



# The Distribution of Insurance Products through Retail Outlets: A Concrete Experience

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**«A distribution structure for insurance products based on a brokerage with its own offices located in stores, and its own material and personnel resources, allows for the sale and giving of advice of any type of insurance which exists on the market, be it using the own resources of each local office (when dealing with the most simple and common types of insurance), or with the help and support of the brokerage's head office (when dealing with insurance with greater technical complexity or which is less well-known).»**

The sale and marketing of insurance products may be considered in very different ways depending on the various goals which are to be achieved in the short, medium and long-term.

These goals should determine the, sometimes, huge differences between the various types of structures (technical, commercial and administrative) which must be designed in order to successfully carry out the distribution of these types of products in the context of retail outlets.

This structure depends on different factors which must be taken into consideration, some of these are:

- ✓ The type and number of insurance products to be marketed.
- ✓ The degree of professional capacity and training of the person in charge of sales.
- ✓ Pre and post-sales services which are to be offered to the clients.
- ✓ Collaborative agreements made with insurance companies providing the products which are offered.
- ✓ The legal requirements which are in force in each country with respect to the distribution of products such as insurance for which there are such specific regulations.

It is for this reason that it is necessary to point out that this article will exclusively deal with a specific and concrete experience which may now be considered to be fully developed and consolidated. This experience was initially designed by a Spanish department store company in order to, with time, help to achieve its business objectives which were primarily aimed, initially, towards broad-

ening and developing the services which were offered to its store-card holders. The following **principles** were to underpin the initiative:

- ✓ Independence from any one insurance group, thus permitting the distribution of any company's insurance products. It would therefore always be possible to offer the client the product most suited to his needs.
- ✓ Diversification of products among various insurers, according to the type of products to be offered, in order to achieve the best possible balance between suppliers, and therefore achieve business stability.
- ✓ Specialisation, and, in certain types of insurance, exclusivity for its own clients with respect to specific cover conditions. This would mark a difference with respect to other similar types of products offered by the same insurer to the company's clients. The intention being not to compete with the insurer's network, but rather to differentiate the products offered.
- ✓ The establishment of global agreements with various insurance companies for the marketing of their products which should allow for institutional collaboration in all aspects: payment terms, forms of premium collection and settlement, underwriting and risk selection criteria, product marketing expense apportionment, claims handling and settlement criteria, documentation to be used in



every case, contract wording, etc.

✓ Progressive use of all possible, present and future, distribution means within the organisation.

✓ In-house training of distribution networks, with the creation of internal training for personnel with respect to basic company principals and its objectives regarding insurance distribution.

✓ Loyalty to suppliers (insurance companies); this is essential in order to give overall long-term stability to the business book and to provide new channels of future collaboration.

In order to successfully achieve the business objective of insurance distribution based on these aforementioned principles, only one possible route was seen: the setting up of a professional insurance brokerage, with all that was implied by this in the Spanish legal context.

The experience which is given here is that of an insurance brokerage (in other words, a profession insurance intermediary), which occupied itself with the distribution of insurance and other complementary services through the retail outlets owned by the parent company.

This brokerage has its own business structure in all aspects and exclusively deals with its own representatives, who are physically located within the organisation's stores, in order to distribute all types of insurance to the store's customers using the same business principles and criteria as the parent company uses for the marketing of the rest of the products and goods which are sold in the stores.

The organisation's business philosophy may be summarised in one principle – both utopian and necessary in the day-to-day reality of the company – which is "the search for total quality". When this is transferred to the field of insurance distribution it turns out to be an ambitious and difficult to

achieve challenge, especially if attempts are made to compare it to the level of satisfaction experienced by clients with regard to the other services offered in the stores by the organisation. Insurance involves the offering of commitments: promises are sold in the case of the occurrence, it is not known when, of a random event. The customer is able to buy the other products from the surrounding shelves and then see them, touch them, and even try them, within the context of the organisation's promise to return the customer's money if satisfaction has not been achieved.

This context of the necessary co-existence of the distribution of a product such as insurance - which is so special with regard to its technical, administrative, contractual and commercial characteristics - with the distribution of other products which are so different in their marketing and post-sales services, makes it necessary to set up a series of systems which are as closely based as possible on the characteristics of the business

organisation itself, and with which the potential client is well accustomed. These principles were summarised previously in this article.

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Logically, if we consider the typical client at whom these products are aimed, the department store client in his private and family environment, the types of insurance which have the greatest uptake with regard to premium income are as follows (Figure 1):

