

# FINANCIAL HOME

An opportunity for insurers  
to deepen their customer  
relationships in the digital world

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The following report, "Financial Home" was created in collaboration with Oliver Wyman and InsurTech Hub Munich. It provides market trends and a selection of FIN:SURE Insights, gathered from an ecosystem of insurers, tech leaders, financial players and innovative startups.

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## FINANCIAL PLANNING, THE NEED FOR INNOVATION

For many decades, life and pension insurance products were the preferred choice when it came to providing peace of mind for long term financial planning. Yet the game has changed for both the insurers and customers. The ongoing environment of low interest rates in most industrialized countries has been weighing heavily on Life Insurers' profitability, especially for those with products offering guarantees.

On the customers' side, volatility of global markets and the incisive effect of the global pandemic has raised attention for long-term financial stability, driving demand for products and services offering safe and transparent solutions. However, it is not insurers, traditionally trusted providers of security who are serving this trend. Customers are increasingly turning to new entrants for simple and convenient personal finance and investment solutions.

In this environment, insurers are increasingly asking themselves: "What role can we play in providing solutions for customers looking to secure their financial future?"

The following whitepaper, "Financial Home," was created in collaboration with Oliver Wyman and InsurTech Hub Munich (ITHM). It provides an overview of market trends, a mapping of strategic challenges that insurers may face, and a detailed description of real-life customer personas, with distinguished profiles to determine different needs towards a financial home offering.

Overall, the market for financial home solutions is still open to be defined: key players, target groups, market volume and scope, as well as strategic milestones and success factors are continuously being developed. All of this results in untapped business development potential and opportunities for insurers and Insurtechs.



**The time seems opportune to elevate digital financial relationships to the next level — from a digital version of an in-person financial advice interaction to a truly holistic and personalized offering, a Financial Home.**

## FINANCIAL HOME: A PORTAL TO THE FINANCIAL WORLD

People are creatures of habit. When we think about looking for information, shopping or traveling, most of us have our favorite websites in mind. Our portals to the internet, to e-commerce or to digital travel.

But what is the portal to our financial world? For many of us, there is no one answer to this question. We often use many different digital tools for initiating payments, banking, borrowing, investments, or safeguarding our future. Our digital financial world is often fragmented, and also influenced by our everyday lives: our earnings and (planned) spending and sudden surprises, such as accidents. It's no wonder that we often make financial decisions based on partial information, gut feelings, and at times this even can be influenced by questionable advice. It's fair to say, that the ways we make good financial decisions can be improved.

For the wealthiest, a solution exists — private banking. A very labor intensive, expensive solution that is out of reach for the larger population. Wouldn't it be beneficial to have accessible digital private banking services on our smartphones? Essentially, having the ability to access services through one centralized portal, or a Financial Home. The obvious answer is "yes," but the task is so complex that it's not easy to accomplish. So, while the digital private banker is the holy grail for a Financial Home, it will not be achieved in a single bold step. It needs to be designed and built in a way that provides customer value. This, at the core, is a business model problem. Technology is only the enabler. So how can we make progress and get there?

A Financial Home should be the portal to a customer's financial world. This means, it must encompass all relevant activities and features needed to manage finances.

On one hand it provides what's needed to manage cashflow — managing earnings, enabling transfers, and tracking spending. Concretely, it should provide access to bank accounts, payment providers and possibly cryptocurrency wallets.

On the other hand, it should help manage wealth — enabling borrowing, and helping clients to grow and protect wealth. To do that, built-in features like financial planning will enable clients to get a grip on their financial future. Insurers are well positioned to help grow and safeguard wealth. This clearly is the sweet spot.

To summarize: **A Financial Home should be a trusted platform, combining customer journeys in one holistic view — to create an entry portal to the customer's personal financial world, that is accessible, transparent, comprehensive, and in-line with customer value.**

## FIN:SURE INNOVATION SPRINT: EXPLORE THE FINANCIAL HOME OPPORTUNITY

In 2021, the InsurTech Hub Munich (ITHM) community of 20+ leading insurers and tech partners, a selected batch of 10 international FinTech start-ups, and Oliver Wyman set out to explore the Financial Home opportunity in a six-week Design Sprint.

Cross-functional teams, comprising of user experience designers, tech and strategic experts, founders and Life Insurance experts evaluated the Financial Home opportunity. The teams oriented themselves on three central challenges, derived from in-depth interviews with the ITHM insurance community, to more deeply evaluate the Financial Home opportunity.

From customer interviews, user-concept testing and a designed prototype, learnings were derived for taking the vision of a Financial Home further to reality. Those learnings are highlighted in the FIN:SURE Insights sections throughout this report.

### Exhibit 1: FIN:SURE Programme challenges defined by ITHM community



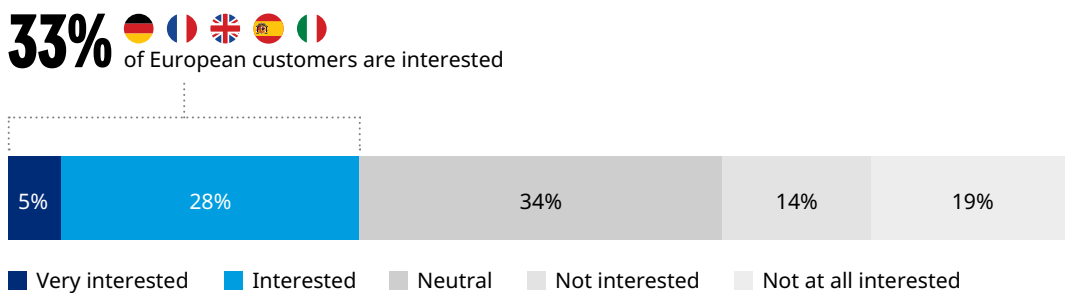
Source: InsurTech Hub Munich

## CUSTOMERS WANT FINANCIAL HOME SOLUTIONS

There is significant interest in developing a Financial Home proposition! Prior to COVID-19, Oliver Wyman conducted a broad consumer survey across five European countries. Among the 5,000 consumers surveyed in Germany, France, Spain, Italy and the UK we found that 33% were interested or very interested in using a Financial Home solution.

