

Getting the Independent Channel to Adopt CRM

Presented By:

Scott Weber

AVP, Marketing Technology

PartnersFinancial / NFP Insurance Services, Inc.

2006 ACORD / LOMA Insurance Systems Forum

May 24, 2006

9:45 a.m. – 10:30 a.m.

NFP and the “Complex” Independent Channel

Why CRM is not just a technology effort

Putting the "R" Back in CRM

Connecting from the Front--The Business Case for CRM

Seamless Compliance

Selecting the right CRM platform



NATIONAL FINANCIAL PARTNERS



- NYSE: "NFP"
- 2005 Revenue - \$891M
- Financial services distribution company with national footprint
- Profit Centers—Life insurance, Annuities, Broker/Dealer, RIA, Group Benefits, Life Brokerage General Agencies, Life Settlements
- Top tier life insurance producer group of NFP
- Unique balance of independence for firms with preferred access to select group of insurance carriers
- \$290M Target Life Insurance Premium – Core & BGA Companies (2005)
- #1 or #2 Customer at 8 of the largest life insurance companies

What makes CRM in the independent distribution channel “complex”?

At NFP, we are dealing with...

- Independent offices, whose trust we have to earn.
- Significant variance by:
 - Size of the office
 - Products sold
 - Type of client serviced
 - Operating model
 - Technical proficiency
 - Current technology platform
- Skepticism and Widely-Varying Expectations

Fortunately, we don't worry about...

- Legacy Systems.
- A lack of leads and struggling businesses.
- A lack of experience or proficiency in the business.
- Demand for a “database”.
- Commissions, payouts, and a history of exceptions and one-off deals.

In short, our distribution model is challenging, but any effort that supports producers in the field is “*complex*”.

The environment may be complex, but entrepreneurial producers are simple. They are interested in...

- **Increasing sales and profitability**
- **Protecting their practice**
- **Maintaining control**
- **Minimizing activities that reduce client time**

The financial services entrepreneur could care less about initiatives that make operations more efficient at the home office unless they clearly impact one of the goals above.

This is forgotten, misunderstood, or ignored in many Enterprise CRM efforts.

NFP and the “Complex” Independent Channel

Why CRM is Not Just a Technology Effort

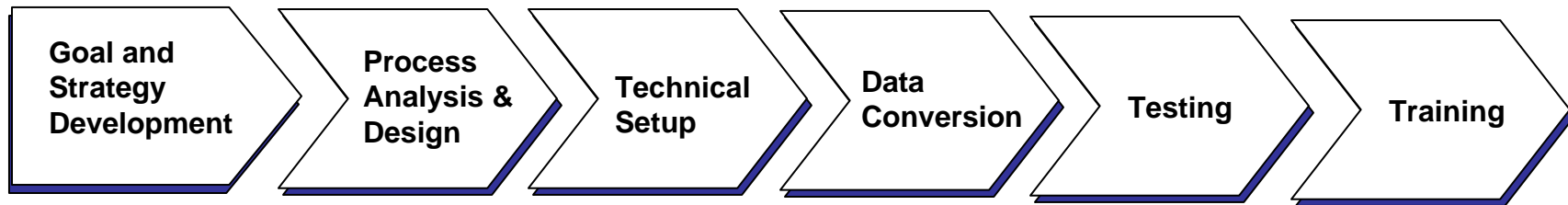
Putting the "R" Back in CRM

Connecting from the Front--The Business Case for CRM

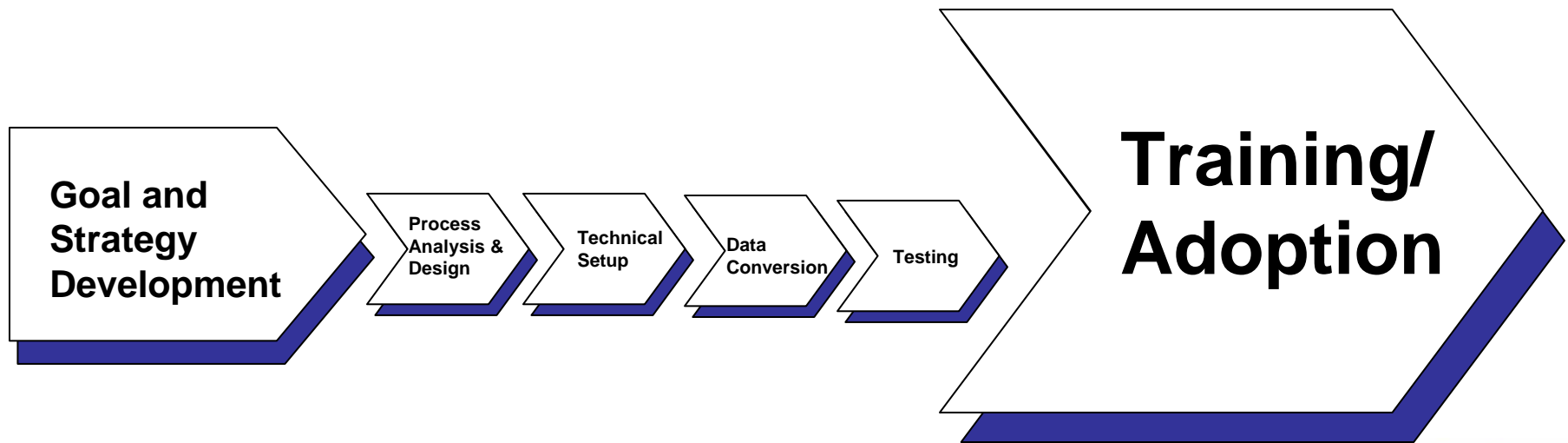
Seamless Compliance

Selecting the right CRM platform

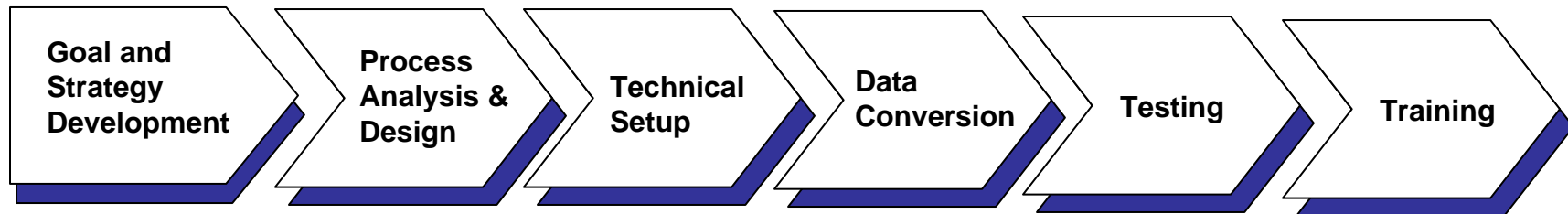
Most home offices take into account strategy and training in their approach...



