

TECHNOLOGICAL INNOVATIONS
TO PROVIDE EXPERT
SOLUTIONS TO YOUR
DISTRIBUTION CHALLENGES

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INTRODUCTION

Distribution effectiveness — it's one of the most critical, sustainable differentiators of companies in the insurance and financial services arena. In an increasingly dynamic industry, committed producers who like doing business with their carriers are most likely ensuring their customers' needs are consistently met. Ideally, in this scenario, everybody wins.

Achieving all the metrics of distribution effectiveness, particularly in the areas of productivity and profitability, means more than offering good training, mentoring and management. Having the resources that make it easy for producers to do business with your company provides an even greater competitive advantage.

Increasingly, technological tools and techniques that support the sales process fuel that advantage. Having those tools and seizing the growth opportunities they facilitate is crucial to companies that want to attain mind- and market-share.

A TIME OF TRANSITION

The shrinking economy of the past two years diverted attention from efficiency to survival (primarily through sales and positive numbers). The economy and the industry appear to be rebounding. With cautious optimism, insurance industry executives have started to re-examine ways to expand their business. They're looking for effective ways to bolster their distribution channels to spark growth, enhance productivity and profitability, while capturing strategic advantage.

The current business environment presents insurance carriers with changes and challenges ranging from heightened levels of competition, risk and regulation. Evolving needs and expectations of increasingly sophisticated producers and customers exacerbate the situation.

However, the most profound change is the realm of insurance distribution.

The dominance of the captive agent distribution channel is no longer assured. Agents and agencies now represent just one of many insurance channels, with banks, independent brokers, independent marketing organizations (IMO's) and wealth-managers all competing in the insurance space.

Two landmark LIMRA studies, "*New Games, New Rules, New Realities*," and "*Forces of Change*" underscore these dynamics.

In the 1970s, heads of distribution, whether at major full-service broker-dealers or insurance companies, relied almost exclusively on a direct sales force selling only products developed by the company. Growing acceptance of independent producers during the 1980s paved the way for a mass migration to an independent platform during the 1990s, leading to intense competition for experienced talent.

From 1998 to 2004, the number of direct sales representatives affiliated with insurance companies declined 18%, while independent reps selling insurance products increased over 30%.

Four years later, just as the recession began to emerge, independent agents accounted for 56% of new life insurance sales, while affiliated/captive agents took credit for 36% of new sales.

The affiliated channel represented over 165K affiliated agents in 2004 and LIMRA estimates over 185K affiliated agents in this current environment. Why such an increase?

¹New Game, New Rules, New Reality – The Economics of Growing Distribution, LIMRA/Moss-Adams LLP, 2007

²Forces of Change – Issues Facing Distribution Leaders, LIMRA, 2010

Some companies are placing greater emphasis on recruiting from distressed industries that share similar skill sets with the insurance industry. Others are seeing better retention as agents “ride out the waves.”

Just as important, the captive agent business model continues to be an important outlet for promoting products, and remains a viable pathway into the profession, as well as an incubator of new talent.

YEAR	DIRECT SALES FORCE ¹	INDEPENDENT SALES FORCE ²	TOTAL
1973	256,735		
1975	253,346		
1981	249,042		
1983	244,345		
1986	246,908		
1989	242,103		
1991	238,491		
1993	219,014		
1996	192,750		
1998	195,141	118,685	313,826
2001	178,864	151,977	330,841
2004	165,024	161,955	326,979
2007	171,801	150,765	332,566
2009e	185,000	145,000	330,000

¹Includes career agent and multiple-line exclusive agents

²Includes Independent Agents, Full-Service Broker Dealer, Independent Broker Dealer, Bank Financial Consultants, Independent Registered Investment Advisors