### Exhibit 2: Customers are interested in Financial Home

Survey question: How interested would you be in the Financial Home proposition?



Source: Oliver Wyman analysis, based on consumer survey

In strong bancassurance markets, such as France, Spain, Italy, the interest was even higher, in Germany with 26%, a little lower. It makes sense given the fact that customers in strong bancassurance markets have learned to get all their finance and insurance problems solved at one place — the banks. We are still a long way from initial interest to the regular daily use of a Financial Home offering. Customers will need to be convinced and approached in a low barrier way to leverage the full potential.

### Consumers want holistic financial advice

There is also clear evidence and demand in today's analog world to incorporate holistic financial advice as part of a Financial Home. In Germany, banks are only partially perceived as the go-to-place for managing all of your finances compared to consumers in bancassurance markets. Consequently, an industry of distributors promising holistic financial advice has developed in Germany. Their value proposition is even broader than that of the well-known independent financial advisers (IFAs). They not only cover investment and banking products, but also access to insurance products, mortgages, and sometimes even real estate. Financed through commissions, this solution is also accessible to many people.

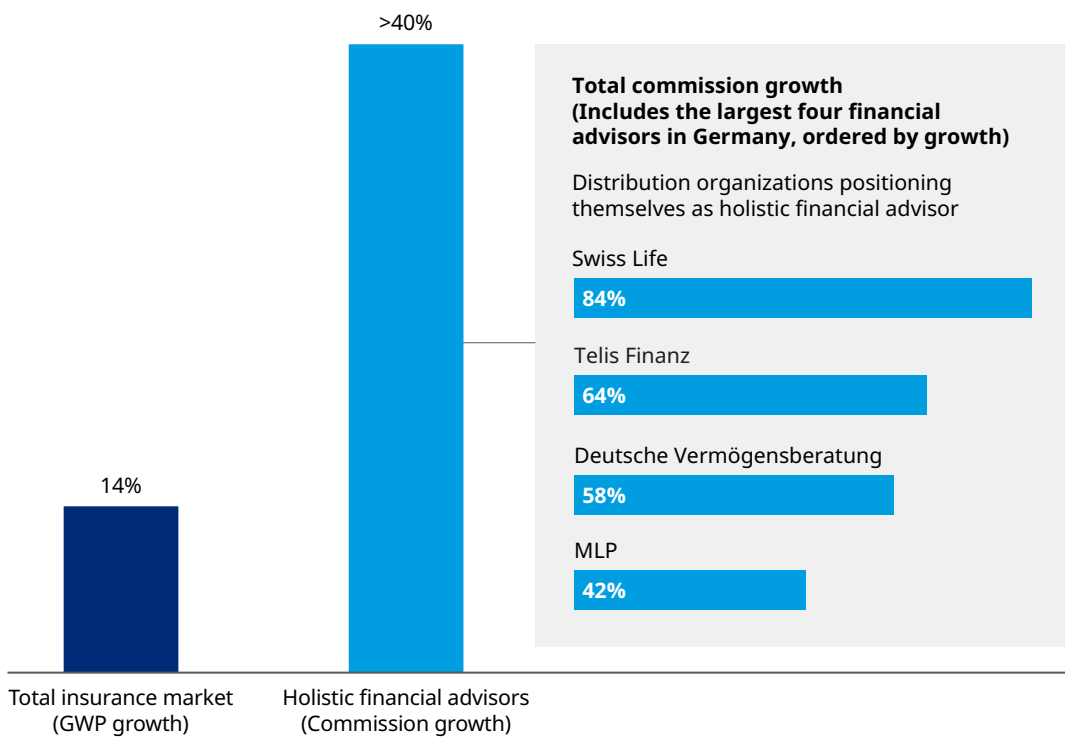
However, the financing creates a conflict of interest, which has sparked a debate on the quality of the advice and partially put their reputations into question. We will not debate here how much of this is warranted. Despite this reputation problem, the industry has shown tremendous growth in recent years.

Exhibit 3 below shows that there is very clear analogous evidence and consumer demand for holistic financial advice to navigate the ever-growing complexity of the financial world.

### Exhibit 3: Consumers seek holistic financial advice

Total growth 2015-2020

Example: Germany






Sources: GDV; Cash-Online; Oliver Wyman analysis

## FIN:SURE INSIGHT 1 FINANCIAL HOME CUSTOMER PERSONA

The Financial Home proposition is as individual as the customer, it is imperative to not only understand customer group demographics but also customers’ motivators, desires and pain points when it comes to planning their financial future. Conducting 30 in-depth user interviews with customers between the ages of 25-35, real-life customer personas have been developed during the FIN:SURE Innovation Sprint.