But don't emphasize business goals or training, which require a major effort, since changing a firm's habits is key to success.



In most cases, the whole approach is often communicated to the producer in project management or consulting terms.



Financial services distribution is a relationship-based business. It is not a commodity-based business. Every producer wants to be special.

While a CRM initiative involves CRM software, it is not a technology challenge. The biggest hurdles to success will be:

- Communicating value to the producer
- Understanding who does what in his or her office
- Training and transition
- Achieving adoption after training - behavioral change

While there are technical challenges in implementing a CRM solution as well, ***most efforts that fail in the field do so for reasons unrelated to technology.***

NFP and the “Complex” Independent Channel

Why CRM is not just a technology effort

Putting the "R" Back in CRM

Connecting from the Front--The Business Case for CRM

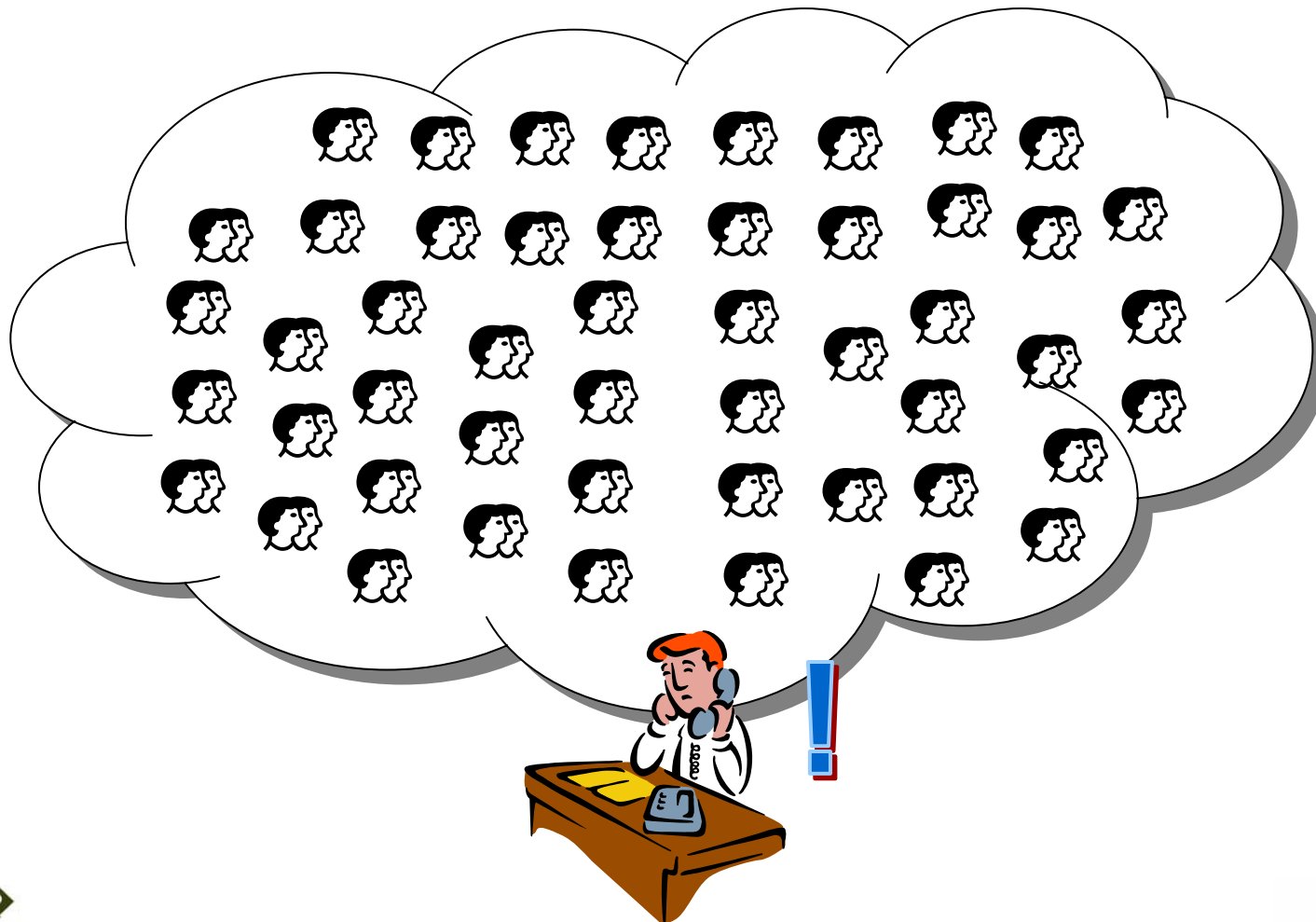
Seamless Compliance

Selecting the right CRM platform

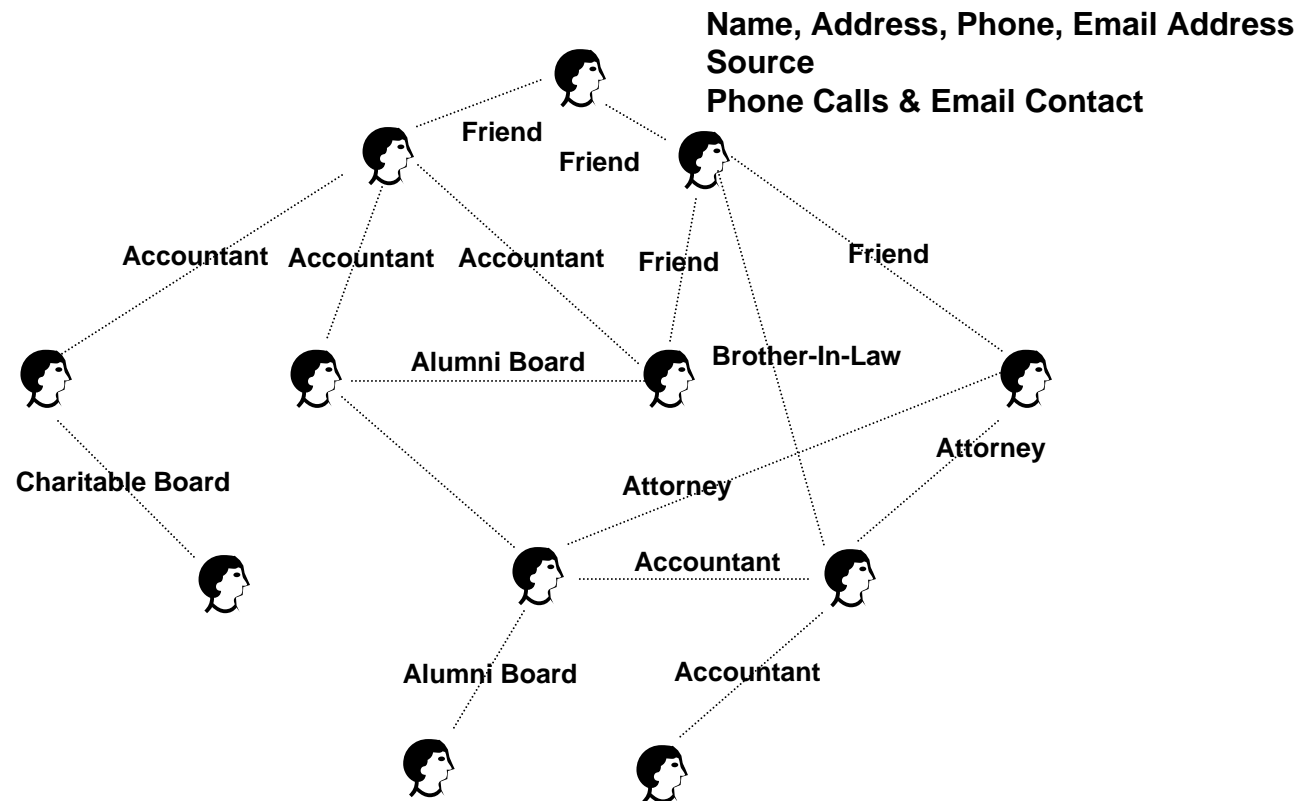
Independent producers are most valuable to both the enterprise and themselves when they are building relationships with their clients.



But this approach has practical limitations, and it puts a strain on the producer's practice.

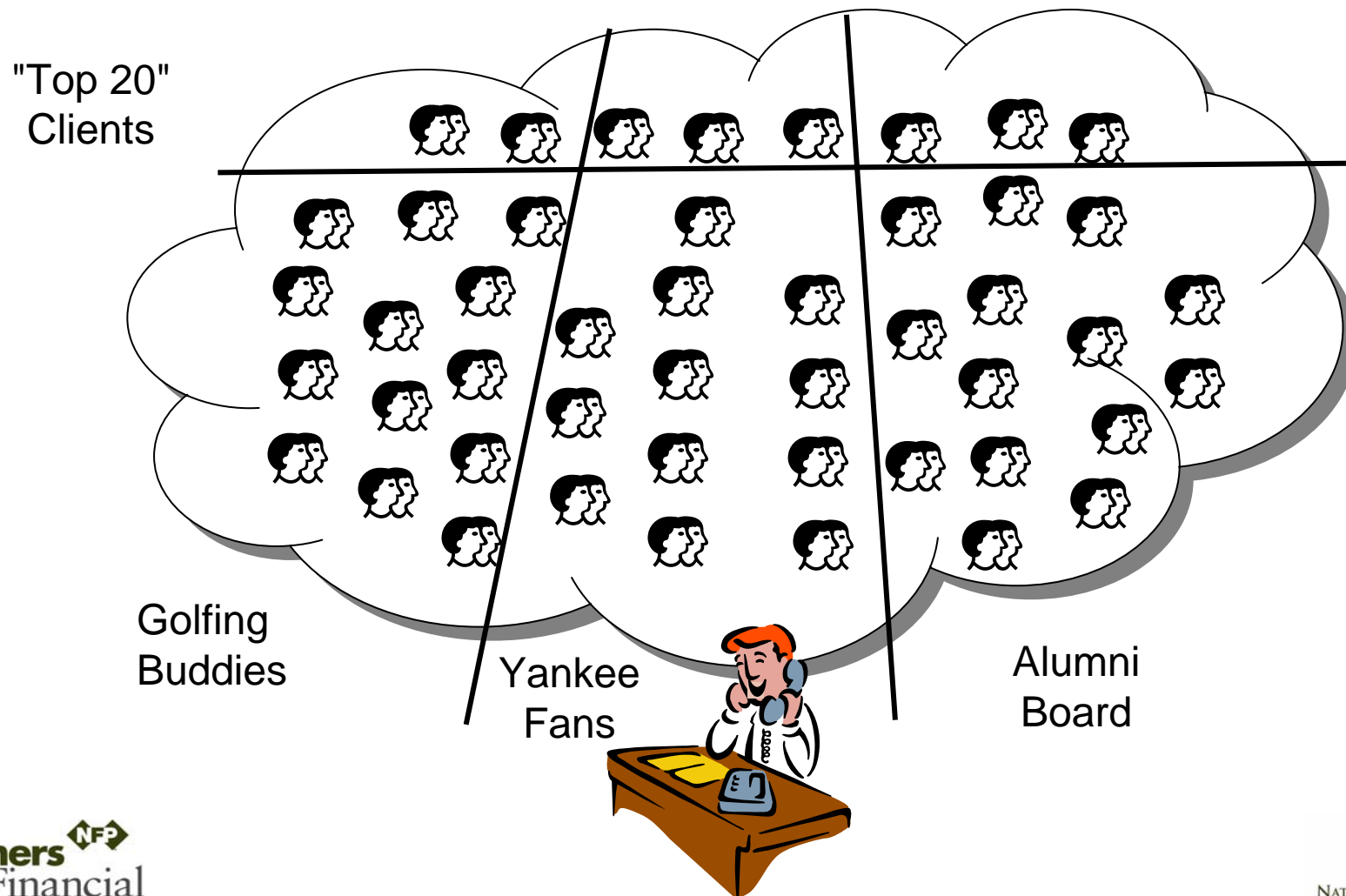


Most offices have client management or "CM", tracking clients and in some cases contact with them...



