It's About Your Business

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

Are You Meeting Client Expectations?

Kenneth A. Shapiro | President

The insurance sales game has changed. It's no longer only a matter of having great sales skills, the ability to engage prospects, or being networking savvy, even though each one has value.

The huge challenge facing every advisor is meeting client expectations—the 800-lb. gorilla that prowls every client and prospect relationship. And it's why advisors lose sales after giving prospects "exactly what they wanted."

Selling life insurance—like all sales—focused on sizing up prospects, establishing rapport, identifying needs, recognizing buying signals, and getting the order. That was then. Today, clients and prospects evaluate us to decide if we meet their expectations.

Continued on page 3

WHY SOME LIFE INSURANCE POLICIES PERFORM BETTER THAN OTHERS

Guaranteed UL Appeals To Clients And Advisors. But Be Careful!

Andrew Gordon | Senior Case Design Specialist

Because of their simplicity, life insurance producers gravitate toward Guaranteed UL (GUL) contracts. To put it bluntly, they're a known commodity that doesn't cause problems and is easy to explain to consumers.

At the end of the day, if the client pays the premiums *exactly* as illustrated that's all it takes. There won't be any surprises and crediting rates don't impact the death benefit.

End of the story? Not quite. During policy audits and review conversations with clients, they say that their situation has changed and they now want flexibility. Here are some of the common requests from clients:

- ***Reduce the death benefit***
- ***Skip premiums***
- ***Pay less than illustrated***
- ***Change the duration of payments***

When clients express such concerns, an advisor may say, "I understand how you feel, but that's not possible with your present policy." Even so, that's not the end of the story. With so many offerings from insurance carriers, it's not necessary for clients to forfeit guarantees to gain the flexibility they're looking for.

Although it's always good to know that advisors are taking the time to ensure that their clients' policies are performing in light of their needs, it can be helpful to know why some plans are better than others. In other words, why the details are important.

HERE ARE CRITERIA FOR EVALUATING GUL PLANS:

Return of Premiums feature. Does the plan provide for an exit strategy, a way for the client to recoup premiums paid should their situation change? Many products offer a full return of premiums paid at year 15, 20, or 25.

Ability to reduce the death benefit. How early can a client contractually reduce the death benefit? Some policies allow the death benefit to be reduced

Continued on page 4

CHANGE IS HERE

The Revolution In Impaired Risk Underwriting

Allan D. Gersten, CLU, ChFC, CFP® | Founder and CEO

Impaired risk underwriting has changed. Advances in medical technology, big data, and information sharing are transforming it from a 1970 Plymouth into tomorrow's Tesla. Here is how these methodologies are improving IR underwriting.

Use of the prescription database helps determine a client's medical status without ordering an aps. Acceptable offers can be made when there's relative clarity in the client's medical status.

Use of big data. Information about a client's habits, lifestyle, and status that may or may not add up to various risk factors is instantly available, and can be invaluable for simplified and full underwriting, as it provides risk information not previously available.

Use of interviews, Internet, MIB and Consumer Files are critical underwriting components for identifying lifestyle evidence

Continued on page 2

Questions ADVISORS ASK

Q. *"Can I convert a case on which I was not the writing agent and still get paid?"*

A. Yes, you may. Contact your brokerage manager to help you with the application, conversion process, and customized illustrations.

Q. *"How can First American help me with an estate planning case?"*

A. We can design the case and arrange calls with our advanced planning attorneys to explain the design to your client.

Q. *"Some of my clients have expressed interest in Long-Term Care Insurance. Can FAIU help?"*

A. Contact our Long-Term Care Specialist, Sue Devlin. She will provide you with quotes to multiple LTC companies' products. She can also assist you with plan design and pre-underwriting to help you submit your cases to the companies most likely to issue a favorable quote.

Continued from page 1: ***The revolution in impaired risk underwriting***

that can contribute to making or breaking a case. MIB searches and personal interviews are still key components of a client's file. Access to other databases gives underwriters information previously difficult or impossible to obtain, speeds cases along, and helps minimize underwriting requirements.

Use of a variety of manuals. Historically, a single manual assisted in assessing a risk. Now, companies have two, three, or four manuals. Using strengths from several manuals can lead to aggressive offers and competitive pricing, making the difference in placing the case or losing it.

Use of up to date medical research and testing. An accelerating trend in the quality of diagnostic tools for underwriting, such major risks as cancer, heart disease, and diabetes, help clinicians and underwriters recognize and classify medical issues facing patients and proposed insureds.

New medical and drug treatments also increase the pace with which patients' health outlook, status, and prognosis can improve. Carriers have removed requirements for echocardiograms with many substantially reducing their requirements for an EKG, and substituting the NT-Pro BNP blood testing at certain ages.

All of these factors have a positive effect on mortality and help the underwriter make offers that are better than ever.