**Exhibit 4: Financial Home customer persona**

	 <b>Fabian, 31</b> Distinguished independent customer <i>“I enjoy experimenting with innovative opportunities to diversify my portfolio”</i>	 <b>Martin, 30</b> Price-oriented rationalist <i>“I take straight-forward decisions based on numbers”</i>	 <b>Pia, 32</b> Demanding delegator <i>“I want to secure my future — with a little help from my friend”</i>
<b>Profile</b>	90-100K + income Strategy consultant Has life insurance, pension plan, ETF portfolio and Crypto/NFT investments Codes his own newsfeed to stay up to date on crypto	60-80K income Product manager in pharma Has basic insurances, selected stocks and broad ETF portfolio Uses neobrokers and neobanks, very tech-savvy but skeptical about hyped financial products, e.g. crypto	70-100K income Operations manager Has basic insurances and ETF portfolio, uses neobanks and neoinurers, considering real estate investment Doesn't trust neobrokers (“I want to use serious products.”)
<b>Financial literacy</b>	High	Medium	Medium
<b>Risk appetite</b>	High risk appetite, secured long term finances through conventional products, willing to experiment for short-term reward	Willing to switch, price-oriented, medium to low risk appetite	Long-term oriented — seeking to secure her financial future, medium risk appetite
<b>Goal</b>	Accumulate wealth and enable early retirement	Secure financial future with strategic investments	Wants to live a good life and be able to finance her dreams and ambitions
<b>Pains</b>	Fear of missing out on investment opportunities Lacking benchmark to compare own portfolio performance and knowledge	Feels frustrated from lack of investment and cost comparison platform Feels anxious if he has invested enough, unsure about the right quantified investment goal	Feels pressured to make perfect investment choices, feels mistakes are costly Aware that she is not doing enough — feels ashamed talking about her finances
<b>Financial Home need</b>	<b>Accumulated view on investment portfolio</b>	<b>Comparison platform with clear decision criteria</b>	<b>Trusted partner for financial planning guidance</b>

Source: InsurTech Hub Munich; YouGov



The first three identified customer groups emphasize that the needs towards a Financial Home differ broadly. From an insurer’s perspective, building a long-lasting customer relationship and being the trusted advisor to the customer is the most interesting way to position long-term oriented products that require holistic advice. Matching this with customer needs, the “demanding delegator” can be a promising customer group for the initial positioning of a Financial Home. These customers are seeking holistic advice beyond only financial performance, are relationship-oriented and pursue a more abstract goal rather than concrete financial targets.

**Exhibit 5: Demanding delegator as initial Financial Home target customer**



**Pia, 32, Demanding delegator**  
**Financial Home need: Trusted partner for financial planning guidance**

<b>Guidance</b>	<i>“I want somebody to sit me down with a flipchart and draw out all my options.”</i>
<b>Flexibility</b>	<i>“I feel like I have to make perfect choices because mistakes are so costly — that’s where I get stuck and don’t even start.”</i>
<b>Transparency</b>	<i>“How much money do the brokers make with me as a client? I want to know what their stake is!”</i>
<b>Dreams &amp; aspirations</b>	<i>“I want to live a good life, there is no quantified goal to it!”</i>

Source: InsurTech Hub Munich; YouGov

However, this customer group is also demanding when it comes to convenience and trust in advice. They seek simplicity, value great customer service and are willing to give up a product if the product journey is inconvenient. Additionally, their skepticism of agents and brokers needs to be reduced, their financial stake needs to increase, and transparency needs to improve in order for the demanding delegator to build trust. See [page 12](#) for the prototype customer journey tailored to the needs of the demanding delegator and related customer journey learnings for insurers.

## FINANCIAL HOME SOLUTIONS CAN BRING TOGETHER DIRECT DIGITAL AND HOLISTIC ADVICE

Besides the clear market trend that sales organisations offering holistic advice across insurance, banking, and investment products are increasingly growing strong, there is another area of growth in the market — digital direct business models. It's no secret that platforms such as online price comparison sites and well-positioned digital direct-to-consumer offerings are growing and step-by-step winning market share. This is driven by attractive pricing, but also because of easy access, transparency, flexibility, and simplicity of the offerings. Oliver Wyman's consumer survey across five European countries revealed that coverage flexibility (37%) was the top reason German consumers used neo-insurers with attractive prices coming in a close second place (34%).

Digital direct and holistic advice offerings are two significant growth drivers observed in the market. This is what a Financial Home needs to bring together. If well-designed, it can become a confluence of both success models.

The digital direct business model brings together:

- Transparency
- Easy accessibility 24/7
- Lean and simple processes
- Attractive pricing
- Efficiency

whereas the holistic advice business model complements this with:

- Personal advice
- Relationship and trust
- Frequency or regular interactions
- Loyalty
- Effectiveness