Source: LIMRA Census of U.S. Sales Personnel

EASE OF DOING BUSINESS WILL CONTINUE TO ATTRACT TOP AGENTS

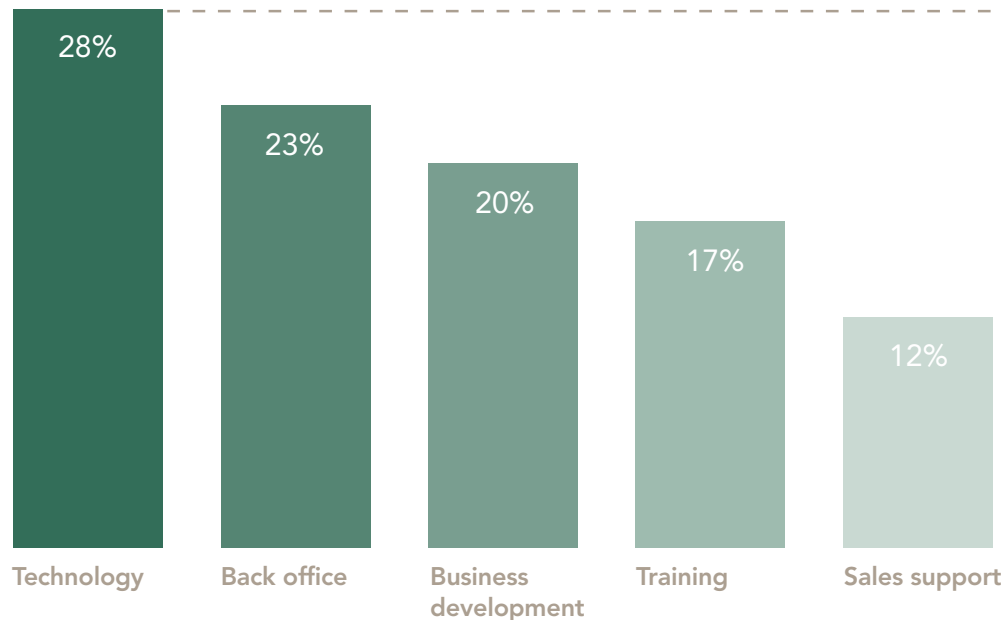
In the competition to command channels of distribution, the companies that prevail are those that best exemplify a simple insight: The agent or broker is a primary customer for the insurance carrier, and perhaps every bit as important – as a conduit, specifically – to the end consumer. Both have to stay happy to stay with the company!

Living this insight means supporting the distribution channels of your company through the sales cycle and also helping to manage burdensome administrative details. It means making the sales job easier – and making it easier to work with your company. It means organizing processes and systems to simplify the producer experience rather than expecting any other than a captive distribution to conform to your structure and needs. It’s means eliminating all of the obstacles.

Clearly, companies must adapt to the changing demands of their distribution partners, or suffer the consequence of attrition.

What do producers want from their carriers? A sustainable, potentially high income goes without saying, as do competitive products. But 1,200 sales representatives, whose responses provided much of the information in LIMRA's "Forces of Change" study, indicated that carriers must excel at multiple support areas that create competitive advantage for their distributors technology, assistance with business development, back office support and sales support are among the most frequent responses.

Support Area Ranked Most Important (percent of advisors/ reps)



Source: LIMRA/McKinsey & Company (2009)

Compensation management is particularly critical. Carriers must make payments accurately and on time, and better manage often complex compensation and incentive program structures. To harness the real power of these programs, companies need to simplify the entire incentive compensation process for their producers. Insurers must provide real-time access to commissions, while supporting the producer's reconciliation efforts.

