It's About Your Business

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

PRESIDENT'S MESSAGE

"Do you have old life insurance or new life insurance?"

Kenneth A. Shapiro
President

The race is on! Auto manufacturers are scrambling to outdo each other in loading their vehicles with the latest technology. This is what customers want. It's what's driving sales. The home is in the tech race, too. The Internet of Things is fast catching on, led by the smartphone and ever-helpful Alexa.

It's happening because consumers are excited by the possibilities of saving time and having a more enjoyable and convenient lifestyle, whether it's asking Alexa to turn on the lights or having a refrigerator that orders the groceries.

All of this says that we can adopt to change quickly. Some advisors resist, but most get on board once they see the possibilities.

And that brings us to the life insurance business and its persistent flat sales. Why does this continue when today's products are enormously creative, and client-friendly? Think about how exciting it is to say to clients, "No matter your objectives, we guarantee that a life insurance plan can be designed to meet them."

If that's true, then why do term policies account for 70% to 80% of life sales? Because they're cheap and it's easy to buy—and sell—them. A phone call is all it takes. "Why not," the customer says, "Life insurance is all the same."

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WHAT ARE YOU SELLING?

Sue Devlin | LTC & DI Specialist

Indexed UL sales represented 21% of individual life insurance premium in the 1st Q, according to LIMRA

When agents bring up disability income insurance, prospects often say "Thanks, but I'm all set. It's part of my group benefits plan." And with that the door closes.

But the conversation doesn't need to end there. A savvy agent is prepared. "That's great that you have group DI coverage. Can you tell me the level of protection in your plan?" More often than not the prospect doesn't have a clue about the coverage. "Come to think about it, I really don't know."

That's the opening the agent is waiting for. "Would you mind if I reviewed your DI coverage and report back to you?"

Chances are the agent will uncover at least five issues in an audit of the employer-sponsored plan:

- The benefits are taxable to the recipient, since the employer pays for the plan. Since group plans are capped at 60% of an employee's base salary, taxes reduce this to about 40%.
- Because the plan pays up to 60% of the employee's base salary, bonuses and commissions are excluded. This penalizes those whose income depends on incentive payments.

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How to get around group DI
Ask the right question and sell disability income

See how you're making a difference!

- The life insurance industry has **$5.8 trillion** invested in the US economy. We are a major source of bond financing for American businesses, holding 20% of all US corporate bonds and hold **$745 billion** in government and agency bonds. We support the commercial mortgage market, directly financing **$386 billion** – nearly 1/8 of all US commercial mortgages.
- We play an important role in the financial security of millions of American households. We pay out **$1.5 billion** in life insurance, annuity, LTCI and DI payments every single day.
- **1 in 6 dollars** in Americans' long-term savings is invested in permanent life insurance and annuity products.

Take time to learn more about how the assumptions in an IUL illustration are actually administered. It can be tricky.

Making Distributions out of a Cash Value Life Insurance Policy

Timothy W. Kenney, CLU | Brokerage Manager

If retirement distributions begin in a stable or rising market, the client has the potential to preserve or even grow their retirement assets. If a client begins retirement distributions in a declining market, they are both drawing down on assets and selling into losses. Their retirement assets may begin to erode faster than initially planned.

The bottom line is that the distribution of retirement funds must be managed carefully so a client doesn't spend down the retirement nest egg much quicker than anticipated and potentially run out of money in retirement.

So, when working with your product provider/broker and comparing IUL illustrations, take time to learn more about how the assumptions in an IUL illustration are actually administered. Put the companies through the following checklist to see which one has the edge in making the assumptions in the illustration into a reality. One company has completely automated the distribution process and a few have an efficient policy management platform that can help, but still requires proactive policyowner involvement.

Chances are, based on my experience, if the company and product sold doesn't provide any of the following and is simply the one that illustrates the best, it, without question, falls into the category of why IUL won't work as an accumulation vehicle:

1. What is required to request income both initially and moving forward?
2. What is required to switch from Option 2 to Option 1 and who is responsible for initiating a reminder to make the change?
3. What is required to switch from withdrawals to loans and who is responsible for initiating a reminder to make the change?
4. What is required to activate the Overloan Protection Rider and who is responsible for initiating a reminder to activate it?
5. What is your process in recalculating income and inforce projections and who is responsible for initiating requests?