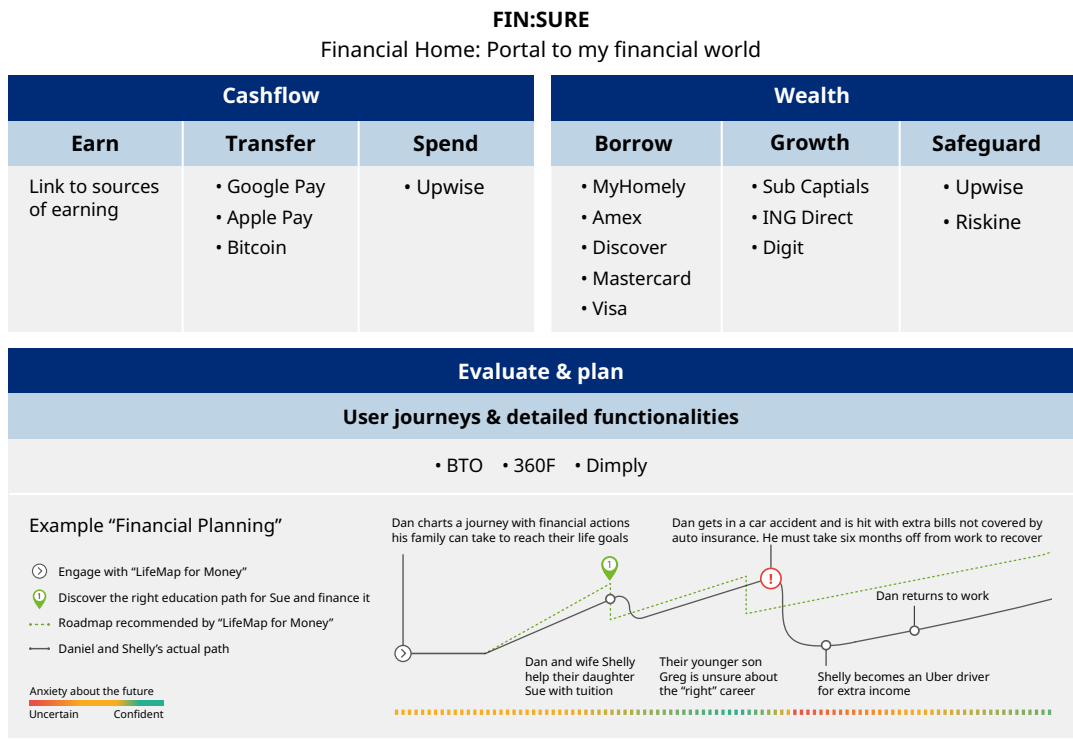
Done right, the best of both worlds could be combined. For many simple products or for the servicing of existing financial products, the "digital direct" element of a Financial Home would drive efficiency for the customer and advisors who are still needed, as long as the Financial Home has not yet reached the "digital private banker" functionality. Hence, there is no need for costly in-person interaction for simple tasks as they are done "with a click." On the other hand, most customers would need support and some "sales push" for more complex products and savings and retirement planning. This is, where the holistic advice business model brings effectiveness into the Financial Home proposition. Clearly, a confluence of both successful business models should constitute a winning Financial Home solution.

### Financial Home solutions are evolving

This confluence is more than a vision — it is becoming a reality! The emergence of a viable Financial Home solution, that customers will both like and use, is close. For every Financial Home component — from managing earnings, spending to growing and safeguarding, there are effective component solutions available. There are now also well-functioning planning and evaluation tools — digital enablers for the Financial Home — in the market.

Up to now, most companies (including start-ups) have focused on one specific element within the Financial Home value chain to push innovation in a clearly defined space. The innovation has mainly taken place in the cashflow-related space (earn, transfer and spend), and the wealth and financial planning space has recently seen significant developments. This development is combing the best of both worlds and leading to a more comprehensive Financial Home solution. Under these circumstances, it is just a matter of time until the combination and integration happens, and we see Financial Home with a full range of services combined in one portal, app, or platform. The following exhibit shows examples of traditional companies as well as start-ups capturing different parts of the Financial Home offering.

### Exhibit 6: Many components of a financial home are available in the market



Source: Oliver Wyman analysis

With more and more participants entering this space, traditional incumbent banks and insurers will have to position themselves in order to not be left behind.

## FIN:SURE INSIGHT 2 FINANCIAL HOME CUSTOMER JOURNEY LEARNINGS

Within the six week FIN:SURE Design Sprint, existing and newly designed Financial Home elements were combined to a holistic customer journey prototype to show the power of an integrated Financial Home journey — specifically tailored to the needs of the “demanding delegator” (see [page 8-9](#) for details).

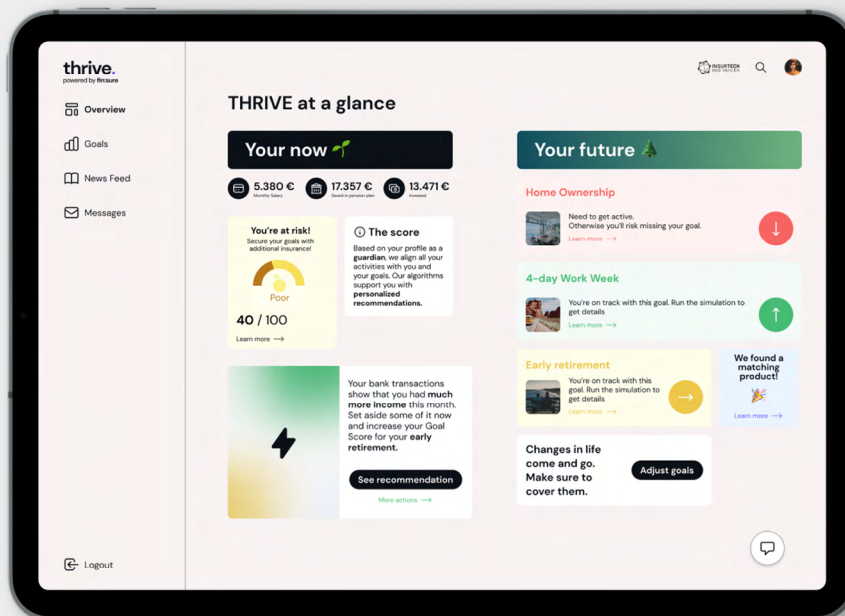
In numerous user concept testing relevant learnings were generated around the user experience for insurers to consider when entering the Financial Home space.

### Trusted access point

Customers are currently looking at their personal, trusted environment for advice — the chosen entry point to a Financial Home needs to integrate the trust factor, for example, access via employers, trusted banks, etc.

