

Rabobank

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1. Facts about the institution

Name of institution	Clients: local branches of Rabobank / Supplier: N.V. Interpolis
URL of institution	www.rabobank.nl / www.interpolis.nl
Country	Netherlands
Number of Employees	1<#< 300 per bank
Revenue in 2005	Not relevant. Financial institutions in the Netherlands operate under the direct supervision of De Nederlandsche Bank, and have to meet solvency requirements.
Experience with e-learning since	Advanced users
Business sector	Banking / Insurance
Target group / participants in e-learning	Financial advisors to individuals – life insurance
Content	Characteristics, qualities and advantages of Partner & Child Insurance (PCI) as life insurance.
Form	Online web-based
People interviewed	Mr M. de Klerk, N.V. Interpolis distribution manager. Various end users.

In the Netherlands, the Financial Services Act (FSA), in force since 1 January 2006, has placed all financial intermediaries under the supervision of the Financial Markets Authority. This follows on from European initiatives such as the Financial Services Act in the UK. Intermediaries may only provide their services if they possess a license and demonstrable expertise. The expertise requirements which are formulated in the Act have brought about a high level of demand for training among insurance, mortgage and financial advisors and intermediaries. These mediators must show each year that their level of knowledge is up to the required standard. Taking part in training is one way of fulfilling this requirement.

For the insurance company Interpolis, the introduction of a new life insurance product was a reason to arrange for the marketing of the new product to coincide with the launch of an e-learning application. The e-learning application is to form the beginning of a broader training initiative. Interpolis regards training as a specific tool to increase the added value of its products. Interpolis does not only provide insurance to its intermediaries, but also ensures that the intermediaries fulfil the legal requirements set by the FSA.

The Rabobank, a coalition of independent cooperatives, is an important distribution channel for Interpolis. Some 4,000 financial intermediaries work at Rabobank in the Netherlands. These intermediaries work as groups of small independent cooperatives. In this sense they can be seen as small and medium-sized businesses. They derive their income from the commission they receive on the sale of, among other products, mortgages and insurance. This business case study describes how the introduction of a new life insurance policy, the so-called Partner & Child Insurance, has been accelerated by implementing e-learning in the small and medium-sized businesses.

2. How the institution used e-learning

The e-learning programme operates on two levels: a generic element concerning life insurance in general, and a specific element on the above-mentioned Partner & Child Insurance. We will refer to the first training by the term **Life A (generic)**, and to the training on the Partner & Child Insurance with the term **Life E (policy-specific)**. In the following paragraphs you can learn about how the programme was designed and developed.

2.1. The courses

The central element of the e-learning programme is the events which can occur in the life of a customer: the policyholder. These could include the death of a family member, the retirement of a family member, a child who starts at college, or a family member who takes a sabbatical. The intermediary, the student, is presented in the programme with a variety of related occurrences. He has to react to these. The task: to make a link between the situation of the virtual customer and the possible solutions which the insurer can offer. If the student makes an incorrect decision, then he receives feedback. Only when he shows that he can apply this feedback, and offer the customer the correct (i.e. optimal) solution, can the student proceed to the following module.

Various customer situations or case studies are incorporated into the programme. All case studies cover the essential knowledge and skills which are needed to provide the correct advice. The manner in which the case studies are followed can vary. The student determines how he follows the programme. There are two possibilities: linear and adaptive. These two possibilities are briefly explained and illustrated below.

In the **linear case study** the user is kept on the right path. The user follows the programme in a fixed sequence of customer situations. When an action is selected in a given situation which is not optimal, the user receives immediate feedback. He is given an explanation of why his action is not optimal, and of which action would be correct. The student can possibly be referred to generic learning materials about life insurance. The student is then moved on to the next situation. This is the situation that would arise if the correct solution was implemented. When all the situations have been covered, the user has completed the training.

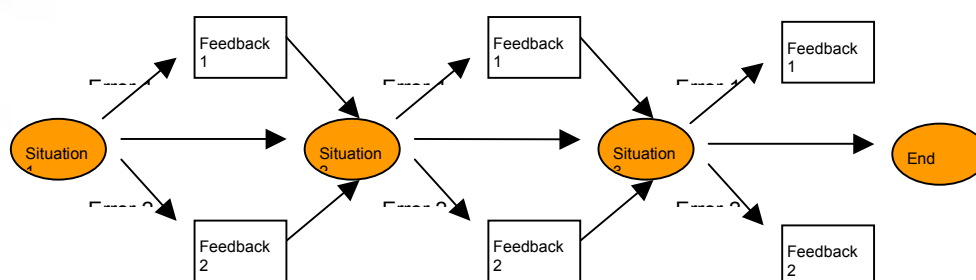


Figure 1 Linear case study

In the **adaptive case study** the user selects his or her own path. Only a few paths lead to the end point. At a certain moment, some paths turn into dead ends.