Utilizing indexed universal life insurance or any permanent, cash value life insurance product as an accumulation vehicle for suitable clients, can be a powerful tool as a part of their overall portfolio and financial plan. But advisors considering life insurance in this capacity should look well beyond the illustrations and dig deeper into the products being considered by putting them through the above checklist and fully understand how the assumptions in the illustrations are administered. By doing so, advisors can help meet their fiduciary responsibility and provide significant value to their clients.

What Are You Selling?

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- Group plans have a benefit cap of $6,000 to $20,000, penalizing highly compensated individuals.
- As an employer-paid benefit, group plans lack portability. The plan ends when the employee leaves the company. This can be a serious deficiency if a person develops health issues that affect insurability.
- The plan may require participants to be totally disabled to receive benefits, not just unable to perform their normal duties.

Needless to say, the prospect was surprised. While he had some protection, it was clearly not enough for his situation. Faced with the facts, he realized he was playing "financial roulette" with his future. All of a sudden, he was interested and asked, "What should I do?"

The agent explained the possibilities:

- The prospect should be glad he could participate in a group plan that serves as a base to build on.
- Since the prospect was young and healthy, he can purchase a portable Supplemental DI policy that guarantees income protection throughout his career.
- Then, as his income increases, so can his benefits and there's no medical underwriting, even though his health may change.

So, who are the prime prospects for a supplemental plan? White-collar professionals and business owners in particular, since they are often overlooked—and under-insured. Since they have a lot to lose, they are prime prospects:

- The sale of a business is often the owner's personal "retirement fund." If an individual becomes disabled, that plan is in jeopardy.
- For the white-collar professional, a disability can be career-ending.

Group DI protection plans are designed to meet the needs of a broad swath of employees, but not necessarily small business owners and other high earners, particularly those 30 to 45 years of age.

For agents who want to reach prospects who can benefit from a supplemental DI plan, the first step is to review their group plan to validate their need for income protection coverage.

Creative solutions require outside the box thinking

Greg Schwabe, FLMI | Brokerage Manager

Many clients offer unique challenges where there is no easy answer. These situations require outside the box thinking for solving the problem and closing the sale. Here are three possibilities:

➲ Higher than expected premium. The client is between 55 to 70 and has been offered a mild rating for a term life policy, with a premium that's higher than expected. How to save the sale:

- Consider a permanent plan with a carrier that offers table shaving. If the term need is long enough, a standard rate on a GUL or even a current assumption UL plan could offer a lower premium, along with a longer protection period.
- Some carriers even offer rolling targets that generally aren't met by the first-year premium when the UL plan is being designed to look like a level term plan.

➲ Term policy rating problem. If you think the client will have a term policy rating issue, apply to a company offering a table shave program. Yes, the term rates can be a little higher, but it eliminates taking it to another carrier. If a term policy is required, look for a company that offers a reduction of a table or two based solely on the client's lifestyle, regardless of the medical reason for the table rating.

> **If you look hard enough, there's an answer!**
> Life Insurance Sales

➲ Higher costs for private pilots. Based on a private pilot's aviation activity, there can be a flat extra premium of $5 per thousand or more.

- While an aviation exclusion is a possibility, a client doesn't want to assume this risk. An alternative would be to supplement the life sale with an accidental death policy covering an aviation event. It can generally be purchased for just a couple of dollars per thousand, much less than what most aviation flat extras would cost.
- With some companies, the base underwriting class can be improved when an aviation exclusion is added so the client will get a better base rating and be covered for the avocation at an overall lower cost than paying the flat extra premium. In the event the client dies from an accidental death, other than private aviation, both policies would pay off.

Making the sale requires outside the box thinking. A good advisor looks under all the rocks to come up with the right solution. It's most satisfying when an advisor finds the one right product and company that accomplishes this objective. The client wins and the advisor has a sale.

