It's About Your Business

A newsletter for life agents & financial advisors specializing in coaching growth-oriented producers

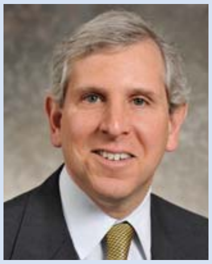
HOW LIFE INSURANCE ADVISORS CAN PROSPER IN THE YEAR AHEAD

Turning Missed Opportunities into New Sales

While new leads are critical to an advisor's success, many advisors miss sales opportunities that are so close they never see them. Capturing these potential sources of income can transform a good year into a great one. Here are six of them with high potential—

1. The appeal of linked benefits. A client is interested in long-term care insurance and you come back with a premium that almost sends the person into cardiac arrest. Here's where a linked benefit, a long-term care rider in this case, can get the coverage the client wants at an affordable price and you make the sale.

   It's also an example of clients getting more than they ask for—whether it's term life or permanent insurance, they have a death benefit plus the opportunity to access the face amount for long-term care. Clients embrace linked benefits because they add value by offering living benefits at a modest increase in cost.



KENNETH A. SHAPIRO
PRESIDENT

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LIFE INSURANCE SALES

Are You Getting Paid For All Your Efforts?

GREGORY A. SCHWABE, FLMI
NATIONAL MARKETING DIRECTOR

Q. "What do you mean get paid for all our work as life insurance advisors? Aren't we getting paid now?"

A. Sure. You get a commission for policies you place, but that's not all the work you do. Your work starts with the first meeting with a prospect—and includes everything after—making telephone calls, answering underwriting questions, going back to the prospect for additional information, reviewing applications, making sure all the paper gets in and to the right person, and a dozen other things.

Q. "What percentage of cases fail to close?"

A. Industry estimates indicate that about 30% of all applications for life insurance don't close and wind up in an advisor's dead file, or require another application with a different company. Reasons why cases don't close:

- *Incomplete and/or inaccurate field underwriting.*
- *Client has a health change during the underwriting process.*
- *Application is sent to the wrong company based on the applicant's medical history.*
- *Inadequate medical information. A client may not be aware of a medical condition so it never gets on the application. Or worse, they may fail to disclose pertinent information to the advisor.*
- *Incorrect medical information.*
- *Cases get postponed, sometimes indefinitely.*
- *Cases are rated and clients refuse to pay a higher premium.*
- *Cases declined by insurance company.*
- *Advisor quotes a better rate than the client can qualify for.*

Q. "Are you saying that a percentage of these cases can be 'revived' or 'rehabilitated' and reopened?"

A. Yes. There are reasons why some cases get shelved or postponed. For example, a client can't move forward at the moment because a medical condition is discovered. But, most likely, the app was sent to the wrong insurance company. It isn't long before the files pile up, gather dust, and are forgotten.

When analyzed, a majority of the apps with problems, including those sent to the wrong company go back to field underwriting issues that were created by not asking the right questions.

Some cases are out of an advisor's control, but not all of them, particularly those sent to the wrong insurance company. After getting a new set of eyes reviewing the apps, an alternative solution can often be found that satisfies the client's objectives.

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CONGRATULATIONS TO VENERA TSONKOVA!

Venera, First American's New Business Case Manager, successfully ran the Chicago Marathon on October 11.

Needless Mistakes That Kill Life Insurance Sales

ALLAN D. GERSTEN
CLU, CHFC, CFP®, CHAIRMAN & CEO

To be successful in life insurance selling, some advisors think they need to be aggressive, while others say it takes a certain charisma. But neither is necessary nor appropriate. What works best is a well-organized and professional sales approach that avoids five of the most common mistakes that kill life sales.

1. ***Failure to read clients correctly.*** Nothing is more detrimental to closing a life insurance sale than starting with preconceived assumptions about what makes clients tick, their ability to make a purchase, how serious they are, or even the outcome of the meeting.

   When advisors listen to the client—not "will they" or "won't they" buy—they uncover needs, discover motivations, recognize opportunities, and begin to see the next steps that will lead to making the sale.

2. ***Failure to offer solutions.*** Too many advisors focus on the "bells and whistles" of the policy, but never get around to connecting the dots so clients can have a clear understanding of how owning the policy will benefit them.