UNDERWRITING PERSONAL HABITS

The outlook for improvements when dealing with personal habits is a mixed bag:

Alcohol abuse. Carriers' position on alcohol abuse is mostly unchanged. A mild or moderate abuser can secure a mild or moderate rating, but anything more severe will typically be rejected, requiring a number of years of sobriety and abstinence to obtain an offer. In addition to the use of the aps, driving records, and interviews, multiple lab markers help in evaluating an applicant's usage.

Addiction and abuse of narcotics and its usage has become more prevalent and is challenging when making offers. Offers are made, but compliance and control are important.

Underwriting marijuana and cigar usage continues to improve so that preferred nonsmoker offers are available.

Driving under the influence. Circumstances, occurrence dates, current habits, and particular carrier niches impact offerings.

HOT AREAS WITH RECENT IMPROVEMENTS IN OFFERS

Seniors over age 70 now available with multiple credits; better with acute coronary syndrome

Sleep apneas. Some are available at preferred rates

Asthma. Can secure preferred rates

Prostate cancer. Using watchful waiting over age 65. Previously uninsurable clients can now get standard ratings

Hepatitis C. Using new drugs, previously a declination or highly rated can be cured. These clients can now secure standard or even preferred rates

Cancer. Certain cancers can receive preferred nonsmoker treatment

Diabetes. Preferred rates now possible for more well controlled diabetics

Heart Disease. Single vessel coronary artery disease can get preferred nonsmoker rates

HIV. Clients with HIV can now get offers from some companies, an example of companies considering a previously uninsurable medical scenario because of historic data and medical advances

All in all, more insurance companies are improving their rate classifications for a variety of risks, due to improved mortality data and treatment protocols that are more promising for patients' long-term health.

Companies are using mathematical algorithms to determine where they can speed up underwriting, improve costs, and save time. There's also a trend toward less testing, particularly where blood and urine tests are no longer needed.

The physician's exam is being downgraded to a paramedical exam, and we can expect downgrades to no exam. Simplified underwriting can use automated underwriting techniques to make offers that range from preferred classes to those clients with moderate ratings.

PROJECTIONS FOR FUTURE TRENDS

- Accelerated use of new and improved testing by clinicians and insurance companies to help improve mortality.
- Companies find more pathways to avoid ordering attending physician statements, relying on personal health interviews, and database searches for relevant information. However, some companies are avoiding personal inspections and gathering what they feel is sufficient information from various databases.
- Predictive modeling more useful than expected in evaluating mortality
- More companies avoid using EKGs
- Companies use their own, unique methodologies for evaluating labs
- Medical breakthroughs allow better mortality and offers where previously there were none
- More clinicians working with gene testing have an impact on client offers

Look for companies to rely on their own resources for underwriting cases, so they can make good, profitable offers while maintaining an appropriate market share. They will also find advanced selection techniques that save time and money—good news for advisors and their clients.

A streamlined underwriting process gives clients better offers that reflect their actual health, and advisors can deliver the best possible products at a highly competitive cost.

USE DROP TICKET TO OPEN NEW REVENUE DOORS”

Tony O’Kussick | Director of Operations

Drop Ticket is an easy way for advisors specializing in financial or estate planning, investments, property and casualty insurance, or benefits to add a life insurance revenue stream without interfering with their main business.

Because Drop Ticket is a fast, reliable, and intuitive electronic solution it helps generate additional revenue for those with demanding schedules, while leaving the legwork to an insurance company.

WHEN TO USE DROP TICKET

It’s really fast with simple cases such as a client, 55 years of age or younger who wants a death benefit up to $1 million; particularly term life products.

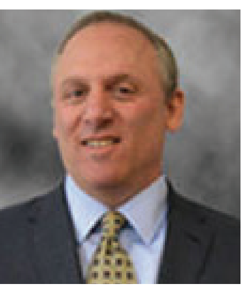
DROP TICKET WORKS

What could be better? With Drop Ticket, you take care of a client fast and gain a new revenue stream.

For more information about Drop Ticket, contact Tony O’Kussick at First American.

HOW DROP TICKET HELPS MAKE FAST LIFE INSURANCE SALES

1. You fill out an electronic short form with basic client information on First American’s website, including the insurance the client wants. In most cases this generates an instant premium quote. Then, hit submit and monitor the process as it moves to completion.
2. The carrier or vendor will complete the application with the client over the phone, setup up the exam, electronically send the application to the client, obtain signatures or have the examiner obtain wet signatures, order any additional requirements such as medical records, and some carriers even have processes for edelivering the policy, obtaining signatures, and collecting the premium.
3. That’s it. And needless to say, you get paid quicker.
4. And all the while, you’re taking care of your primary business.



ARE YOU A HIGHLY EFFECTIVE SALESPERSON?

Paul Agranat | National Sales Director

It isn’t necessary to tell salespeople they need to improve their performance. They’re scorekeepers; they know exactly how they’re doing. The endless stream of webinars, podcasts, seminars, books, and articles suggests they want to do better.

Even with so many opportunities, it’s easy for salespeople to get stuck in patterns that keep them from becoming more effective performers. To help salespeople see themselves more clearly, here are four approaches to sales:

1. Tactical Selling

This occurs when a salesperson tends to follow a script that puts the emphasis on a product’s features and functions rather than focusing on understanding customer needs. Unfortunately, these salespeople put a lid on their success and have difficulty moving beyond what can be called mid-tier relationships.

