

LLOYDS  
BANKING  
GROUP



# BANCASSURANCE: CHALLENGES & OPPORTUNITIES

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TISA Distribution Seminar, 18<sup>th</sup> March 2009

# Banks Have Had An Eventful Time Recently...



**theguardian**

'US bank crisis sparks panic in markets' (18/3/08)



'Bank Crisis Could Break Up Families' (26/8/08)

**LEHMAN BROTHERS**



**SUNDAY EXPRESS**

'Bank Crisis: We have to split from England' (19/10/08)



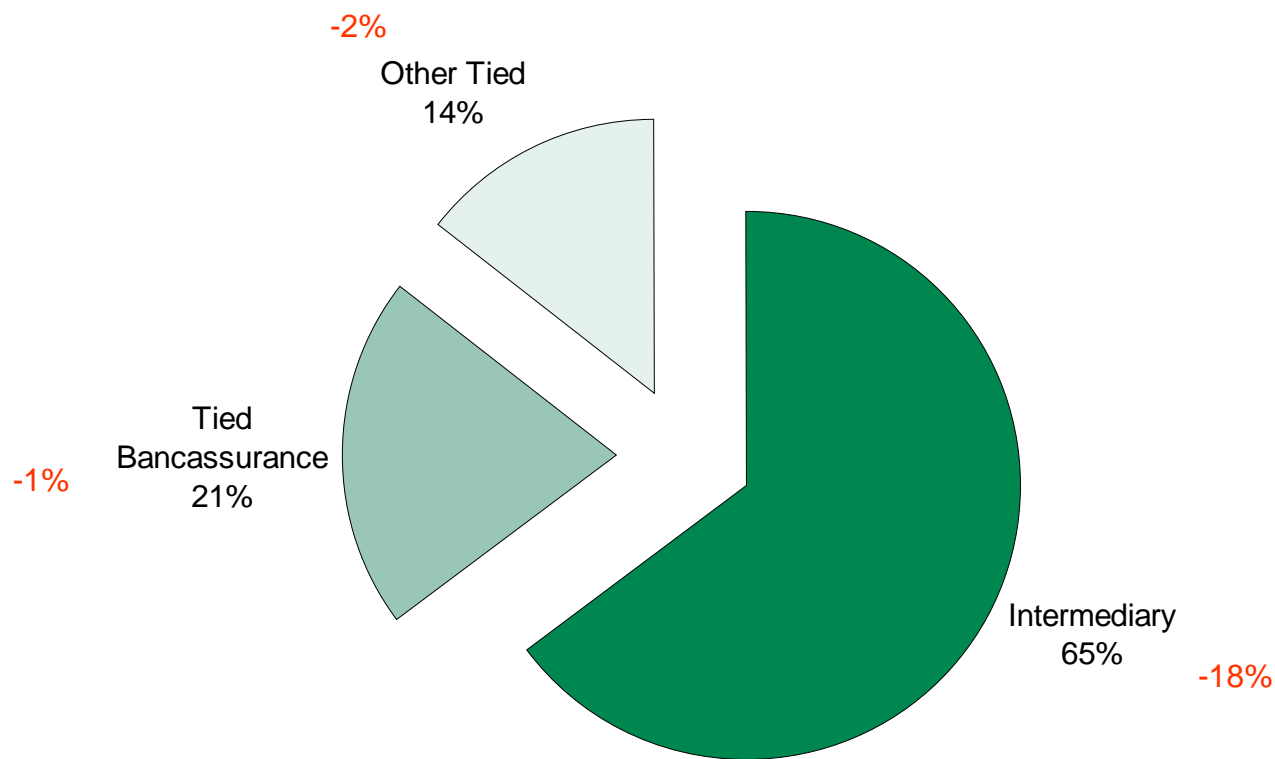
'How Fred shredded RBS' (8/2/09)