   If the solution fails to capture the client's imagination, there's no sale. If it doesn't solve a perceived problem, help make it possible for a dream to come true, or reach deep felt goals, it's just a dull policy.

3. ***Failure to learn products.*** Knowledge has value, particularly for today's better-informed clients. An advisor's competence sends the message that it's in a client's best interest to pay attention to this advisor.

4. ***Failure to follow a process.*** In selling life insurance, what's often missing is a logical process for moving the sale forward:

   - Have an agenda for the client meeting. "Winging it" never works.
   - Check for client buy-in throughout the meeting. There's no sale without it.
   - Stay in close touch with clients through the underwriting process. This helps to allay their worries and keeps them motivated.

   Becoming skilled in the sales process takes lots of practice, but it's worth the effort.

5. ***Failure to ask for the sale.*** Asking for the sale seems obvious, but too many advisors put it off—until another meeting or after getting further information. By that time, the client's motivation is fading. Always remember that asking for the sale is the only way to help a client.

We've long been told that we should learn from our mistakes, which is certainly good advice. Unfortunately, too many salespeople just keep repeating their mistakes. Those who want to be highly successful get the message.

Looking for easy ways to engage and attract clients?

Dinner. What better way to talk than over good food. Keep business to a minimum; you can always follow-up later.

Wine tasting. Many wine shops offer wine tastings for small groups.

Barbecue event. A relaxed atmosphere that can include family members. Ask your clients to invite friends. This is a great referral tool.

Sporting event. Enjoy a great night watching baseball, soccer, etc., where friends and family are welcome, too.

Golf outing. Normally a group of 4, this is one of the best ways to build relationships in a relaxed atmosphere.

Our company has added Cradles to Crayons of Boston to its community service portfolio. Recently, a group of the company's staffers and associates helped prepare bundles of clothing to outfit 54 children for a week that the agency makes available to poor and homeless youngsters.

Top row: Tycho McManus, Ben Milillo, Allan Gersten, Denise Desautels, John Graham, Jen Goodman

Middle row: Karen Kappler, Ken Shapiro, Tony O'Kussick, Linda Wentworth, Jeanne Bolio, Elizabeth Zona, David Schmitt

Front row: Lisa Shapiro, Sophia Miller, Linda Gersten

There are so many life insurance options available today, along with changes in insurance company programs and underwriting, that advisors need an advocate who can intervene and come up with an alternative solution that they can take back to the client. It's nearly impossible to stay on top of these changes and how they can adversely impact your clients.

Q. "Along with reworking seemingly 'cold cases,' what can advisors do to avoid that happening so they can improve their closing ratio?"

A. Here are some ways that can be helpful in closing more cases—the first time:

- Always have a "fact-finder" or nonmedical form with you. If you ask a client the right questions at the start, you will minimize problems that can result in a case not closing.
- Don't over-promise. It's always a mistake because it inevitably leads to disappointing the client and running the risk of losing the case.
- Get needed information. Because of severe competition, life insurance rates are tighter than ever. That means you need to be current on carrier underwriting trends before giving information to a client.
- Look for patterns in the cases you haven't closed. Take out your "cold cases" and go through them to identify possible mistakes, paying close attention to such issues as sending apps to the wrong company or not getting adequate medical information. This can help you avoid making the same mistakes in the future—so you can close more cases with fewer applications and get paid for all the work you do.

They say, "Selling is a matter of numbers." In life insurance sales, it's only the number of cases you close that counts.

2. Broader opportunities for legacy planning. Most people dream about "leaving something" to family members or a particular charity, but they don't really think seriously about how to do it.

   It's also another missed opportunity, many middle-class Americans can leave far more than they dare to dream about. With the right life policy, many are surprised and pleased to know they can create a legacy that fits their financial situation.

3. Life insurance as an asset class changes the game. As long as we allow others to put the purchase of life insurance in the "expense column," we aren't doing our job. Anyone managing a client's assets needs to recognize life insurance policies are assets in a portfolio. While this isn't a new idea, it's an important one for both consumers and life advisors.

   A properly designed life insurance policy not only has a 100% guaranteed payoff, but it also has current value, something most consumers don't understand. In other words, it's an asset with cash value that, if necessary, they can access.

   And, many prospects are in the dark about the attractive Internal Rate of Return of life insurance policies. Think about it: deduct the taxes and expenses and what do you have? A rate of return after taxes and expenses "north of 5%." That's hard to match with most other conservative investments. And, if this isn't enough to prove that life insurance is an asset, policies can be sold if they're no longer needed.