2. Transactional Selling

Then there are those in sales who give customers what they want. These are the commodity buyers and there are more of them all the time. “All I want is enough life insurance to cover my mortgage for the next 18 years. What’s the cheapest price you can get for me?” The message is clear: “This is what I’m going to buy. If you can’t give it to me, I’m going elsewhere.” So much for further discussion or a needs analysis. The customer is in control and the salesperson is an order taker.

3. Relationship Selling

Buying from people we trust makes sense. Which is why salespeople often say they control an account because they have the relationship with the customer. Maintaining the personal relationship is what counts, and anything that might interfere with or injure it is a red flag threat. More attention is placed on keeping the relationship than on providing solutions based on client needs.

Continued on page 4

Continued from page 1: ***Are You Meeting Client Expectations?***

For example, you may get information to a client in a week or so and the person says, “Thanks, that’s great. I didn’t expect it so soon.” Yet, another person is upset because the information didn’t arrive the next day!

Experiences like this happen all the time. Sure, some people are “forgiving,” but don’t count on it.

"When we say we are committed to meeting clients’ needs, they expect us to live by that standard."

The way to avoid “disappointing” clients is to ask questions. “Would it be OK if I got you that information by the end of the day, or would you like it sooner?” Agree on the length of time and keep your promise. If there’s a delay, let the client know. If you say you’ll get back to them in six months, do it.

It’s a huge mistake to assume that clients understand insurance. They don’t. And that’s why it’s important for advisors to ask probing questions that give clients and prospects an opportunity to tell their story so we can serve them more effectively. It’s also a way to let them know we care and are not just selling a policy.

When we say we are committed to meeting clients’ needs, they expect us to live by that standard. If we say we’ll be in touch at least once a year to see if they have questions or there have been lifestyle, situational, or health changes, do it. If we don’t keep our promises, doubts creep in and the damage is permanent.

But here’s the good news: by making a serious commitment to understand and meet client expectations, advisors have an edge on their competitors. They keep their clients and get referrals.

FIRST AMERICAN
Insurance Underwriters

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

Continued from page 3: ***Are you a highly effective salesperson?***

4. Strategic Selling

Strategic selling is all about staying in control of the sale by asking probing questions and listening thoughtfully to understand the customer's needs, desires, goals, objectives, and concerns. Then, based on these insights, offer appropriate solutions that focus on the benefits of the product's features.

When this occurs, customers recognize "what's in it for them" and the salesperson is perceived as an expert, consultant, and problem solver—someone who is worthy of trust.

HERE ARE A FEW THOUGHTS ABOUT WHAT ALL THIS MEANS FOR BEING A HIGHLY EFFECTIVE LIFE INSURANCE ADVISOR:

- During any week, advisors may find themselves using several or even all four selling strategies depending on the situation.
- However, it's easier to respond to customers with a Tactical, Transactional, or Relationship style, even though they may know that they lose control.
- Yet, it's advisors who take a Strategic approach who perform the best. They work at understanding a client's goals and objectives and stay in control by asking questions. They offer the best possible solutions based on their client's needs. In life insurance sales, this means taking the entire product line into account and not just those that are most familiar or the easiest to sell.

While the task is demanding, the rewards for both client and advisor are well worth the effort.

Continued from page 4: ***Why some life insurance policies perform better than others: Guaranteed UL appeals to clients and advisors. But be careful!***

as early as year two. However, the savings are not always proportionate to the reduction. With one major life company, for example, a male, age 59, Standard Non-Smoker, would have a cost of about $15,000 for $1 million of coverage. The policy could be decreased in year three to $500,000, but the premium is reduced to only around $13,000. At the same time, there are other carriers that would reduce the premium by close to 50%.

Skip premiums or stress test. Most advisors know that clients miss making premium payments. Some simply forget or they pay it late, but outside the "grace period." Others may not have the ability to pay or a trustee's office moved and didn't get the bill.

We've all heard the reasons or excuses for a policyholder not making payments, but what happens to the policy? The ability to skip a premium (without making it up) depends on a number of factors. At the top of the list is the timing of the missed premium.

When a premium is missed, the reduction in coverage duration can vary *drastically*. In a sample study for a male, age 55, skipping a premium in year six, some policies maintained coverage past age 100, while others lapsed as early as year seven.

Today, there's simply no single product that will perform best in every situation. To avoid problems at some later date, it's important for advisors to have a detailed discussion with clients regarding their objectives, possible future needs, and what could change going forward.

By properly structuring their clients' life insurance portfolios, advisors can help them take care of both their current needs, as well as those that will present themselves sometime in the future.

Andrew Gordon is a Senior Case Design Specialist at First American Insurance Underwriters, Inc., Needham, Mass. He specializes in advanced and complicated life insurance case design, helping top producers find the best solutions for their clients. He can be contacted at agordon@faiu.com, 800-444-8715.