President's Message *Continued from page 1*

This stagnate state won't change—unless we change the way we talk about life insurance. It starts with asking clients the right question, one that grabs attention and starts a conversation: "Do you have old life insurance or new life insurance?"

Instead of clients focusing on the death benefit and what it's going to cost (the old life insurance), their attention moves to how life insurance can benefit them for the rest of their life by meeting a broad array of challenges and changing situations and circumstances (the new life insurance).

The advisor's task is not to talk about products; it's to ask questions to develop a clear and comprehensive picture of a client's life scenario. Then, with this real-life data, a plan can be designed that offers options, as well as the flexibility to respond to changing situations down the road.

What does it take to market new life insurance? Most of all, it requires an advisor's commitment to stay in touch with clients. It means meeting at least annually to determine if the plan design is performing properly, or if it needs adjusting, such as improving coverage at a lower cost.

Simply put, once-and-done won't do it with the new life insurance. From the start advisors must set the stage for a continuing conversation with clients, an annual plan review – and then clients will expect it. All this is to say that the new life insurance creates new opportunities for advisors and their clients.

UNDERWRITING CASE STUDIES

Abnormal EKG, Abnormal Echo, Malignant Hypertension

- 76-year-old male
- Initially all companies declined to offer. Ultimately, three companies chose to offer
- Applying for $5 Million Term
- Bidding started with an offering at Table B for $396,230
- A 2nd and 3rd offer was secured with the best Table B offer for $204,064

Charitable Giving

- 36-year-old male
- Applying for $400,000 GUL
- 4 pay plan
- Amount financially justified by yearly gifts of $10,000+ per annum applying a 20x multiple plus 50 hours per year of time given at $200 hour applying a 20x multiple
- Approved Preferred Plus Non-Smoker
- Annual Premium $11,486

Various Impairments

- 56-year-old male
- Gout, Lyme disease history with positive titers, kidney stone, Familial Mediterranean Fever, suspected PVC's with normal stress echo
- Applying for $1 Million UL
- Offered Standard Non-Smoker
- Annual Premium $15,817

STAGGERING STATS

Fact $21 trillion equals the amount of life insurance coverage in force in the U.S.

Fact $20 trillion equals the amount of U.S. debt in 2016.

Source: 2016 ACLI Factbook, U.S. Treasurygraphic

FIRST AMERICAN
Insurance Underwriters

460 Hillside Avenue, Needham, MA 02494
T 781.449.6800 | **F** 781.449.1547
www.faiu.com

Our 14th Annual Brokers' Open House

Our 14th Annual Brokers' Open House was an enjoyable opportunity for carriers, advisors, and staff to meet and grow partnerships.

Advisors also benefited from a variety of workshops. This event included excellent food, cocktails and prizes. First American Insurance made a donation on behalf of each attendee to Cradles to Crayons.

Ken Shapiro,
Chris Szymanski,
Tony O'Kussick,
Allan Gersten,
Steve Shuster,
Olivia Anthony

cradles to crayons
www.cradlestocrayons.org

CASE STUDY

WHAT GOES ON AN APP HAS A LONG TAIL

Sue Devlin | LTC & DI Specialist

The past can catch up with clients!

A 46-year-old male applied for life insurance with Banner Life and was approved at preferred rates due to his build.

When the agent went to deliver the policy, the client wanted to change the payor to his employer, a company owned by his wife. The agent collected the check that was drawn on the company's account. Everything else remained unchanged: he was the insured and owner of the policy and his wife remained the beneficiary.

The agent submitted the delivery items to First American. "When we went to pay for the case," said Sue Devlin, Long-Term Care & Disability Income Specialist, "the change required a re-issue of the policy. It also triggered an additional Alejandra criminal history background check, which the carrier requires when there is a payor change."

Based on the results of the criminal history check, the case was declined. "The client was not honest on the application when answering the criminal history questions," Devlin says. "If he had not changed the payor, he would have had coverage." But, as Devlin points out, a claim may have been denied even if he had received coverage due to not being honest on the application.