# Yet Bancassurers Performed Relatively Well in 2008, Increasing Their Share of Sales to Individuals

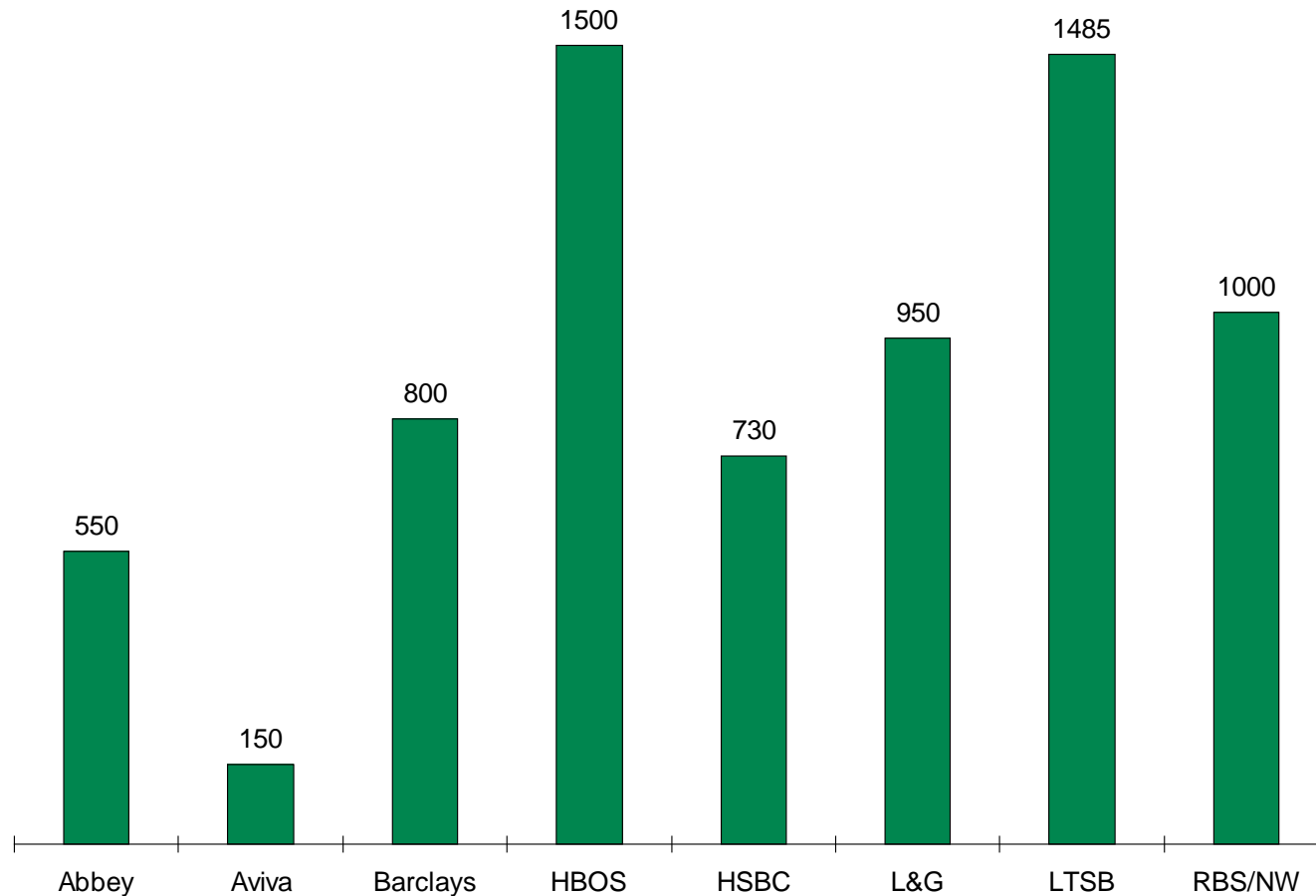


2008 ABI Sales to Consumers = £10.8bn APE (-13% Year-on-Year)










# There Are 7,000+ Bancassurance Advisers, Who Play a Vital Role in Widening Access to Financial Products

Number of Tied Bancassurance Advisers 2008



# There is No Single Model for Bancassurance – Every Company’s Strategy is Different






Bancassurer	In-House L&P Manufacturer?	L&P Product Range	Mutual Fund Range	Intermediary Operation?
	Some	Single-Tied	Single-Tied	No
	Some	Multi-Tied	Multi-Tied?	Yes
	Mostly	Single-Tied	Single-Tied	Yes <small>(BoSAS)</small>
	All	Single-Tied	Multi-Tied	Yes
	All	Single-Tied	Single-Tied	Yes
	None	Single-Tied	Single-Tied	No
	Via JV	Single-Tied	Single-Tied	Yes