- Translating the learning aims into events, and setting them out in storyboards;
- Presenting the storyboards for review by the project team;
- Adapting storyboards;
- Agreeing on storyboards;
- Start of technical implementation;
- Review of the technically implemented storyboards;
- Construction of interface.

2.5. Course administration

The student can enrol in the training via the 'planning' screen. After he has enrolled, the training is automatically made available. The progress of the student is registered via the 'administrator function'. The details are stored centrally at Rabobank Netherlands. Here, all possible relevant management information is available. For each student, it is possible to find out which modules have been successfully completed, how long the student has taken, and from which IP address the modules were followed.

3. Effects and outcomes of e-learning activities

An important tangible effect of the programme is that the time-to-market of the Partner & Child Insurance is considerably reduced. Large groups of intermediaries, and thus hundreds of participants, can quickly and simultaneously learn the situations in which, and the customers for whom the Partner & Child Insurance is suitable. The relatively short duration of the training (an e-learning programme of only 2 hours, which is available for large target groups) additionally gave a head start to the Rabobank in sales of life insurance. While its competitors were still in training programmes, the Rabobank was already busy selling.

A particularly important factor in the programme's success was the applied assignment. In order to actually complete the training, the participants must close a deal on at least one Partner & Child life insurance policy. Every first Partner & Child life insurance policy sold is rewarded with an extra incentive. Since the introduction of the Partner & Child Insurance, almost 10,000 policies have currently been sold. Around 4,000 of these policies were earmarked as applied assignments for the e-learning programme. For each intermediary, every first Partner & Child life insurance policy sold was ascribed to the following of the training.

4. Challenges and barriers

During the development of the Partner & Child Insurance training, the ultimate requirements of the FSA regarding the training level of intermediaries were not yet fully clear. In fact, in this regard it could not be guaranteed with certainty that the content of the programme matched the legal requirements. Only a market introduction for the new product was planned. The new product had to be launched inclusive of an e-learning application.

One the one hand, the training had to meet the (as yet unknown) requirements of the FSA. On the other hand, a whole range of measures were in readiness for bringing the new product to the market (marketing, communication, television commercials, a distribution network and an over-full promotions calendar).

With these conflicting interests, the project came under pressure. The project team members were emphatically given the task from their line management to serve the interests of the line. But the training also had to be FSA-proof, and the Financial Markets Authority was keeping a sharp eye on things.

The greatest challenge which this project brought with it was that Interpolis wished to be the first financial services provider to successfully offer FSA-proof training to its distribution channel: an enormous challenge for an organisation which feels very strongly about innovation.

5. Success factors

In the programme, generic knowledge about life insurance, and also knowledge which is necessary in order to offer a specific insurance policy to a specific customer with a specific demand, can be acquired. That is the major added value of the programme.

The great breakthrough for the programme came when the training was awarded the FSA quality mark. An intermediary who successfully completes the training has fulfilled his obligations. With this fact, the road to the market was opened up. The product could be given an accelerated launch, and from that moment onwards enrolments on the course flooded in.

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6. E-learning investments, developmental costs and operational costs

The cost-benefit analysis of this e-learning case study can be viewed from various perspectives. In this case, different interested parties can be identified: (a) the supplier, Interpolis, (b) the purchasing market organisation, the Rabobank, and (c) the end user, the financial intermediary. For each of these, a separate Return On Investment can be calculated. In this chapter you will find a description of the Returns On Investment for the various parties. You will see that the initial investment in e-learning of € 419,750 was recouped by the supplier within two years. In theory, its investment in learning has protected the Rabobank from a loss of sales amounting to millions of Euros. Finally, you will see that an intermediary can earn back his investment by selling just two extra Partner & Child policies.

6.1. Costs and benefits for the supplier, Interpolis

1,000 project hours were budgeted for in total for the design of the application. That represents an investment of € 125,000. The construction of the policy-specific component of the application, Life E, cost € 126,000. The generic element, known as Life A, was developed at a cost of € 168,750. These last two amounts are out-of-pocket costs. This makes for an investment per balance of € 419,750.