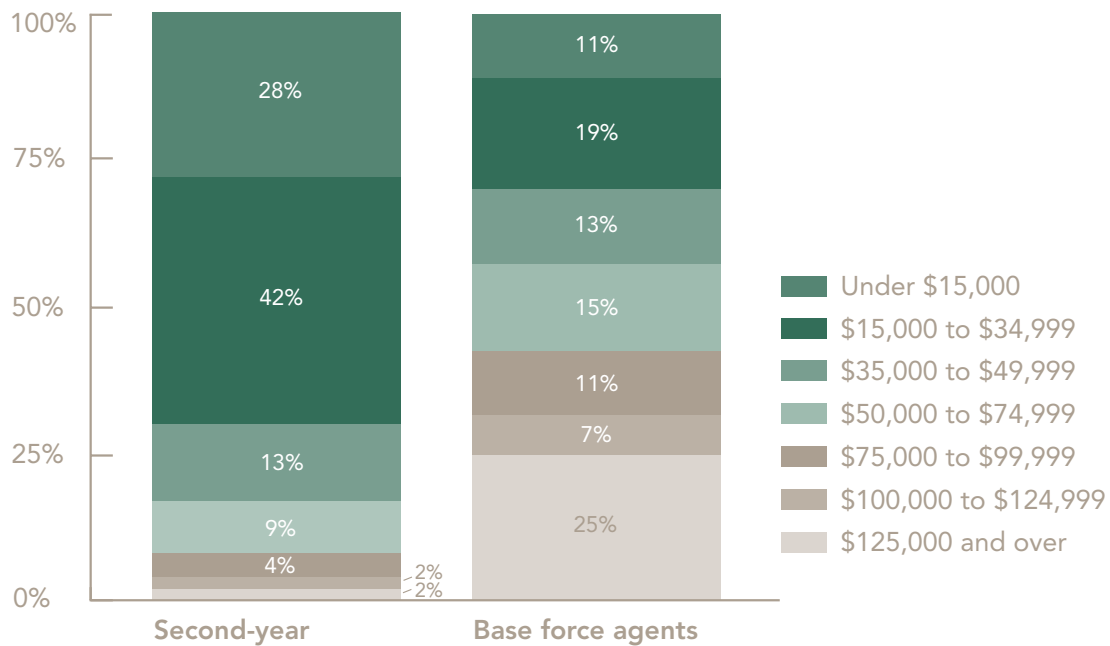
To complicate the challenge, each major distribution channel requires a different approach. Independent agents need to be enticed and motivated to sell your product rather than your competitor's. To achieve this, three steps are critical:

- Supporting agents fully with processes and solutions that maximize ease of doing business
- Delivering products that offer a strong fit for policyholders – those that producers know they can sell;
- Offering competitive commissions, bonuses and creative incentive programs – through plans that producers can understand and monitor.

When it comes to captive agents, the concerns differ. It's no longer a matter of persuading them to sell your products, but rather recruiting good people, retaining the best, and controlling the considerable costs involved in doing both.

Maximizing the investment you make in a captive sales force presents the opportunity to identify early and accurately the new producers who will thrive. Carriers must distinguish successful agents from ones that have hit productivity plateaus and need to be supported in their growth.

Distribution of Career Agents by Total Earnings



Source: Agent Production and Retention Study, LIMRA

THE ELEMENTS OF SUCCESS

To achieve revenue growth, a company's leadership must align distribution and sales approaches with a central goal: responding to the complexities in distribution with agility, insight and integration – another way of demonstrating ease of doing business.

To move into a niche of opportunity, a company needs flexibility to configure a new product. To establish a relationship with a new IMO, insurers need to be creative in devising the right compensation plan. Encouraging agents to promote an underperforming product, demands having a targeted incentive plan.

This requires flexibility and speed. It depends not only on organizational culture, but also on IT capability.

Consider an example: Through focus groups and market research, a product development team may identify an under-served need in the market and work with the actuaries to develop a profitable new offering aimed precisely at that need. All too often when they approach IT to support the product operationally, they find either their functional options are limited or their speed to market is going to be less than optimal.

The reality in the industry is this: If you perceive an unmet customer need and can move within three months to answer it, you've seized a business opportunity. If it takes you six months, you've lost the edge to a competitor. If it takes nine months, the customer is probably already looking for something different.

Increasingly, product development is a real-time phenomenon and speed-to-market, a decisive competitive strength. To thrive in this world takes quick thinking and adaptable and configurable IT platforms.

DRIVE PRODUCTIVITY WITH ACTIONABLE INFORMATION

All too frequently, insurers find themselves data-rich but information poor. Systems may well support queries on compensation and licensing, yet fail to make available enterprise-wide information on issues as important as producer retention.

Individual databases are frequently created separately with specific operational goals in mind, and these goals rarely include support of strategic decision-making. As a result, senior leaders in sales and marketing can find themselves depending on word-of-mouth for news of what's working in the field and on intuition for evaluating new market opportunities. A whole set of metrics for following the performance of individual agents may well be out of reach.

The answer lies in powerful analytic tools, based on a more sophisticated understanding of the information insurers need to track.

This kind of business intelligence solution makes key performance metrics accessible through a glance at a dashboard and also enables deep dives for answers to some very productive questions: Why is one IMO doing so much better than another with the new universal life product? How well has the latest incentive plan for that product worked?