   We need to let them know that purchasing life insurance is not only a sound investment, but it's also a prudent way to diversify their portfolio.

4. The transformative power of electronics. The life insurance industry has been slow in meeting client expectations, since it can take weeks—and oftentimes longer—to get policies issued.

   But not now. Today's electronic platforms take an app through processing, approval, and delivery from weeks to a couple of hours. It's not an exaggeration because we do it every day.

   Using electronic platforms is not just another way to do business, it's the only way, particularly if an advisor wants to serve the needs of the 79 million Millennials, for example, who expect convenience and ease in doing business. It's also a way to get ahead of the competition, to serve more clients, and get paid faster.

5. The sales power of simplified issue programs. Predictive modeling, the process that draws upon both traditional insurance data and non-traditional sources for making underwriting decisions, has resulted in simplified issue products that require answers to a few health-related questions and no physical exam. On top of that, it's faster and more thorough.

   Over the past decade, simplified issue has gone from policies with low face amounts up to $1 million. Even though premiums may be slightly higher, such simplicity and speed are appealing to a growing number of consumers.

6. The cheapest term life policy may not always be in a client's best interest. Customers generally base buying decisions on what customers know, which is often limited to the price, and the price alone. There are times when low price makes sense. But, it can change if the customer knows more.

   It takes only two words to express what consumers know about term life: "It's cheap." But it doesn't stop there as the reasoning goes. If cheap is good, cheapest is best.

   Advisors can easily fall in the trap of thinking like consumers by coming up with the lowest possible price to close sales quickly, another missed opportunity.

   Consider these questions: Does the lowest price leave customers with good options to convert a term policy? And, how might they benefit if they paid a few dollars more? When thinking like an advisor—rather than like a customer—life advisors can win more business by educating clients and giving them options so they can make informed decisions.

Rather than focusing so much attention on finding more new leads, life advisors can be better served by looking more carefully at the opportunities they may have missed.

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IUL vs. GUL

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This chart shows why it's prudent for an advisor to show an IUL product to a client that asks for a GUL product.

By paying the GUL premium into the carrier's IUL product, a client can realize significant cash accumulation for retirement and have added policy flexibility and liquidity for no additional cost.

The tradeoff is a reduction in the no lapse coverage period, which may still be beyond the applicant's life expectancy. This benefits not only the policyowner, but also the advisor, as the IUL products will have a higher target premium that typically rolls into the second year with additional first year commissions to be earned.

IUL –vs– GUL
Dial down the guarantee. Dial up the cash and target

M45 PNS 1M	GUL Premium	GUL Target	GUL CV@65	IUL CV @65	Guarantee Period	Target	3%
NACOLAH	$7,230	$7,230	$0	$152,000	50 Yrs	$9,180	to age 95
Protective Life	$7,435	$7,690	$0	$188,105	50 Yrs	$10,240	to age 95
Lincoln	$8,677	$9,100	$0	$213,089	20 Yrs	$10,000	to age 91
Nation-wide*	$7,097	$9,071	$0	$79,450	20 Yrs	$11,872	to age 80
Principal	$8,246	$9,030	$0	$156,343	16 Yrs	$9,180	to age 89
Prudential	$7,799	$8,120	$76,915	$157,481	20 Yrs	$16,550	to age 86
American General	$7,318	$8,040	$8,987	$176,110	40 Yrs	$8,440	to age 89
John Hancock	"$6,595* Gte 30 Yrs"	$47,202	$60,188	$101,643	15 Yrs Current 44 Yrs	$18,280	to age 83

FIRST AMERICAN CASE STUDY: E-CIGARETTES

SITUATION

58-year-old female is currently paying smoker rates $123,000 premium for $10 million coverage. She skipped some of her premium payment, which disrupted and lowered guarantees.

ASSESSMENT

She would like to reduce the $123,000 premium outlay.

First American needed to gather multiple APS's. During the underwriting process, she went to the emergency room for stomach cramps and pain, which added two months to the process. She has stopped smoking cigarettes and now uses e-cigarettes.

RESULTS

The insurance company allows non-smoker rates for e-cigarettes, so she was able to obtain non-smoker rates from them.

She reduced her premium to $94,000, saving $29,000, for the same $10 million coverage.