The Advisor's Edge

Sales Strategies You Can Use

PRESIDENT'S MESSAGE

Two Heads are Better than One

Ken Shapiro
President

It's now obvious that COVID-19 has changed the life insurance business. Even though some may hope the day of the old normal will return and they can pick-up where they left off, the chances are getting slimmer by the day.

The picture of the successful advisor who is a combination of rainmaker, salesperson, and business manager, and whose goal is arranging face-to-face meetings is upended.

That's just one part of the story. "The pandemic has exposed the weak financial foundation of American families," states the head of a major insurance company. In other words, new opportunities are opening for you to do more business, and to do it in less time.

To benefit from the possibilities of doing more business faster, you must adopt the technology that makes it possible. If you want to reach your clients, then you need to use a communications platform such as Zoom, Teams, or GoToMeeting to help you.

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Inforce Policy Management Opportunities

Peter Kaplan
Vice president of Sales

A key differentiator for any advisor is the post-issue service they deliver to their clients. This is what separates advisors with deep client relationships from those that are transaction-based.

Having a well-defined service offering allows you to continue to demonstrate value, ensures long-term and profitable client relationships, as well as giving you the ability to generate good quality referrals. The review of inforce policies should be a key element of the post-issue service offering.

The importance of growing one's book of business is ever-present, but networking and prospecting can be hard for some in the current pandemic environment. Why not use this time to implement your post-issue service plan, including policy reviews? Your client's needs change and there is a continuous change in product pricing and offerings. As a result, the importance of policy reviews increases over time.

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Now is the Time to Start the LTC Conversation

Derek Wakefield
LTC and DI Specialist

There's no better time to start the LTC conversation with your clients than right now. The surge in COVID-19 cases, particularly among older individuals who are the most vulnerable, puts the issue of long-term care at the top of mind for

countless families. Unfortunately, many of these families across the country remain unprotected from a damaging long-term care event. If there was ever a time to talk about LTC, it's now.

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President's Message:
Two Heads are Better than One
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Why virtual meetings? They offer two major business advantages:

1. With virtual meetings, you can have a specialist on a video call with you. As we all know, two heads are often better than one. This is particularly true when it comes to providing the right solution for your client. Since our people work with these solutions daily, they can be a resource on a call and then move quickly to design a plan that's the right fit for your client. Once again, two heads are better than one.
2. Virtual meetings also expand your service territory. Location is no longer a factor in serving clients. This gives you the ability to meet more prospects. With technology, you can arrange meetings at your clients' convenience from wherever they are.

We're serious about helping you grow your business, whether it's supporting you on a virtual call or, if you're just getting started with virtual meetings, we can help you with the set up and how best to use it. If you're ready, contact our internal sales team at internalsales@faiu.com.

The day will come when we can look back on what will have been a difficult time for us all. But it will also have been a time of innovation and opportunity.

Now is the Time to Start the LTC Conversation
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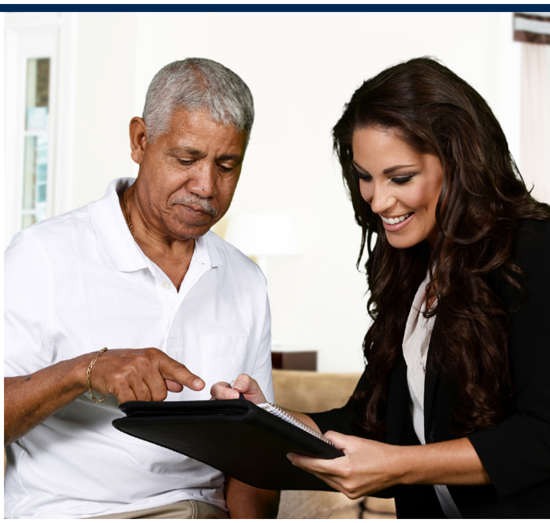

Here are three initial questions to help with getting conversations started:

1. Who do your clients know who can benefit from LTC? Most people know someone who may need long-term care services. More than likely, it may be a close family member. They may have even been a caregiver themselves. Either way, they are familiar with the emotions and financial toll it can take on a family. As their financial advisor, you want to ensure that this doesn't happen to them.
2. What's your plan? Most people plan on living a long life but fail to consider what that actually means financially. As people age, the chances are that their need for care increases exponentially. Speak to clients about the impact living a long life may have on them and their families should they find themselves needing long-term care. Have they thought about who would take care of them and how they would receive care? Chances are they have not.
3. How will they pay for LTC protection? There's a common misconception that Medicare will cover all of someone's long-term care costs. As an advisor, you know this is simply not true. Medicare only provides short-term assistance while they get back on their feet, not a long-term event. Clients with substantial net worth may plan on self-funding LTC expenses; however, this is almost never the most efficient LTC strategy. An LTC strategy that helps leverage assets to provide much more comprehensive coverage is preferable, as well as provides tax-advantaged estate planning.

These three questions are simple, but they will certainly help you open the door to a deeper LTC conversation with your clients and will encourage them to take action.

For more information contact me at 781.449.6800 or dwakefield@faiu.com.

Inforce Policy Management Opportunities
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Most advisors shy away from the policy review task as it is onerous and often difficult to complete. To avoid this problem, it's essential to have a system in place for triggering reviews. Once a review is scheduled, the time-consuming tasks then begin. The carrier needs to be contacted and up-to-date information requested. Follow-up is often required and then when the data is received, it needs to be captured in a system. All this takes time. This is where First American Insurance Underwriters is ready to assist you. Let us do this for you. We have people, systems, and a well-defined process in place to help make this happen – all at no cost to you.

Armed with our well-structured policy market review, you will be able to conduct policy reviews, add value to your clients, potentially acquire new business, and have the opportunity to generate referrals.

Please reach out to your FAIU contact or to our Internal Sales Team to find out how we can help you and your clients now.

Is 4% a Safe Withdrawal Rate?

Jason E. Lang
Annuity Specialist

We've all heard it before…many of us have even said it before.

But is it still the case, can you actually withdraw 4% of your account value each year, without running out of money? Over 35 year ago, William Bengen conducted a study that resulted in his statement that 5% was a safe withdrawal rate. What does "safe" mean? It means that you can withdraw 5% of account value at retirement and will never run out of money. His study also assumed that you would be giving yourself a 3% raise each year to adjust for inflation. He later revised this thought process and concluded that 4% is in fact the safe withdrawal rate.

Fast forward 35 years, and you may be hard pressed to find a financial professional that will guarantee that you can take a 4% withdrawal and increase it by 3% each year…and never run out of money.

Why? Because Bengen conducted his study in the 1990's when the 10-year Treasury was in the 6-7% range….and he was using data from the past 30 years when the 10-year was anywhere from 5% all the way up to 15%. You can see how a 4% withdrawal would be deemed to be safe when half of your money is earning 5-15% guaranteed. Today, we are seeing 10-year Treasury rates at all-time lows, below 1%!

The second and third items that Bengen didn't account for in his research are increased volatility in the marketplace and sequence of returns.

Of the largest percent losses in the history of the market (Dow Jones Industrial Average), 10 have happened after Bengen completed his study. The days of 500-point losses on the Dow have become commonplace. The 20 largest point losses of all time have happened in the past three years.

The variable that could perhaps have the largest impact on depleting your account, running out of money in retirement, is your Sequence of Returns. This topic gained recognition at the end of the last decade when people who retired in 2007 and 2008, were beginning their Golden Years with a 30%-50% loss from their peak account value.

Making up for a 40% loss is certainly possible when you have a 10-20-year time horizon, are a moderate to aggressive investor, or are continuing to add to your retirement account. But if you flip all of those variables around and have only 1-2 years before retirement, you are a conservative investor and are actually withdrawing money from your acct, you can see how making up for a 40% loss becomes a daunting task.

Many retirees weren't happy hearing they would have to live on 4% of their retirement account, never mind the newly revised number of 2.75%-3.0%, which is now deemed relatively safe. At First American, we have solutions for your clients that want to not only guarantee a withdrawal of 4%-7%, but also want the ability to give themselves a pay raise in retirement.