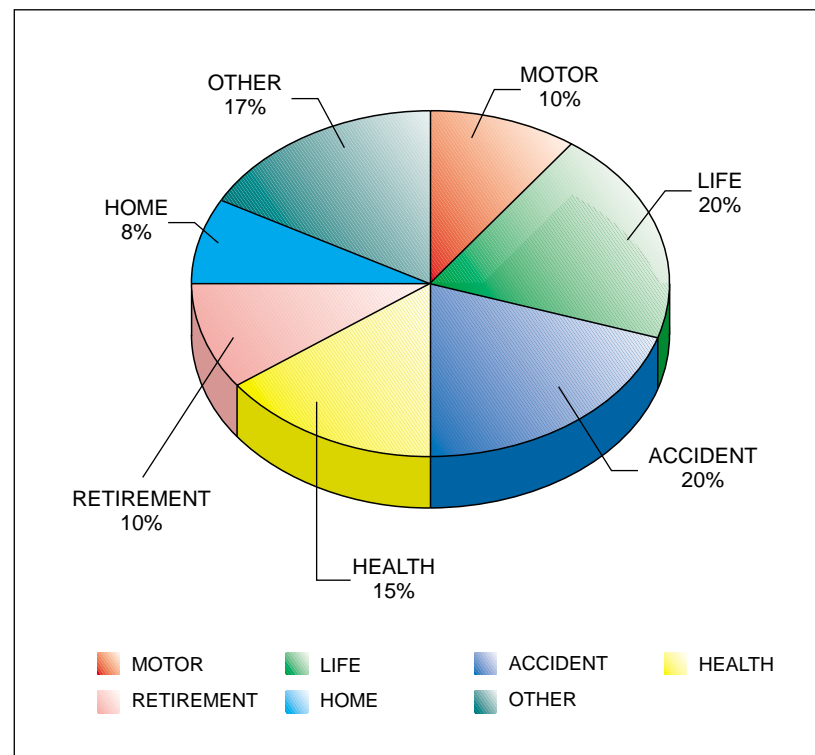


Figure 1.

**The sales methods** which are used vary greatly, and in each case depend on the type of product being offered, but, in general, the order of importance in the aforementioned case is as follows (Figure 2):

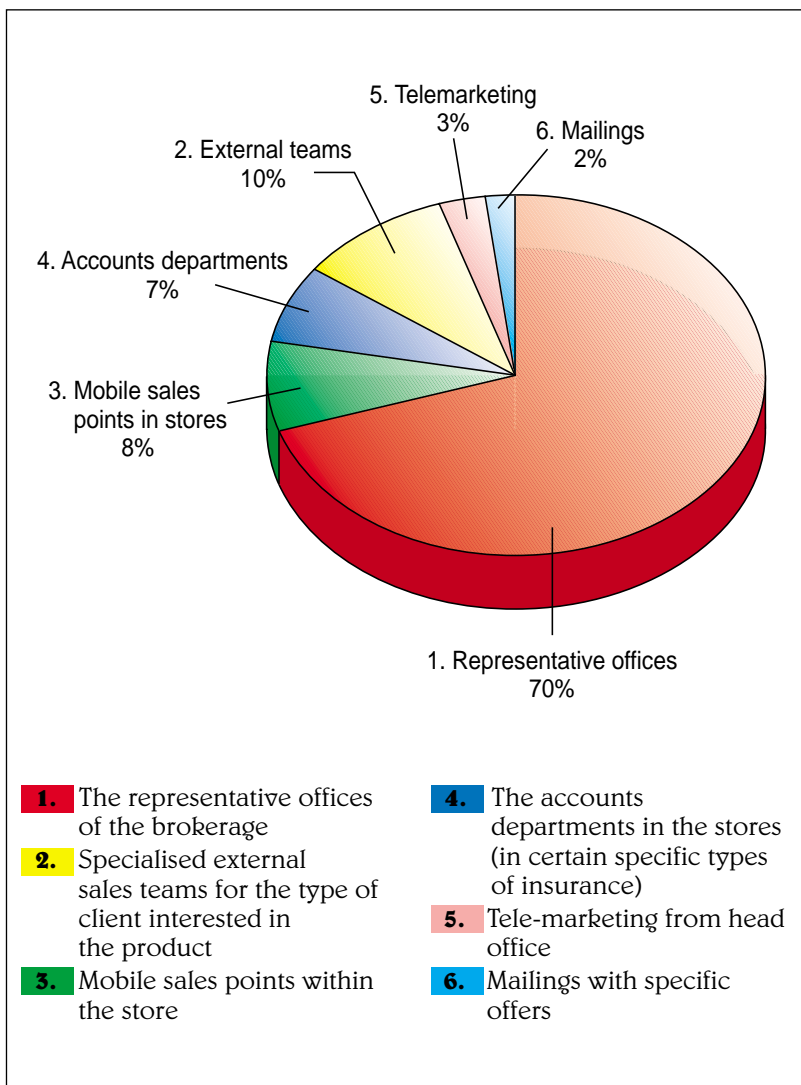


Figure 2.

The rest, (industry, shops, travel, insurance especially designed for certain goods which are sold in the store, etc.) may account for, in the above case, 17% of the insurance portfolio handled by the brokerage.

The experience which has been discussed here is, as was mentioned at the beginning of the article, fully developed and consolidated, and the business objectives which were initially set were achieved using the basic sales principles given earlier. Apart from the targets which

were set and achieved during these years for the distribution of insurance, as the structure of the brokerage became developed, with small modifications it also served for the sale and distribution of other non-insurance products which are closely linked with the insurance, economic and financial world, such as pension funds, investment funds, mortgages and personal loans. The parallel distribution of these types of products in the last few years has also been very positive. At the

present time, and after 17 years of development of the system, a significant portfolio of insurance and financial fund products has been built up; these were achieved on a day-to-day basis and were managed and brokered by the brokerage which had the following characteristics:

- 48 representative offices in 32 important cities.
- 530 employees
  - 70% in the sales area
  - 25% in the technical and management areas
  - 5% in the organisation and training areas
- 564 million of funds under management.
- 1,100,000 insurance contracts, services and financial products in force.
- 55 insurance and/or financial services provider companies with which stable relations are held.
- 600,000 clients (both private individuals and legal entities).

In any case, in order to obtain the previously mentioned figures during these 17 years it has been necessary to gradually change the actions and projects which have been carried out in order to adapt them to various types of changes which have arisen in the economic sector in general and in the insurance sector in particular. This process of change will no doubt be continued in the future in order to take advantage of new business opportunities which periodically arise. This will always be done within the business approach framework which has been set by the basic initial principles which have guided the organisation's relations with clients and suppliers in the past, continue to do so at present and will continue to do so in the future. These principles are the essential and indispensable foundations in order to achieve and maintain the goals which have been set for this insurance distribution system. ■