But they fail to capture and use the true value of the practice, the network of relationships and referrals developed over the years by the producer.

Capturing the Relationships in a firm allows the practice to focus on target interests and communities within each group.



To capture the value of "R" in CRM, first learn how the producer wants to spend his time and build a practice around this.

- Golfing/Hunting Buddies
- Fellow Alumni
- Accounting Firms
- Small-Business Owners
- Soon-to-be Retirees

Keys to Success

- Keep a steady stream of "new" concepts infused into the practice
- Support remote business development
- Follow up consistently on referrals and opportunities

Keys to Success

- Act consistently and quickly to referral opportunities
- Need to provide feedback and details to referral sources
- Maintain contact details with third party as well as clients

Make the relationships and supporting information visible to the producer through the CRM application.

NFP and the “Complex” Independent Channel

Why CRM is not just a technology effort

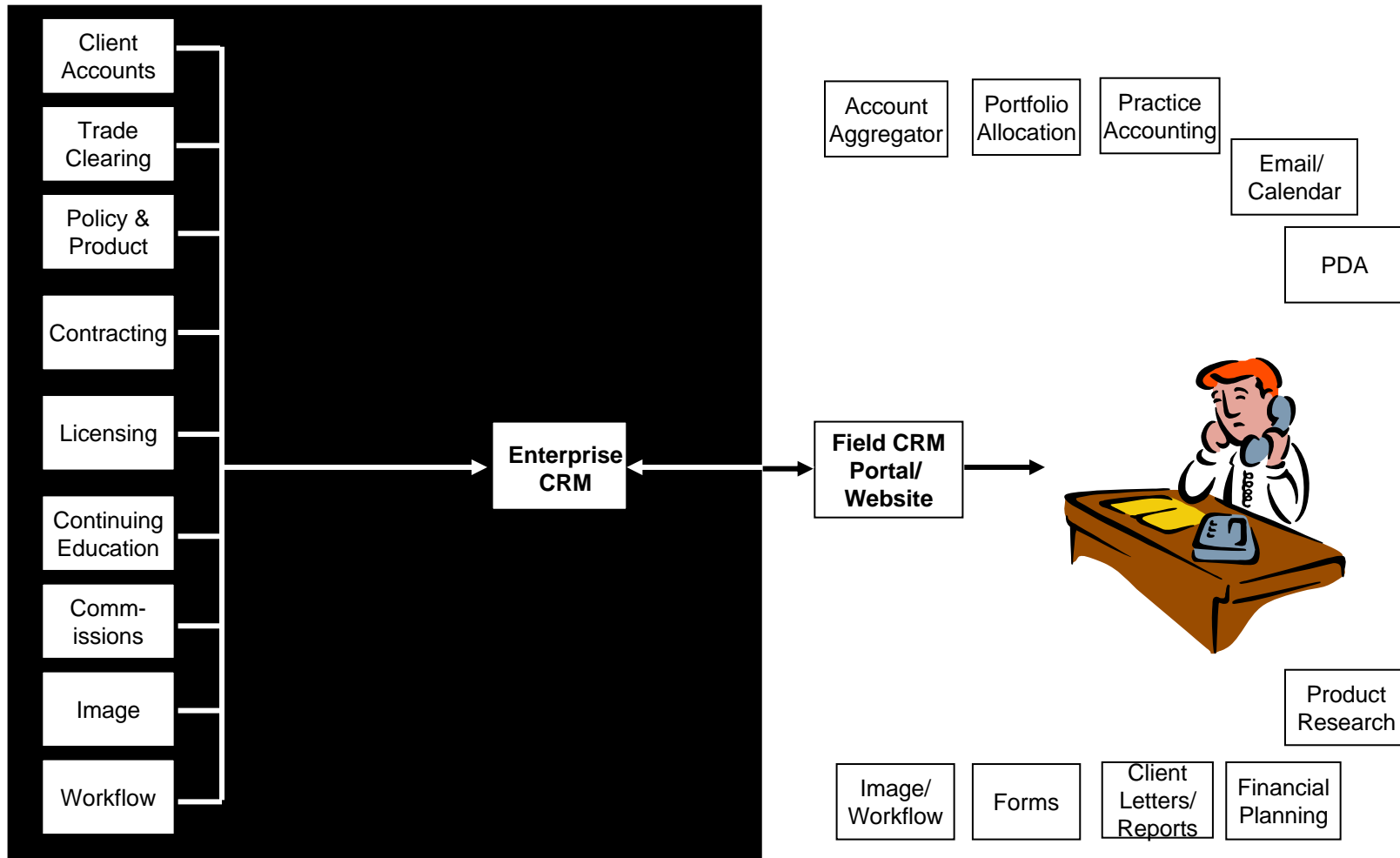
Putting the "R" Back in CRM

Connecting from the Front - The Business Case for CRM

Seamless Compliance

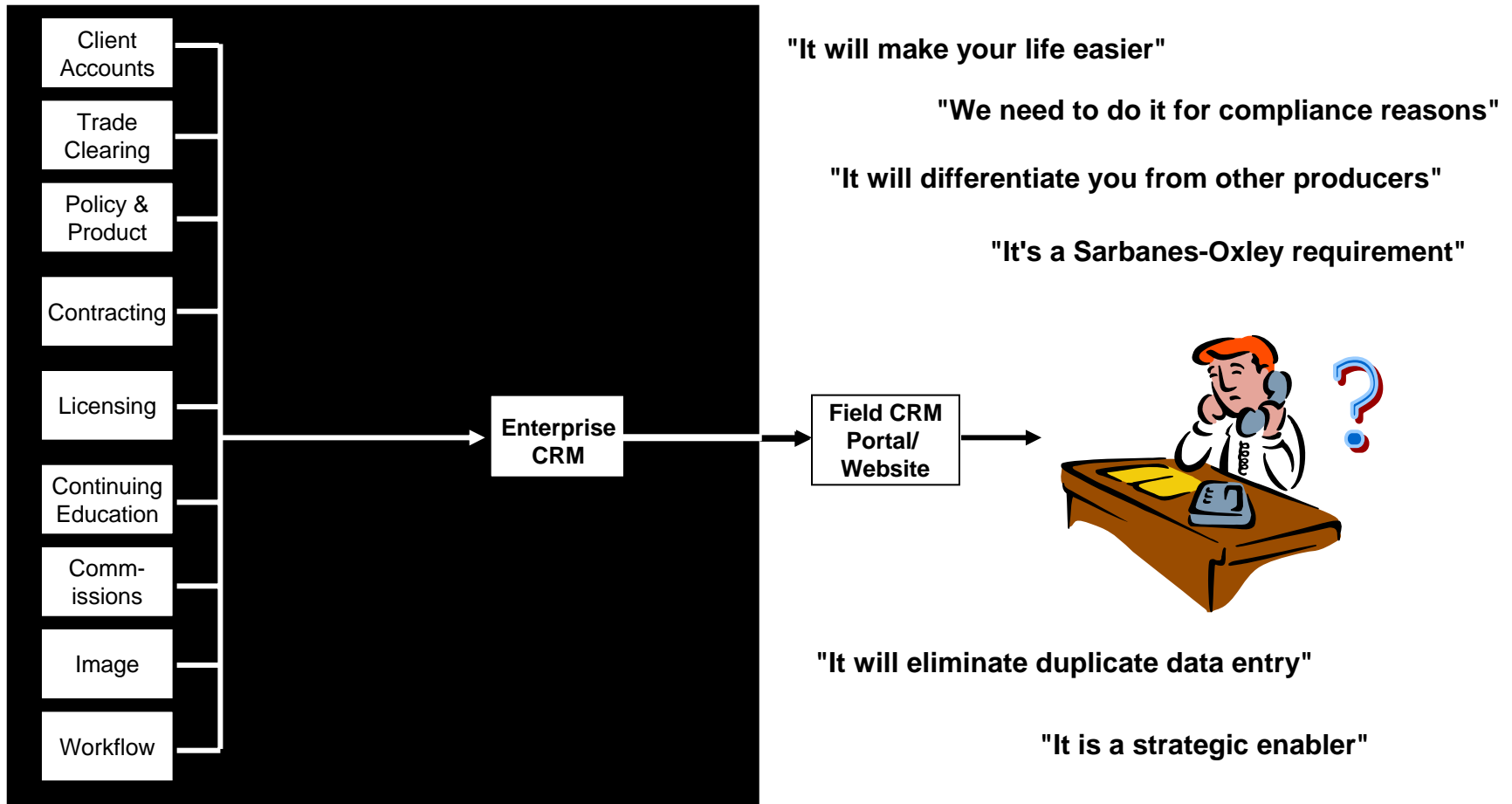
Selecting the right CRM platform

Many CRM Efforts Focus on Back-Office Integration Challenges



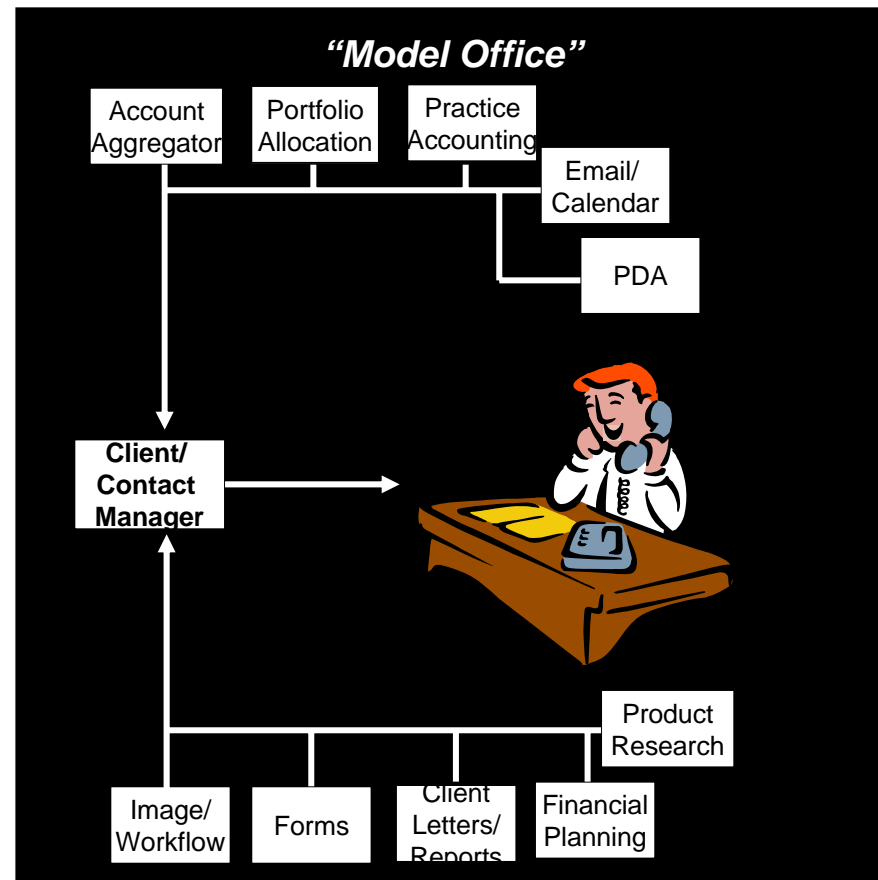
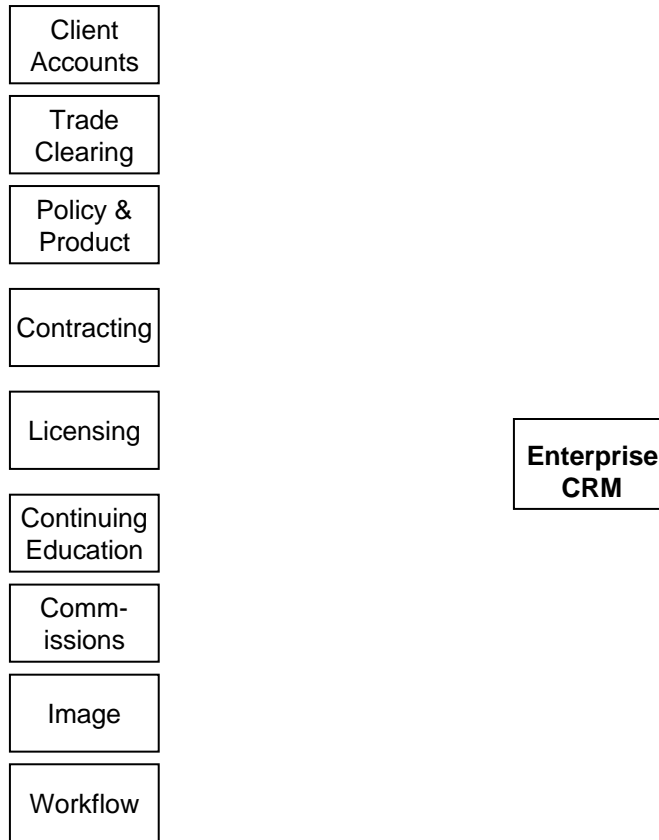
Often, this leaves the producer and his firm to integrate tools that they actually use.