# All Banks Serve the Same Customers' Needs – But How They Do It Varies

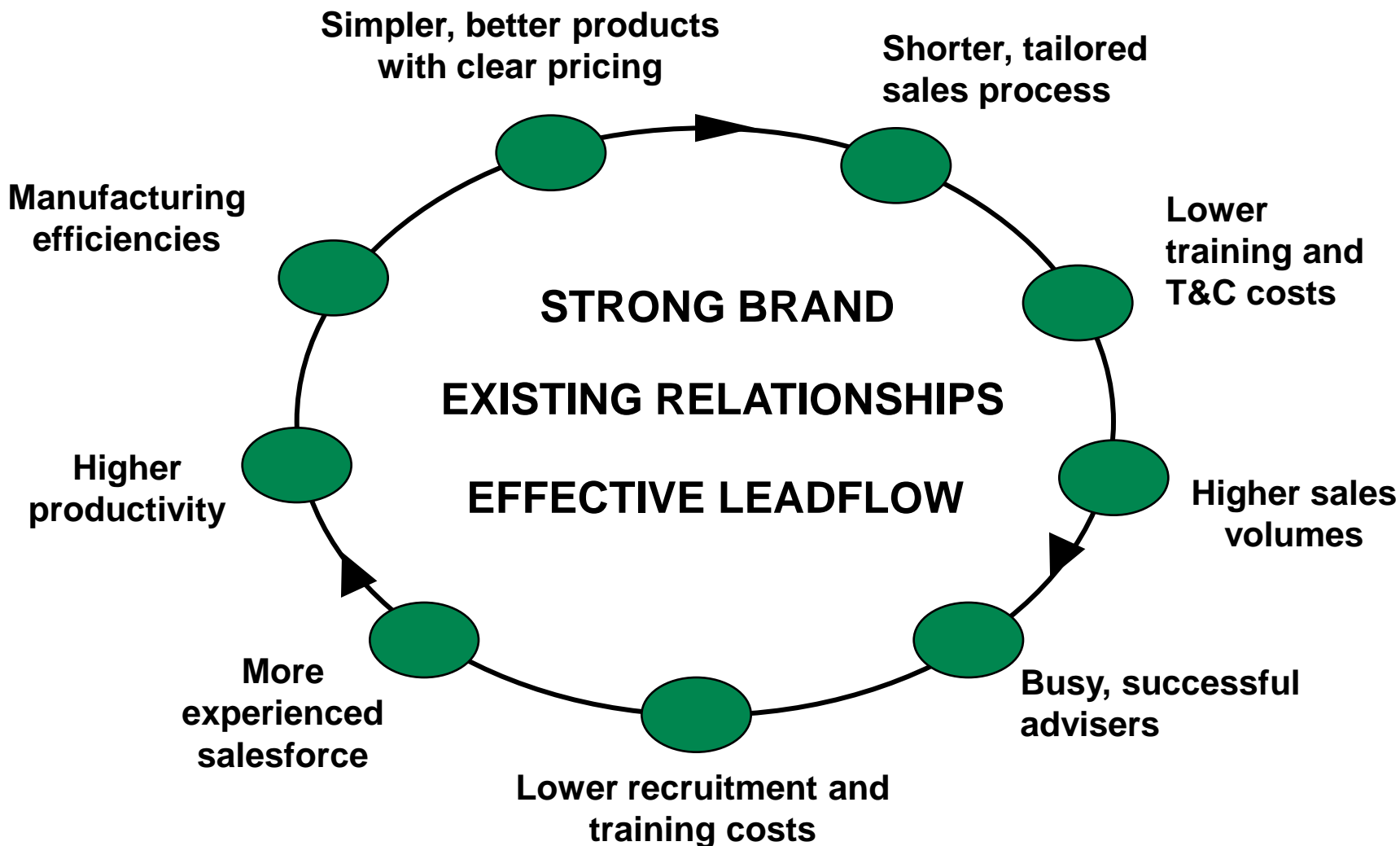
Protection	<ul style="list-style-type: none"><li>• Historical focus on Term/CI cover for mortgages</li><li>• Shift towards lifestyle protection and whole of life</li><li>• Rethinking payment protection insurance</li></ul>
Regular Savings	<ul style="list-style-type: none"><li>• Almost entirely OEIC-based, predominantly ISAs</li><li>• Typical charging structure, but keenly priced</li><li>• Range of internal (&amp; sometimes external) funds</li></ul>
Lump Sum Investments	<ul style="list-style-type: none"><li>• Life and/or OEIC-based offerings</li><li>• Strong demand for capital guarantees</li><li>• All provide structured portfolio planning facilities</li><li>• Greater diversity around underlying investment</li></ul>
Pension Savings	<ul style="list-style-type: none"><li>• Almost exclusively Stakeholder Pensions</li><li>• Simple, low cost offering with limited fund range</li><li>• Fund offering broadly similar to Regular Savings</li></ul>