### Reassurance is key

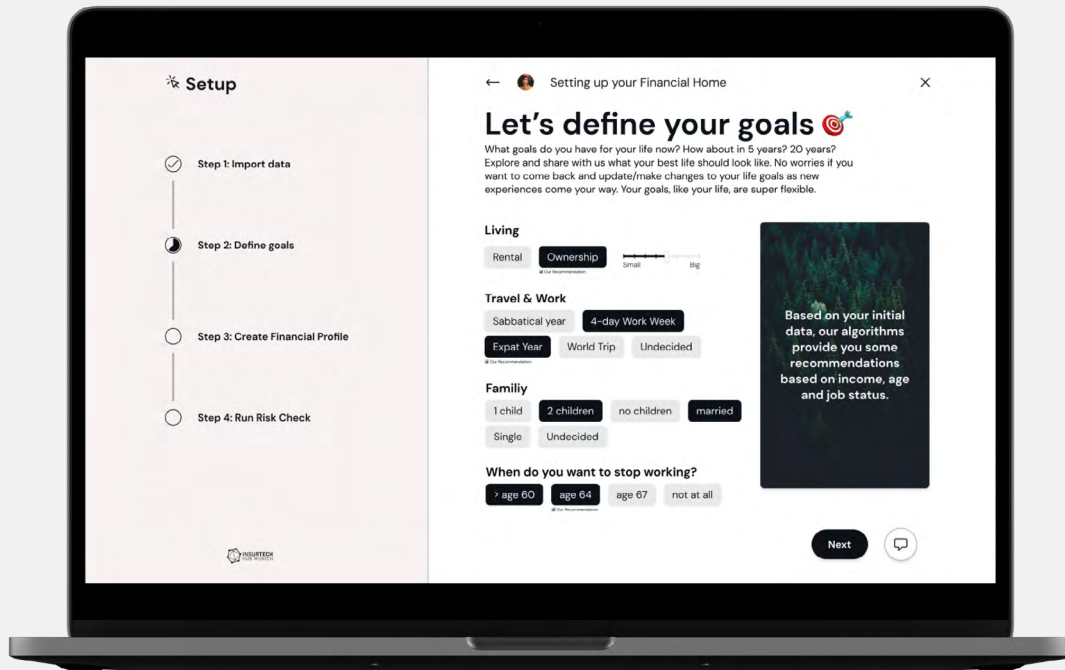
Customers feel that investment mistakes can have severe consequences, which makes taking decisions harder. A lower entry barrier through micro-actions and constant reassurance in the journey (e.g. via key performance indicators) are key to constantly reassure the customer.



Source: InsurTech Hub Munich

### Goals and dreams orientation

Customers want to be approached about their goals and dreams rather than quantified targets. Tying all actions along the journey to goals and dreams makes financial decisions more tangible and actionable to the customer and “meets them where they are.”



Source: InsurTech Hub Munich

### Low tolerance for gamification

Customers consider securing their financial future as a serious topic and want this to be reflected in their customer journey. Too much gamification can throw the customer off from the beginning and does not build trust.

### Transparency vs. information overload

Transparent products do not equal information overload. The customer wants to see relevant information (i.e. impact on goals, fee structure) but feels overwhelmed by seeing too much information on the product composition or individual fund performance.

### Digital-savvy is not digital-only

While the customer wants to define the timing of advice proactively, the opportunity to connect to a professional advisor was clearly highlighted in user concept tests as building trust and crucial in decision-making.

These learnings apply to the demanding delegator and will differ for the other customer types. However, key learnings for insurers can be derived when thinking about the Financial Home from a customer journey perspective:



Balance the customer journey between hyperpersonalization and scalability of the Financial Home across customer types.



Onboard existing distribution channels to meet the customer where they are, between financial product lingo and human goals and aspirations.



Rethink products for securing the financial future of a customer to be flexible to life changes and transparent in their cost structure to (re)gain trust.

# HOW CAN INSURANCE COMPANIES BECOME LEADERS IN THE FINANCIAL HOME SPACE?

Now let's look at insurers. How can insurance companies best position themselves in the Financial Home space? We see three archetype options.

## 1 **Strengthening exclusive channels**

Insurers that own an exclusive distribution channel will be driven by the need to protect and support this market access. This is, where Financial Homes can play a role, igniting growth and helping to defend the channel and secure market share.

Going down that path needs to be more than a simple extension to an existing customer portal — a channel transformation is required. The inherent promise of a Financial Home is holistic financial advice. The channel needs to be enabled to live up to this promise — without that, it limits consumer value and creates a mismatch between the channel promise and the basics of a Financial Home. So, a simple technology investment deployed as another digital tool for an existing channel will not be sufficient. We will come to this later.

## 2 **B2C value proposition**

Launching a Financial Home as a stand-alone B2C proposition means going head-to-head with competitor offerings — whether the solutions of well-funded start-ups, or propositions of banks and large technology companies. In this archetype, the insurer builds a Financial Home to directly address (new) customers. This build is not intended to support existing sales channels. Hence, it needs a magnetic value proposition to find its customers with acceptable customer acquisition costs. And it needs the agility to out-compete others, which may be nimble in replicating successful ideas. In short: this is an “all-in” approach with significant funding and accepting failure as a prerequisite. The recent history of neo-banks launched by incumbent banks offers examples of successful ventures but also of failed attempts.

## 3 **B2B2C value proposition**

Insurers that have distribution partners with deep consumer relationships can leverage this access for launching a Financial Home. At the core, this means developing an offering that fits into the partner's value proposition — and expands the digital insurance offering, that the partner will ask for anyway. Convincing the partner to go beyond insurance is the goal. For example, offering a technical solution and helping the partner create new efficiencies and save money could strengthen the overall partnership and open new revenue and profit streams for both parties. In today's market, this is largely uncharted territory, but the potential is huge. It ranges from extending the value proposition of classical B2B2C insurance partners (such as retailers or telecommunication companies) to delivering a Financial Home as an extension to a digital employee benefit portal.

