

## **A Living Benefits Perspective from a CALU Advisor**

### **“It is not difficult to make a living as a Living Benefits Specialist”**

There are three types of Living Benefits Specialists:

In house at insurers / MGAs

Consulting work for others

Independent

It is fairly easy to earn a living as an Independent Living Benefits Specialist, provided that one spends the time and effort required to:

#### 1. learn the subject:

- a) understand the nature of each product;
- b) understand the contractual commitments made in each policy contract;
- c) understand the underwriting requirements of each manufacturer for each product;
- d) understand the way that the manufacturer determines whether a product or producer is profitable to them;
- e) understand the way to ask questions contained on an application to elicit full and complete disclosure.

#### 2. learn the market:

- a) determine a target market;
- b) determine a niche market;
- c) learn the needs of individuals within that market and how they earn their incomes;
- d) learn the other products available to members of that market;
- e) learn how to describe the differences among the products available to members of that market;

- f) learn how members of that market expect to see information needed to make an informed decision;
- g) learn how members of that market expect to receive ongoing service.

3. understand that it takes time to build knowledge and expertise:

- a) it is like going back to school;
- b) the members of the chosen niche market will want to deal with someone who understands them and their needs and wants;
- c) it takes time to build a referral base within the chosen market;
- d) it takes time to become a professional.

4. Living Benefits clients are high touch and high service clients:

- a) living benefits clients are often required to make annual choices based on little and meaningless (to them) information. The agent has to develop a methodology for making those choices understandable and meaningful to the client;
- b) living benefits often have to be explained to clients each time that they speak with their advisor;
- c) clients often require additional information on an ongoing basis and in real time;
- d) clients want someone to speak with who understands them and their needs.

5. Living Benefits clients want assistance when something goes wrong:

- a) when they have to make a decision;
- b) at the time of a potential claim;
- c) when the premium changes;
- d) when their circumstances change;
- e) when the coverage changes.

The other two types of Living Benefits Specialists have very different problems:

In house at insurers / MGAs are paid to get brokers and “captive” agents to sell the living benefits products manufactured by insurers that they represent.

Most of the agents that they deal with are not specialists in anything, and certainly not in Living Benefits.

This is a product sale and requires that the specialists help the agents to learn ways to develop the interest of their clients in the advantages of insuring against risks associated with loss of income and expenses associated with illness and accidents. They are often in competition for the attention of these agents.

They are restricted in that they must deal with agents and cannot directly solicit the interest of clients.

They hear complaints about the resistance to the premiums payable for quality products, the amount of paperwork required to complete an application and provide evidence of insurability and the delays in issuance and high (to agents) percentage of applications that are declined or rated (or modified).

They need better training in:

- a) helping agents to understand clients’ needs and requirements;
- b) helping agents to better explain the advantages of insuring risks to clients;
- c) helping agents to better understand the ways that various Living Benefits products are underwritten;
- d) helping agents to better explain the advantages of their products.

They need to understand that Living Benefits are high service and that agents need more assistance with Living Benefits than with other products, over time.

Living Benefits specialists who do consulting work for others are restricted in that they rely on one or more agents or agencies to bring cases to them.

They face the tendency of agents to write the “easy” business themselves and to only bring the “complicated” or “difficult” cases to the specialist.

They also face the same objections as in house specialists regarding resistance to premiums, paperwork, delays in issuance and non standard underwriting issues. The people for whom they consult are not Living Benefits Specialists and do not want the underwriting of Living Benefits to inhibit clients from doing other business with them.

They have to demonstrate that Living Benefits are good “door openers” for clients who are resistant to benevolent coverages.

They have to demonstrate that they can make the agents for whom they consult look professional to their clients.

They have to demonstrate that the agents’ relationship with their clients can be enhanced through the work of the Specialist.

We are currently in a period of relative stability in the Disability Income Protection market with relatively mature products that are well understood with stable pricing and a relatively high level of reserving.

In 2010 compared with 2009:

Total number of policies sold (all classes of IDI) down very slightly (-4%)

Monthly Benefits sold up 23%

Yet in-force coverage is flat

And premiums on total in-force down markedly (-14%)

Number of non can policies sold down (-9%)

But non-can volume up (29%)

Non-can number of policies in-force flat (0%)

But amount insured per policy down (-20%)

Number of GR policies sold flat (0%)

But GR volume up (21%)

GR number of policies in-force flat (0%)

But amount insured per policy up slightly (2%)

Number of cancellable policies sold down markedly (-20%)  
But cancellable volume up (15%)  
Cancellable number of policies in-force down (-6%)  
But amount insured per policy up slightly (3%)

So, in-force is roughly flat, across the board,  
AND in-force volume is up roughly flat the board.

Yet, while the number of new policies written is roughly flat to down slightly, premiums and face on new policies are up across the board.

Agents are selling larger face amounts and premiums in all coverage types but not more policies. Needs are larger and those who are selling DI are doing well, it is just that there aren't enough selling the coverage.

Applications are generally underwritten with a high degree of consistency and claims are paid in a foreseeable manner. This allows the Living Benefits Specialist to make some projections as to the insurability of an applicant before the application is submitted to underwriting and to project probable exclusions, limitations and ratings and to prepare the client for them, allowing for a higher level of placed policies than would otherwise be the case. It also means that LB Specialists can often project how a claim will be adjudicated, thus giving them more confidence when discussing claims with both those for whom they consult and with clients.

Guaranteed Standard Issue Offers are now better understood than they were when first conceived, in the 1980's, and have a sufficiently long and deep track record to give both pricing actuaries and corporate executives confidence to continue their GSI programs. When properly designed these programs can allow for greater underwriting profitability than fully underwritten offers and greater persistency. They also can create an ongoing source of new applications when incorporated into an "evergreen" arrangement. This gives both the manufacturer and the agent an ongoing source of new business and an increasing renewal income to justify the relatively higher level of service required on these accounts. They are also an excellent source of new, incremental, business for the agent as they have an increasing group of well qualified prospects for additional products and services.

What can insurance companies do to sell more policies with higher face amounts?

They can recognize that the needs of most consumers are now too complex for one person to be know enough to deal with them. To meet the needs of a market niche, you have to have the right expertise, or access to it.

They can choose to:

- 1) Work with agents to help them to develop niche markets and specialities;
- 2) Work with agents to help them to create producer groups with specialists in various areas assisting generalists and rainmakers;
- 3) Encourage specialists to get involved in more cases and encourage most generalists to work with specialists;
- 4) Encourage agents to look to long tail income as a source of practice value creation;
- 5) Provide education opportunities for agents to become specialists;
- 6) Encourage MGAs to develop a cadre of specialists to work with both captive and independent agents.