

# AMERICAN BANKER

On Focus and In Depth

Life Underwriting Made Easier for Bankers  
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By Steve Garmhausen

When it comes to selling life insurance, time has stood still for many years, says Steven Turtz, a vice president and the national sales director for Comerica Insurance.

Specifically, the tedious paper-and-pen underwriting process that insurance carriers require is little changed from when Mr. Turtz started selling insurance more than two decades ago, he complains.

"They still have not made it user-friendly for the consumer," said Mr. Turtz, who runs the Detroit insurance arm of Comerica Inc. of Dallas. "I don't think they have really used the technology to provide online applications to a large extent."

Mr. Turtz' observation is in line with the conclusions of a study by C F Efron Co. LLC of Weston, Conn., which drew from a survey of 24 banks and 24 insurers. The study, released in late June, found that both insurers and bankers' top concerns for life insurance distribution through banks involve the application process and using technology to increase sales.

The findings of the study, which was commissioned by insurance companies and insurance-related trade groups, were a marked change from a similar study five years ago. Back then insurers and bankers said they were more concerned with basic issues such as product availability and profit.

"What you see here is a really good trend," said Carmen Efron, the consultant who produced the study. "The products are no longer the problem. The process is now the main problem."

Some insurers have begun to offer solutions. **For instance, Prudential Financial late last year launched a term life insurance policy available through a simple Internet-based application. Aimed at middle-market bank customers, the MyTerm product can deliver a policy with a face value as high as \$250,000 in as little as 10 minutes, according to the insurer.**

**So far National City Corp., BancorpSouth, UMB Financial Corp., and AgStar Financial Services in Mankato, Minn., are offering the product, according to Joan Cleveland, senior vice president, business development in individual life insurance at Prudential.**

Mr. Turtz said that such a product would not really help Comerica, because the company largely targets more upscale clients.

**Prudential is also developing a single-premium product with a streamlined, online application, which it plans to unveil in the spring, Ms. Cleveland said.**

The range of life insurance products available through banks has steadily increased

since legal changes in the late 1990s allowed them to start selling insurance and investments.

At first, banks sold term life policies; single-premium products such as single-premium whole life policies came later. Until recently, death benefits were limited to \$100,000 or so for the policies that involved simple underwriting. Larger policies required a more complex underwriting process, including medical tests, and could take as long as eight weeks to complete.

Among the steps that insurers have taken in recent years to address banks' concerns is an approach known as tele-underwriting. It is used for applications that require taking a significant amount of medical information from a client. A banker typically takes the applicant's personal information, and then a third party calls the person and takes their medical history. Later, a paramedic meets the applicant to do a medical exam.

**"It recognizes that selling life is not a core competency for people like platform bankers," Ms. Cleveland said. "The applications can be lengthy, and then asking the medical questions gets a bit awkward, so the tele-underwriting process was the first step to mitigate that."**

Tele-underwriting comes into play in cases where applicants want policies with large face values, in which full underwriting is required.

"That's where the time comes in and that's where people get turned off," Ms. Effron said. "As a result, the tele-underwriting applications are becoming much more popular."

The survey also indicated a sense that in many cases, bank senior management has not fully embraced their institutions' insurance efforts. That's not surprising, Ms. Effron said. Though insurance is a profitable business, a typical bank insurance program generates less than 2% of the institution's fee income, she said. "When it gets to 10%, 15%, and 20%, that's when you get senior management's attention," she said.

**Ms. Cleveland agreed. "I think from a bank's perspective, insurance can involve lengthy underwriting, and it doesn't throw off that much revenue," she said.**

**If simplified issue products catch on and help generate revenue more quickly, it "could turn their perceptions around," she said. "Particularly with simplified issue products, there is not a lot of resource consumption from the bank perspective."**