In the area of sales force development and retention, the information revealed can mean identifying new producers likely to fail after six months rather than 18 – saving a year of financing. It can trace the productivity of an agent four or five years into his career, spotting a pattern of earnings that suggests a risk of flight. With the high cost of bringing an agent to a point of productivity, this could be an insight of real consequence.

Analytics can support business planning at a higher level of sophistication, moving from a focus on historical data to predictive modeling. Algorithms can help forecast the expected cost of a given compensation program, help optimize the features of a new product or incentive, and paint a variety of what-if scenarios, helping to ground creative thinking in financial reality.

Integration enables agility, insight, customer focus and efficiency

To achieve the strengths companies need to excel in distribution – agility, insight, and customer focus – requires one additional, underlying element: integration of processes and systems. Integration is critical as organizations pursue the ever-pressing priority of operational efficiency.

Unfortunately, most organizations are currently operating on platforms that fall far short of the ideal for complete integration. Whether as a result of mergers and acquisitions, unplanned systems growth, or the adoption of individual best-in-breed solutions, many carriers are running multiple overlapping legacy systems. These systems are often running under varying technologies and cause an organization to have business processes duplicated within multiple systems.

It is not uncommon for a simple task, such as on-boarding a new producer, to require inputs from various disparate systems. Inefficiencies range from duplication of efforts, redundant processing / data and data entry errors. To compound the issue, legacy systems age, and staff with the knowledge to support them are difficult to maintain.

It is not feasible to achieve agility or to promote ease of doing business on these un-integrated platforms, and it is onerous to run advanced business analytics on data stored in separate silos.

For these reasons, companies need to look to common IT platforms and consolidated datamarts as a foundation for new initiatives in distribution.

THE OPPORTUNITY AND CHALLENGE

Innovation in distribution stands out as an area of real potential for insurers. The opportunities are clear: to design channel portfolios more diversified than ever before, to monitor and manage the performance of products and producers more closely, to launch innovative new products more quickly, and to shape strategies for attracting and retaining talent more effectively. Above all, insurers can make strategic decisions on a level of data more complete and reliable than ever before.

The business opportunity is also an IT challenge. The technology exists to support state-of-the-art distribution approaches, but the capabilities of most carriers currently fall short. Those who rise to this challenge – innovating and executing – stand an excellent chance to gain a sustainable strategic advantage.

SunGard offers an innovative and unique platform of sales and distribution solutions supported by analytics and orchestrated by business process management (BPM) to help insurers drive revenue growth. iWorks helps insurers realize the benefits of a cohesive distribution organization focused on driving growth through improved business insight, ease of doing business, and operational efficiency.

Providing ready access to critical decision-making information is critical when considering a distribution solution. Analytics provide sales force performance management tools to identify market opportunities and enable strategic business planning. Executive Dashboards and Scorecards highlight areas of interest specific to each stakeholder and provide a 360 view of operations through drill-down capabilities.

iWorks sales force enablement tools promote the “ease of doing business”. Point of sales and marketing tools help develop products and support corresponding sales and marketing campaigns as well as draw compliant insurance illustrations. A common platform architecture aggregates data from these systems in specialty datamarts and analytics generate sales performance measurements for channel / pipeline productivity, market trending, sales forecasting, product pricing and modeling to name a few.

SunGard’s proven engagement model ensures delivery of solutions that address specific issues. Preceding every engagement, SunGard conducts an assessment exercise to gather all of the business requirements. Business analysts and systems integrators work side-by-side with customers to leverage existing processes and solutions, and propose best practice installations where needed.

Working together, SunGard and LIMRA recognize the clear opportunity to transform “cost of doing business” into a revenue driver, to turn an operational function into a source of strategic advantage.

About SunGard

SunGard is one of the world's leading software and technology services companies. SunGard has more than 20,000 employees and serves 25,000 customers in 70 countries. SunGard provides software and processing solutions for financial services, higher education and the public sector. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. With annual revenue exceeding \$5 billion, SunGard is ranked 380 on the Fortune 500 and is the largest privately held business software and IT services company. For more information, please **visit SunGard at www.sungard.com**.

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