If the total investment is viewed in the light of the possible sales by the Rabobank, this results in the following picture. Over 3,000 intermediaries work at the Rabobank. Because the supplier, Interpolis, has no profit motive in the development of training, the sale price of the product can be established by a simple formula. The investment for the design, € 125,000, and Life E, € 126,000, is simply divided by the size of the intended target group. That is to say: € 251,000 divided by 3,000 participants. That is € 83.66 per participant, which can be rounded off to € 85. The policy-specific application is offered for

a fee of € 85. The Life A component was not developed specifically for the Rabobank, and is brought to the market for € 125.

The supplier was satisfied in advance with a neutral Return On Investment within the specified debit period of three years. This means that the aim was to achieve 1,000 sales per year. Since its introduction in January 2006, 1,846 students have registered for the course in 4 months. Per balance, that is already a yield of € 156,910 in less than six months. On the basis of this information, a conservative estimate is that the initial investment will be recouped within two years. The investment will probably be exceeded by a large amount. Every year a large number of new intermediaries join the Rabobank, and these are required by the Rabobank to follow the course. A total of 4,800 participants are expected in three years.

6.2. Costs and benefits for the purchaser, the Rabobank

The interests of the purchaser, the Rabobank, are in this instance exceptional. And these interests are not particularly expressed in monetary terms in the first instance. Although the Rabobank hopes that, as a result of training and education, the intermediaries will sell more Partner & Child Insurance policies, the Rabobank also has another, much more urgent motive.

As mentioned in the introduction, the financial services sector in the Netherlands has to comply with the Financial Services Act (FSA). It is in the Rabobank's interest that its intermediaries meet with the requirements of the law. The training offered by Interpolis is FSA-proof, and validated by the Financial Markets Authority. In this way the interests of the Rabobank have been provided for practically. Every intermediary who does not meet with the legal requirements represents a threat to the continuity of business operations. If we balance the risk of the loss of a significant portion of the bank's profits against a one-off investment of € 85 plus some employee time costs, then the decision to purchase the programme is easily made.

Of course, the Rabobank has evaluated the costs of the training. A comparison of 'classical' training and e-learning reveals the following purchase advantage. The cost of a 'classical' training with a duration of one day is around € 400. The employee time cost of an intermediary averages around € 545 per day, including travel costs. The total costs for a 'classical' training therefore amount to a minimum of € 945, and that is excluding lost opportunity costs. The purchase advantage for the Rabobank is therefore a minimum of € 860 per participant. A major problem, of course, is that we cannot simply assume that the yields of both interventions would be equal. But the purchase advantage and the effect on the budget of the department responsible for the purchase of training is considerable.

6.3. Costs and benefits for the end user, the intermediary

To arrive at the financial yield for the intermediary, we have to examine the commission which he receives on the sale of a Partner & Child policy. For every policy sold by an intermediary, he receives a percentage of the premium. In addition, he receives an annual percentage if the customer extends his policy. In the calculation below, you can see how the investment costs of the e-learning programme relate to the yield for the intermediary. In the calculation, average values which are applicable to life insurance are used. To be on the safe side, the average values have been estimated at the lowest possible level.

The average premium of the Partner & Child policy is € 25 per month. The duration of the policy is, on average, 300 months. With the taking out of one policy, a nominal amount of

€ 7,500 is therefore involved. The commission for the intermediary on a premium of € 7,500 is approximately € 126. In addition, he receives an annual continuation commission of 5% of the premium. In this calculation example, this is € 12 per year: per balance an average annual source of income per policy of € 138 during the first 5 years.

If we examine the costs of the investment in the training, we can see the following. The intermediary is offered the programme by the Rabobank branch with which he is associated. That therefore costs him nothing. This is not to say that he does not have to pay the € 85. His costs are made up of the time he spends in studying: the so-called employee time costs. From the data, we know that a student invests an average of three hours in the programme. If we set the employee time costs at € 65 per hour, then the investment for the intermediary is € 195.

Of course we could now calculate a classic Return On Investment. But the relevant question for the intermediary is, however: 'How many extra policies do I need to sell if the training is to be profitable for me?'. The answer is simple. On selling one extra Partner & Child policy as a result of the training, the intermediary earns € 630 in extra sales commission. That is € 138 per year. Balanced against the investment which we had budgeted at € 195, the intermediary has to sell 2 extra policies in order to recoup his investment within one year. Every extra policy sold after this represents pure profit: an excellent argument to encourage the intermediary to follow the e-learning programme!