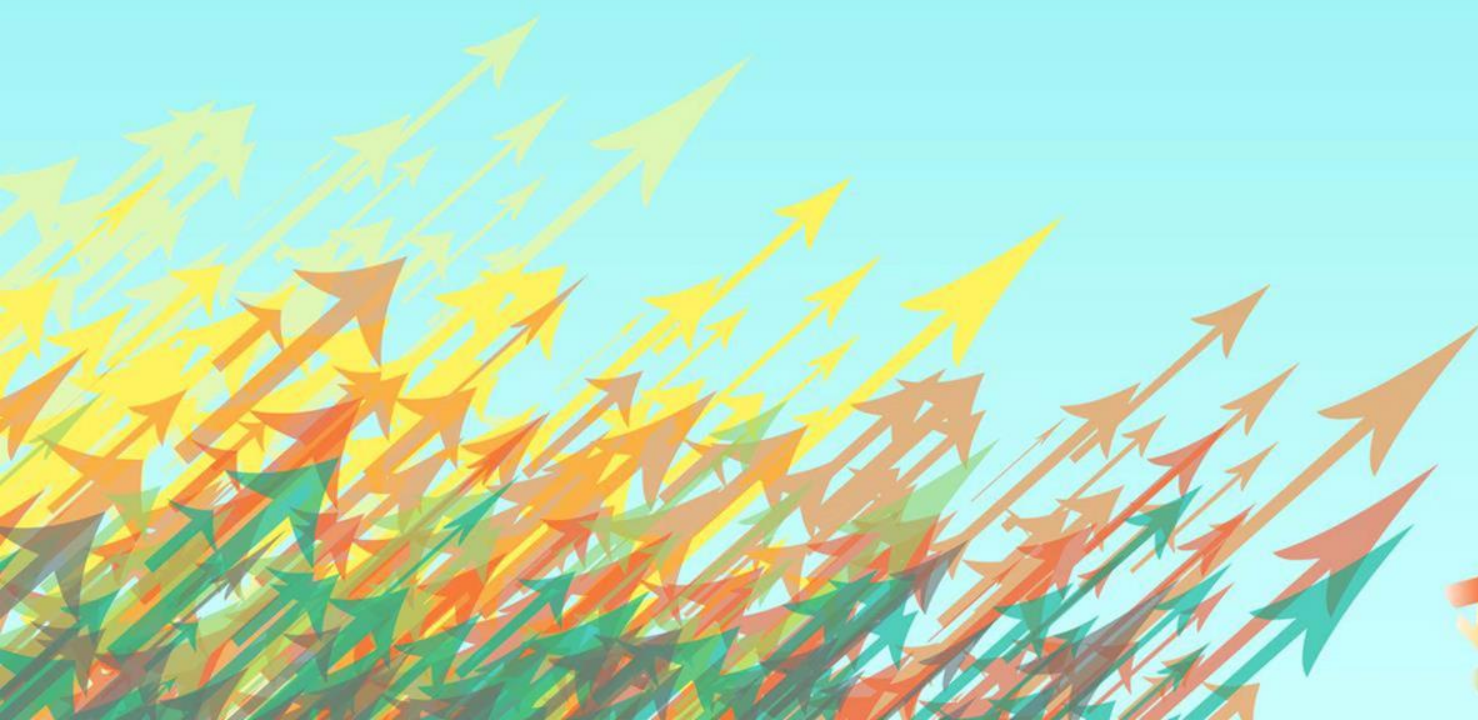
Center for Insurance and Financial Planning (CIFP)

- 4. For insurers to realize the highest value from distribution, they must improve operations and agent-based support for key distribution segments, This includes enhanced operations to support a multi-product, multi-channel distribution model that compliments an insurer's revenue objectives and profit margins.*
- 5. The best economic value for insurance is in partnership with distributors that demonstrate a high propensity to drive sales and manage their business with high-tech services and self-service outlets such as the Internet.*

Center for Insurance and Financial Planning (CIFP)

- 6. Today, more customers expect to perform most types of transactions either online or using mobile devices. Insurers are slowly pushing greater capabilities onto their Web sites to allow customers a higher degree of control and flexibility.*
- 7. The relationship between people and technology is one of the key drivers in empowering the next generation workforce. It is an issue that insurers should consider as they position their organizations to meet the challenges ahead.*

Being Local, Competing Global



- ASEAN integration presents both threats as well as OPPORTUNITIES.
- Nationality does not determine performance outcome. To play the game competitively, identify as much comparative advantage as can be utilized, be they large or small, fleeting or permanent.

**Business performance is a report card.
Let the verdict be determined by what
our business model requires in all key
indicators that make for a sound and
responsible company.**

Magandang araw!