Typical CRM initiatives are then hyped to the field to get "buy in"



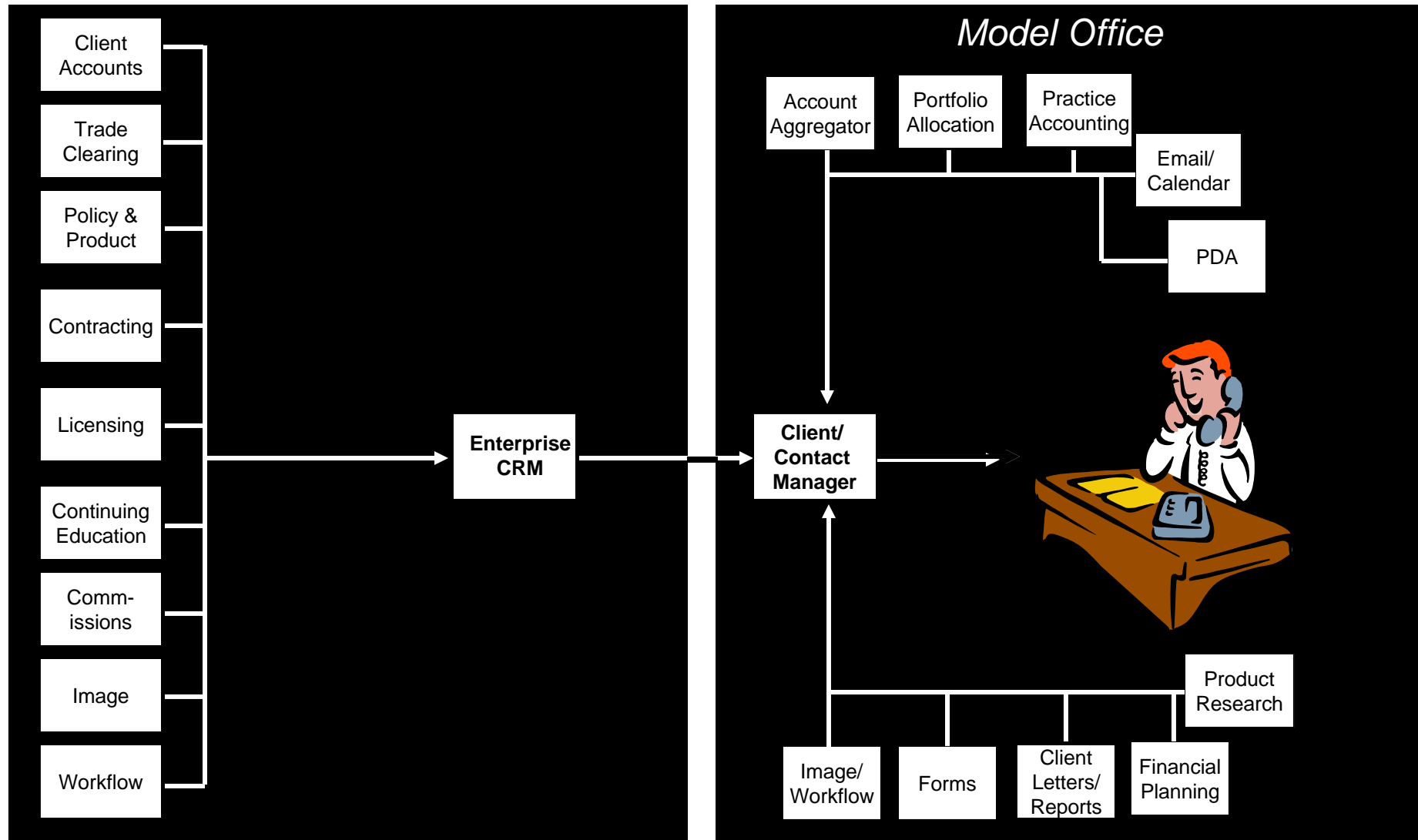
But, does it build credibility and trust between the Producer and the home office?

The real CRM value is integration and empowerment in the field.