Underwriting Case Studies

Alcohol Usage

- 46-year-old-male
- Client has multiple mentions in his Doctor's file to stop drinking
- Drinking as many as 8 drinks/day up until a few years ago
- Client has moderated his alcohol usage
- DUI 2+ years ago
- Declined formally twice over the past two years with no offers from trial applications, except for one
- Approved $5 Million Term
- Offered Standard Non-Smoker
- Annual Premium $14,830

Sexual Assault

- 32-year-old-male, 6 ft., 240 lbs.
- Pleaded guilty and completed probation for sexual assault in 2010
- Client started taking Sertraline in 2018 for Depression
- All carriers declined to offer, except for one
- Approved $2 Million IUL
- Offered Preferred Non-Smoker
- Annual Premium $9,360

Family History of Familial Adenomatous Polyposis (FAP)

- 45-year-old-male
- Had a colonoscopy and had a non-cancerous polyp removed
- The client's younger sister was diagnosed with FAP in her 30's
- He was declined on his formal application and was told that there could be a Table 8 offer if he took a genetic test and tested negative for FAP
- The client declined to take the genetic test, the case was shopped
- Approved $3 Million Term
- Offered Preferred Non-Smoker
- Annual Premium $6,323

UPDATE
on COVID-19 and Impaired Risk Underwriting

Allan D. Gersten,
CLU®, ChFC®, CFP®,
Chairman and CEO

Updated carrier impaired risk guidelines

Life insurance carriers constantly evaluate how the COVID-19 virus evolves and its impact on people's health. They modify their guidelines when considering risks that are now considered problematic due to the pandemic. The following impaired risk guidelines are representative of larger life carriers:

- Under age 65: risks can be considered up to table 4 (D)
- Age 66-69: risks can be considered up to table 3 (C)
- Age 70-79: risk must be standard nonsmoker or better
- Age 80-85: all risks are being postponed for now
- Retention: up to $10 million standard, only up to age 59
- Retention: up to $5 million standard, only up to age 65

Current carrier challenges

However, there is more to the insurance carrier story. Each one has its own challenges. In general, however, here is what you can expect to encounter:

- Service delays of from one-to-three weeks for specific top line carriers for each new business function. It is important to understand a carrier's status and limitations to be prepared to set appropriate client expectations.
- Need to evaluate and triage risks to avoid COVID-19-related mortality. This causes carriers to be more restrictive than field underwriters may fully appreciate.
- With strained field communications, persistent case follow-up from the field is essential.
- There is also a need to thoroughly screen for possible COVID-19 contact.
- Securing attending physician statements is more challenging than pre-COVID-19.
- There is an increased need to scrutinize an approved application and question client COVID-19 status upon policy placement. For the most part, this is done with a Declaration of Insurability.
- Structuring and enhancing automated underwriting offerings so they have a marketable, workable process that will serve to maintain and increase application counts.
- Recognizing that the sales process has changed, probably forever, and embracing changes that will help facilitate and enhance the experience.
- Progressive underwriting innovations for risk assessment and more speedy processing.
- Many carriers have set barriers to access when evaluating impaired risk cases on a preliminary basis, due to COVID-19-caused service limitations.

Recognizing the formidable challenges faced by carriers will help obtain the best possible outcomes for clients.

Broker challenges

As with the insurance companies, it's clear that the demands on brokers have never been greater than they are currently:

- A heightened need to be resourceful and innovative. Many agents find they don't have the infrastructure that they had pre-COVID-19.
- Embracing and incorporating all of the available technology should be a top priority.
- Relationships with clients, prospects, carriers, and wholesalers demand consistent care and attention, albeit electronically.
- Staying focused by planning your day to avoid disruptions and distractions.
- Consistent and flawless execution of your plan, client contacts, and processing are required.

The challenges confronting everyone in the life insurance industry are daunting. Yet, as its long history demonstrates, with careful thought, determination, and persistence, it will come through the current crisis.

This update to appeared in the November 2020 edition of Broker World as follow-up to "The Impact of COVID-19 on Impaired Risk Underwriting" by Allan Gersten in the September 2020 edition of Broker World.