All three archetypes have very different pathways to success and are suitable for a broad range of insurers. Insurers with large investment capabilities and a high risk appetite can capture the full opportunity — and go “all-in.” This can easily be achieved with the B2C archetype described above. Additionally, the B2B2C archetype offers a second opportunity. Insurers can also play B2B2C without existing partners and go “all-in” to create a new digital B2B2C business based on the Financial Home offering.

The bulk of insurers will not likely have the investment and risk appetite required to “go all-in.” However, they can still leverage the Financial Home benefits, allowing them to extend and defend existing market access channels. The possible options depend on the current market access:

- **Tied agent insurers:** The obvious default strategy for tied agent insurers is to strengthen this exclusive channel. We will detail this further below. Under the circumstance that some agents already have strong partner access — for example, direct access to corporations delivering employee benefits solutions — insurers could also consider developing B2B2C propositions for these agents.
- **Direct insurers:** Direct insurers have strong B2C expertise and are proficient at acquiring customers directly. This can be leveraged by either extending the existing B2C proposition into a Financial Home or redeploying this knowledge for a stand-alone B2C proposition. Depending on their access to strong partners direct insurers could also play in the B2B2C space similar to what we previously discussed for the tied agent insurers.
- **Bancassurers:** Bancassurers already play in the B2B2C space as direct insurers play in the B2C space. Hence, the natural option is to work with their existing partners in launching a Financial Home. Large banking partners might want to own the Financial Home themselves. For smaller banks, the insurer could be a more natural owner of the proposition at least for the insurance part of a Financial Home. And of course, the existing B2B2C expertise can be leveraged to acquire new partners to launch a Financial Home.

The following exhibit summarizes this option space:

**Exhibit 7: Financial home option space for insurers**

		Strengthening exclusive channels	B2C proposition	B2B2C proposition
High investment and risk appetite “capture to the innovation opportunity”			Core opportunity	Core opportunity
All insurers: “Extend and defend existing market access channels”	Tied agent insurer	Core opportunity		Opportunity depending on specific footprint (Access to B2B2C partners)
	Direct insurer		Core opportunity	Opportunity depending on specific footprint (Access to B2B2C partners)
	Bancassurer			Core opportunity

■ Core opportunity    
 ■ Opportunity depending on specific footprint (Access to B2B2C partners)

Source: Oliver Wyman analysis



# FIN-SURE INSIGHT 3 NEXT STEPS FOR INSURERS TO BUILD A FINANCIAL HOME SOLUTION

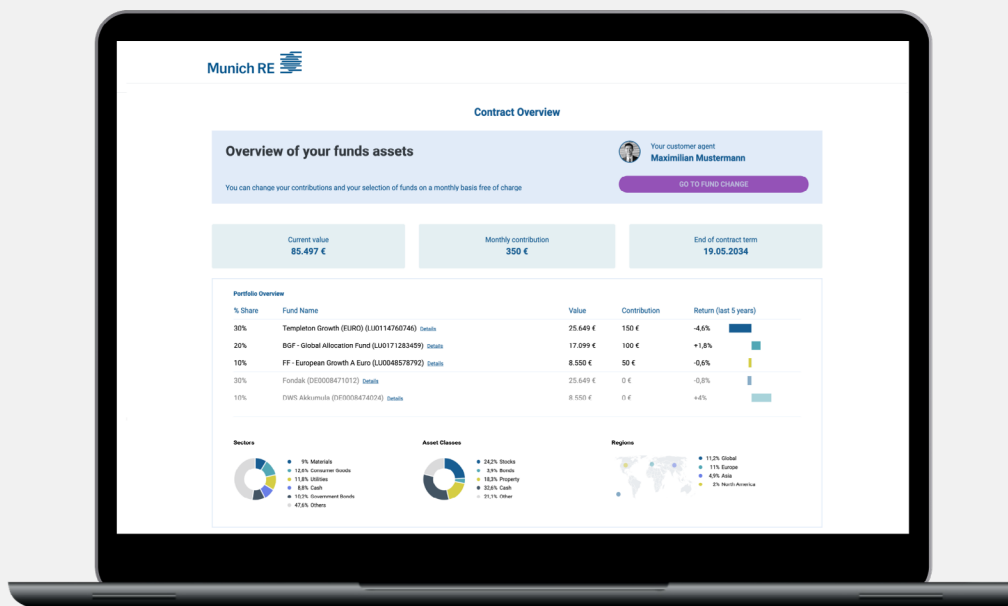
## Interview with Sven Erichsen, Managing Director, Munich Re Markets

Munich Re Markets manages financial market risks embedded in insurers' savings and investment products. Its white-label tools support life insurers to provide a digital product experience, increase sales, and improve customer satisfaction of investment-linked products.

### You have already been working on projects towards a Financial Home. Can you tell us more about them?

Sven Erichsen: "We developed a white-label platform that replicates the entire value chain of investment-linked life insurance digitally, from risk assessment, choice of the underlying product, purchase of the policy and in-life management of the policy.

We targeted customers between the ages of 18-40, income above average and financially illiterate. This platform was marketed to insurance clients in Europe. We launched products with clients and operated our own live implementation in the German market that worked as a sandbox for us with policy holders we've acquired via online direct channels."