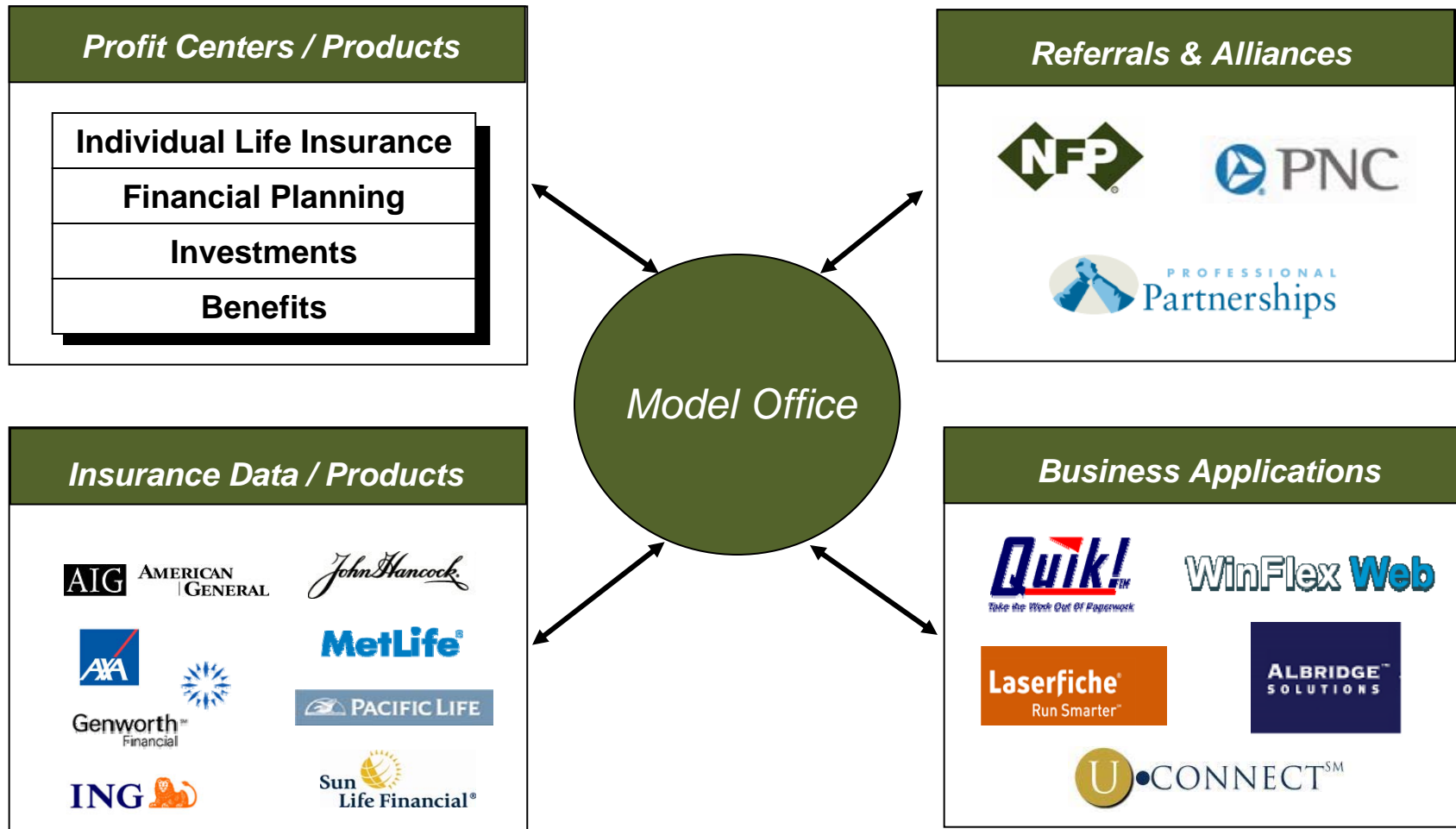


Contact data, which the Producer owns, is the cornerstone of the solution.

CRM success in the independent channel begins with the Producer.



At **PartnersFinancial / NFP**, we are developing a **Model Office** platform that integrates applications, data, and solutions that Producers use in the field.



CRM value is frequently overestimated, because it is difficult to quantify sales increases or cost reduction.

CRM Feature	Estimated Value to Enterprise
Basic Client Management	\$10M
Workflow	\$20M
Image	\$25M
Pre-Filled Forms	\$10M
Consolidated Statements	\$25M
Integrated Client Reports	\$5M
Leads/Sales Management	\$50M
Sales Campaign Support	\$50M
	<u>\$195M !!!</u>

That CRM efforts rarely reach this potential creates widespread skepticism. The main issue is what is left out of the value equation-adoption.

Failure to invest in or account for adoption gets back to the "better mousetrap" mentality - if you build it, they will come.

CRM Feature	Value of Feature	X Adoption	= Actual Value
Basic Client Management	\$10M	10%	\$1M
Workflow	\$20M	10%	\$2M
Image	\$25M	10%	\$2.5M
Pre-Filled Forms	\$10M	20%	\$2M
Consolidated Statements	\$25M	5%	\$1.25M
Integrated Client Reports	\$5M	10%	\$.5M
Leads/Sales Management	\$50M	5%	\$2.5M
Sales Campaign Support	\$50M	5%	\$2.5M
			<u><u>\$14.25M</u></u>

In comparison, a CRM initiative with fewer features and higher adoption creates more enterprise value.

CRM Feature	Value of Feature	X Adoption	= Actual Value
Basic Client Management	\$10M	75%	\$7.5M
Workflow	\$20M	50%	\$10M
Integrated Client Reports	\$5M	50%	\$2.5M
			<u><u>\$20M</u></u>

NFP and the “Complex” Independent Channel

Why CRM is not just a technology effort

Putting the "R" Back in CRM

Connecting from the Front--The Business Case for CRM

Seamless Compliance

Selecting the right CRM platform

Typically, compliance pressures from the home office put the producer in front of a computer or filling out forms rather than in front of his clients.



Changing the habits of your entrepreneurial producer and his practice is not easy.