# There are notable differences around lump-sums



Area					
<b>Structured/ Guaranteed products &amp; Funds</b>	<p>Extensive range of internally manufactured products linked to wide range of indices</p>	<p>~Guaranteed Investment Plan - A structured CPPI plan ~ Capital Protected fund - A structured OEIC linked to FTSE100</p>	<p>~Guaranteed Capital Plan - 50/50 deposit and capital growth plan linked to FTSE100 ~ Capital Protected fund - A structured OEIC linked to FTSE100</p>	<p>Capital Protected Fund - A structured OEIC linked to FTSE100, manufactured by SW</p>	<p>~NU's 'Gteed' With profits fund within the Portfolio Bond  ~Capital Protected OEIC - last tranche sold out early Dec. No new tranche available as yet.</p>
<b>Onshore Investment Bond</b>	<p>Multi-tie links to bond solutions from 6 providers (however L&amp;G distribution bond is the preferred choice)</p>	<p>Personal Investment Plan-with a choice of 4 risk based portfolios plus 19 sector specific funds</p>	<p>Investment Bond-with choice of 9 internally managed sector specific funds</p>	<p>SW's Flexible Growth Bond - With a choice of 100 funds</p>	<p>NU's Portfolio Bond - with a choice of over 100 funds</p>
<b>OEICS/ Unit trusts (All available within an ISA wrapper)</b>	<p>L&amp;G (Barclays) Balanced &amp; Income Portfolio Trusts - a multi manager Portfolio investment</p>	<p>Collective Investment Plan- with a choice of 4 risk based portfolios plus 15 sector specific funds, all managed by Insight Investments</p>	<p>Selective Investment funds- a range of Growth and Income OEIC funds managed in-house plus a range of external investment houses. (in total 21 funds)</p>	<p>A range Growth &amp; Income OEICs managed by SWIP Investments (in total 50 funds)</p>	<p>3 Growth and one income multi Manager OEICs managed by Aviva Investors Global Services Ltd. Close investments monitor the fund managers. ~ 2 FTSE tracker OEIC funds</p>

# Everyone is Seeking to Build a Virtuous Circle for Bancassurance



# Bancassurers Face Several Commercial Challenges Going Forward

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- Rebuilding Trust
- Bank Strategy and Funding
- Persistency and value management
- Proposition Development
  - Cost of Capital
  - Process and Underwriting
  - Charging Structures
  - Provision of Guarantees
  - Fund Choice
  - ...
- Adapting to Post-RDR World
- Making the Case for the Bancassurance Model

# Why RDR Should Be Good for Bancassurance... and Vice Versa

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- Cleaning up the industry will improve its reputation
- Helps demonstrate clarity of offering and value to customers
- We have the ability to deliver consistently good outcomes
- Large customer base with established relationships
- Efficiencies driven by economies of scale, and leveraging existing infrastructure/relationships = Broader consumer access
- We have the skills and capabilities to deliver industrial up-skilling
- Can provide a home for orphaned IFA customers
- Control over distribution broadens product design options