### **What are your key learnings for insurance companies?**

“Our offering was a B2B2C product, focused on providing a highly customer-centric journey. This approach brought some key learnings and challenges from an insurer’s perspective.

Insurance is still mainly a push product. You need to invest heavily into marketing and sales while the revenues drip in over the next 20 or 30 years. That makes the business model for new purely digital offerings very difficult. It works only if you achieve to have “low” customer acquisition costs and if you are able to attract new customers that will “grow” into higher margin products. And even then, it is tough to achieve a customer lifetime value higher than cost for customer acquisition.

Additionally, life insurance sales work quite differently compared to other industries. While customers hardly have any intrinsic motivation for that topic, they perceive the purchase as very “meaningful” and “impactful” and require a lot of reassurance along the purchase process. This is why human advisors still play a critical role and will continue to do so in the near and mid-term future.”

### **How did Munich Re Markets take those key learnings into practice?**

“In our previous approach, we focused on digital, direct-to-consumer distribution. Now we have shifted to a less disruptive and more incremental approach to digitalization that supports insurers in critical phases of the customer journey and leverages their strengths in distribution power.

Based on our key learnings, we’ve developed technology that is easy to customize and integrate, supports the core business of an insurer, and helps agents to sell easier and better.

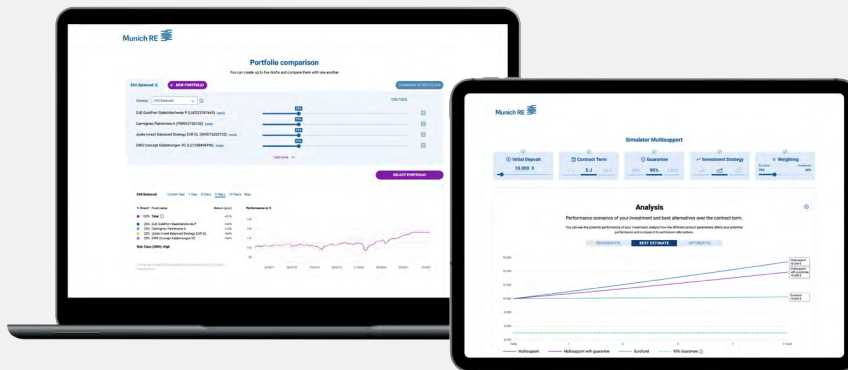
With our Simulator Suite, we focus on enabling more/better business through existing sales channels. Currently, a significant proportion of agents does not feel comfortable to offer investment-linked products. They do not regard themselves as “investment experts,” and therefore prefer to sell classical, fully-guaranteed products. The simulator suite provides a digital step-by-step configuration and explanation of the product at the point-of-sale, online, or in a physical sales meeting. By highlighting the key benefits and explaining complex products in a simple way, we can help agents become more confident with that type of product and increase the conversion rate.

The second example is the Fund Suite, where we focus on increasing customer satisfaction and enabling more business through new sales channels.

Life insurance customers are becoming more financially savvy — especially those who might be interested in a fund-linked policy. They might have previous experience with online banking, online brokers and expect the same capability from their insurance. Configuring

the initial portfolio of funds, analyzing the progress and switching funds in a customer optimized self-service process are some examples of this. For many prospects or policy holders, these are often cumbersome paper-based processes that do not meet today's customer expectations.

The Fund Suite provides state of the art digital experience for fund-linked policies, which can be easily tailored to different distribution networks. This increases the satisfaction of customers and agents and enables additional business.”



### **What is important to increase sales commitment when it comes to Financial Home solutions?**

“I think you need to leverage the sales power, the brand and the financial engineering capabilities you have as an insurer and combine them with digital user interfaces. Today's customers expect “bank-like,” self-service capabilities after the purchase of the policy and these types of “customer portals” or “Financial Homes” can provide additional touchpoints for the insurance companies.

By analyzing user behavior, companies can identify sales opportunities and support their distribution network best. We are convinced more business is attainable, and customers will be more satisfied and loyal: with digital tools that enable agents to feel more confident and help with explaining and configuring modern product concepts.”

### **Finally, with regards to the Financial Home opportunity — where do we go from here?**

“No matter which strategy they choose, insurers will need to create excellent customer experience in order to excite younger generations. It is key to convey trust with the credible handling of data protection or to clearly articulate the advantages of digital solutions through a highly tailored consumer approach — all while keeping customer acquisition cost in check, for example by leveraging product capability and brand power as a product provider in a partnership with banks or start-ups.”

## **STRENGTHENING EXCLUSIVE CHANNELS FOR TIED AGENT INSURERS**

As the B2C and B2B2C plays are straightforward, let's take a deeper look at the tied agent option. So, what would it mean to use the "Strengthening Exclusive Channels" archetype in order to protect and grow the exclusive sales channel?

The first key aspects to investigate are the technical innovation challenges of a Financial Home. How do insurers build such a solution? Which partners are suitable to help implement it? How can insurers tackle these challenges and connect a Financial Home to their systems?

Previously, a Financial Home was not considered as a core element of a business model transformation, it was viewed as an addition to the existing business model. In fact, the technical challenges are demanding but have recently become more straightforward. A plethora of providers for the various technical components (i.e. comparison tools, PSD2, data extraction, digital signature, safe and easy remote interaction) have emerged as part of the Insurtech ecosystem and it's more of a question of investment and priorities, and less of a question of the "how."

The real challenge is to transform the business model of the exclusive sales channels, i.e., the tied agents, it is a DNA transformation that is needed. Most tied agent organisations suffer from aging agents; they are excellent in what they know and have learned, but are unable to implement a major change and have difficulties in accessing the next generation of customers.