The beauty of a well-designed, field-based CRM effort is that it achieves compliance by providing excellent client service.

Compliance "Requirement"	CRM "Best Practice"
<ul style="list-style-type: none"> • Keep track of every phone call, email, letter, and voice mail dealing with each client. • Pay close attention to claims you make and what you send your client in writing. • Keep accurate and thorough documentation of client signatures, forms, and records. • Make sure each client request has the appropriate signature and documentation. 	<ul style="list-style-type: none"> • Keep thorough details of your client interactions so you and your staff exude professionalism. • Develop materials to support your marketing and client retention and send the materials to the "right" clients. • Align document images, forms, illustrations, and related sales documents with the client record. • Build defined processes and responsibilities with your staff and monitor the output.

The purpose of compliance is to minimize field and home office legal exposure. The purpose of CRM is to thrill clients with the quality of your service. Thrilled clients do not sue you.

A good CRM platform provides most of what you need for compliance.

- **Email** - send and receive an email from anywhere, but make it easy to post to CRM.
- **Phone Calls** - from the office or from the cell phone, make it easy to track the conversation data and details.
- **Forms** - Pre-fill with client data. Host forms in the home office when possible to prevent version problems.
- **Documents/Images** - Associate document images with the complete client record, not a separate folder/storage structure.

The challenge is achieving compliance from the tools that the producer already uses.

NFP and the “Complex” Independent Channel

Why CRM is not just a technology effort

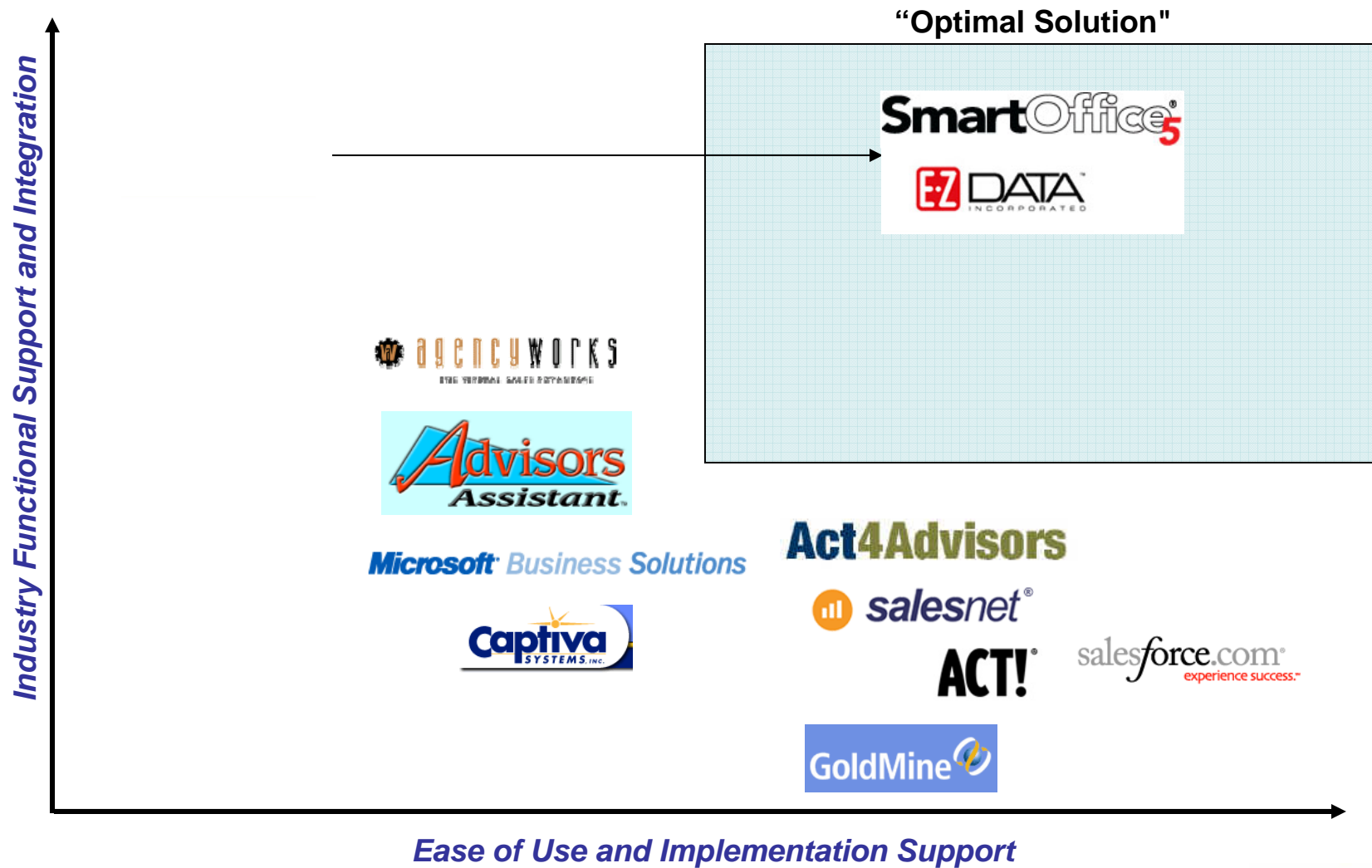
Putting the "R" Back in CRM

Connecting from the Front--The Business Case for CRM

Seamless Compliance

Selecting the right CRM platform

Multiple CRM platform were investigated.



We selected E-Z Data's *Smartoffice* solution.

- Chose firms to "pilot" the SmartOffice solution to confirm that the software performs as advertised.
- The firms varied by:
 - Profit Center (some life or securities only, others multidisciplinary)
 - Size (5 producers/staff to 20+ producers/staff)
 - Technical proficiency
 - Current client database (included CDS, ACT!, Contact Partner, Excel)
- After 6 months of testing, confirmed our original thoughts
 - Conversion and implementation was key
 - User training on basics was key
 - Flexibility to meet "custom" requirements was important

Questions?

Thank You!

Scott Weber
AVP, Marketing Technology
PartnersFinancial / NFP Insurance Services, Inc.
sweber@nfp.com
(512) 697-6000