**Strengthening exclusive channels with "Financial Home" is a transformation journey.**

There is not a single solution to the DNA challenge. But there are a couple of step-by-step ways to perform the business model transformation. Possible routes include:



#### **New talent and teaming**

For some agencies it's feasible to locally bring in new talents with the required holistic financial advice DNA. This talent can strongly interlink with the incumbent agent and be embedded into the existing infrastructure. Teaming is the magic word, which becomes essential to most approaches to solve the DNA problem.



#### **New recruiting**

Given the aging agents in many agencies within the next 5 to 10 years, there may be a change in leadership for a significant share of all agencies. In several cases there are family solutions (generational business succession), in other situations, internal restaffing or external hiring is required. This change can be used to bring in the new, "beyond insurance" DNA and spirit. In addition, many young talents see more purpose and appeal around a holistic financial advice proposition when compared to a more limited insurance advisory. For external hires, there is also the potential to recruit bankers onboard — a recruiting pool which is growing with every bank branch closure.



#### **Going beyond**

For some agencies, neither bringing in a local talent nor using the generation succession is a solution. For those, with central teams providing digital financial advice, going "beyond insurance sales advisors" could be the solution. Agents can use the the digital and remote offerings to complement their own advice. Remote agents can jointly work on the local client base and strongly interlink with the local agents. They do the business that the local agent cannot perform. This encompasses the benefits of all four: the client, the local agent, the remote agent, and the insurer who provides this solution as part of the Financial Home proposition.

For sure there are more ways to enable a tied agent channel. The core message is, that this is a transformation for at least a decade which should be started sooner rather than later. The current low interest environment, the need of customers to be advised in savings and retirement questions, the empty spaces banks leave when closing their branches, all this opens a window of opportunity for such a transformation.

## THE TIME TO ACT IS NOW — FOR THREE REASONS

### Be first to get it right

Most customers will only use one Financial Home. Done right, it is their single portal to the financial world instead of one of many. And as long as an efficient and effective portal works well, there is little interest in changing services. Start-ups are now pushing themselves into the market to claim that space. We believe that while it is not necessary to be the first to market, the first to get it right will win and build many customer relationships. Customers are willing and ready to try out Financial Homes, but they require a trustworthy offer. Many customers might hesitate to concentrate the bulk of their financial information in one place. They likely will try out a few Financial Homes and remain with the trustworthy one that offers the best convenience and functionality. Any player who wants to secure a role in this space should assume that there is not much time remaining. As we have shown earlier, solutions for the Financial Home components are readily available and new variations are appearing fast. It will be just a matter of time until a comprehensive and compelling offer is available.

### Defending and leveraging existing assets

Many existing players in the market are ready to play in the Financial Home space. They are already trusted by consumers with aspects of their financial matters. Many believe that they “just” need to implement a technical solution and integrate it into their processes. As discussed above, this is most often not the case, as a Financial Home is more than only a digital tool. Success requires a repositioning in the mind of the consumer, and hence a transformation of the asset that has the trusted customer access. For example, if your asset is that your customers view you as the “go to place” for getting insurance, you need to transform this asset to be perceived as “the go to place not only for insurance.” Fortunately, for many wanting to play a role in this space, none of the existing players have implemented a viable and widely accepted solution yet. There is still time to leverage current consumer assets in the financial space, implement technical solutions and drive transformation into a successful Financial Home.

### The COVID-19 catalyst

COVID-19 might, in hindsight, turn out to be the catalyst for Financial Homes. The pandemic has accelerated the digitization and with it the widespread use of digital financial propositions by consumers. Getting holistic financial advice is no longer a matter of an in-person meeting. Relationships between customers and companies have changed towards being more agile, remote, and digital. In short, the pandemic has created a window of opportunity. Use the momentum. The time is right to elevate digital financial relationships to the next level — from an in-person financial advice interaction to a truly digital offering, a Financial Home.

So, what is required for success? While we cannot describe the winning mousetrap in detail, we are convinced that the winning proposition needs to be built around three principles:

- *“It’s the business model, stupid”* or another take on the phrase coined by James Carville: Technology is the enabler, and winning entails a strategic, profound, and long-term vision towards the “digital private banker,” built step-by-step around a sequence of real value delivered to the consumer.
- *“It’s the tools in the box, not the toolbox”*: Starting positions are different. So will be the extensions to the current assets which are accepted by consumers and the value delivered by them. This means, that different players will have success in launching different elements of a Financial Home, while possibly failing with others, as they may not fit into what consumers will accept. Paths to success start with a bespoke “tool,” which can and should be followed by the next “tool” to naturally extend the value delivered further. Step-by-step, different tools will be delivered, which at the end constitute the toolbox “Financial Home.”
- *“It’s the journey, not a big bang”*: Success lies in taking the consumer along the value delivery journey, not in a single grand design.

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**Act now. The timing and circumstances are opportune for a Financial Home. Don’t be left behind by the competition. But you have to get it right.**

## About Oliver Wyman

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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## About InsurTech Hub Munich

InsurTech Hub Munich (ITHM) is a non-profit innovation platform uniting international insurance and cross-industry partners, startups, investors, academia and governmental entities in their quest to make the industry future-proof. It is ITHM's mission to foster the advancement of innovation and create value for our partners. With successful eight batches under its belt, the team guides founders through a variety of programmes every year, connecting them with industry decision-makers, field experts, world-class mentors and investors.

Furthermore, through a multi-step methodology in business development and unique concierge services, ITHM boosts startups' growth journey, creates business opportunities with leading insurance and technology corporates and gets them ready for their next funding round.

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