

LIFE INSURANCE SELLING

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Some Solid Reasons to Be High On Life

By Charles K. Hirsch, CLU

Three top producers discuss what's hot in life insurance right now, where the growth opportunities are and which product might be the next big thing.

Most top producers have a thick sales portfolio full of a wide array of products. This magazine reflects that diversity in its wide-ranging coverage of health insurance, annuities, long-term care, disability insurance, etc., etc., etc. But still, for most top producers, the core of their business is life insurance.

Through all the challenging times and difficult economic conditions our nation as a whole faces and through all the uncertainties that businesses, families, and individuals throughout the United States face, it's life insurance that has provided — and still provides — that unique ability to minimize the uncertainties and to protect. And it protects in cost-effective and tax-efficient ways. People in the business have claimed for many years that there is no product that can duplicate what life insurance accomplishes, and that is still a fact.

In this month's roundtable, we posed questions to three of our nation's top producers concerning their life insurance business. Our aim is to find out what's working particularly well for these producers right now, and where the opportunities might lie so that you can consider incorporating some of these life insurance opportunities and approaches into your own business. **The panelists this month are Jean Ann Dorrell, CEP; Jason J. Dudum, LUTCF; and Sarah J. Kaelberer, CFP, ChFC, CLU.**

The year in life insurance, so far

Charles K. Hirsch, CLU: How do your life insurance sales stand at this point in the year, and how you expect to end the year, when all is said and done? Where have you seen some pleasant surprises in your life insurance business?

Jean Ann Dorrell, CEP: In my life insurance business, I honestly have seen the biggest success in my annuity sales. Over the past four years, my fixed annuity premium has grown consistently between 10% and 20% per year. My annuity sales to date are \$14.5 million, and I am on track to do approximately \$25 million in 2012. However, the life insurance business, in general, is of concern to me today because of lower interest rates. At the moment, there is no end in sight. This is greatly affecting the profitability of insurance companies, which, in effect, lowers commissions to producers. Consumers are also living longer, changing some of the guarantees and health requirements and making it slightly harder to get some customers approved.

Jason J. Dudum, LUTCF: Sales are really strong, not only in life insurance but across all lines of coverage. I would expect that by year-end we would almost double our

2011 numbers. As far as pleasant surprises go, I would say that I am always surprised



about the negative reaction the industry has towards variable universal life. We continue to sell VUL actively to affluent young professionals as a way to save money for the future and have the life insurance protection. Sarah J. Kaelberer, CFP, ChFC, CLU: Life insurance production is up at this point as compared to recent years. When 2012 is over, I think we will have one of our strongest years in life insurance production, with the exception of a few years where we had some one-time "big deals." I have seen some pleasant surprises in our life insurance production throughout the lousy interest rate environment. We are finding cash value life insurance to be a very nice tool to fill our fixed return or conservative portion of our asset allocation strategies. In addition, for many clients with nice sums in the bank earning nothing, we can recommend that they place funds on deposit in a hybrid policy — simplified issue — and at least get some protection



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benefit instead of having little to no earnings.

What's hot right now

Hirsch: *Is there a particular part of your life insurance practice that is doing really well right now, and if so, why do you think you're seeing success there?*

Dudum: We have had a tremendous amount of success with linked benefits products this year. This may just be a reaction to the long-term care market, as it continues to contract and become less cost-effective. Clients still understand the need for coverage and are willing to earmark an existing asset to help address the need. Clients have lots of money on the sidelines, so we are able to use this money to provide life insurance and long-term care, while leaving the money liquid for future needs.

Kaelberer: As my partners and I continue to grow and develop our business, we have relied on more consistent processes that have insurance as an automatic part of the process, making it an easier and natural conversation. When it is a natural part of the process, the client moves through the insurance discussion with you rather than against you. We are not focusing on any "hot topics" but rather having it entirely inclusive in our processes. If a client is not engaged in full comprehensive financial planning or business succession planning, we still have established processes we take a client through, and insurance is a set component of those processes. That keeps it in the forefront of our minds and the clients' minds as well. When it is part of a process that connects with the clients' desired objectives, you naturally increase your odds of success.

Dorrell: I believe annuity sales of the fixed index type are doing particularly well right now. There has definitely been an increase in the need for fixed annuities due to clients wanting income riders, safety and guarantees of principal.

Industry bright spots

Hirsch: *Where are you seeing the most positive signs in terms of product types, market niches, client demographics, etc.? In other words, where in today's life insurance market are you finding the most encouraging signs?*

Kaelberer: With the weaker stock market over the past three to four years, I am finding more and more clients returning to cash value life insurance. When the market was hot, there was much more pizzazz if we could talk markets. Clients are seeing what we meant when we spoke about risk and are now more interested in talking about protection. Rarely do we hear "buy term and invest the difference" anymore!

As there is considerable talk of health care, Medicare, Social Security, the national debt, etc., it begs the question, "So, how are you planning to protect yourself and your family?"

We are often recommending life insurance enhancements to replace Social Security at death, annuity enhancements for retirement income planning, hybrid policies or riders for enhancement for long-term care coverage, etc.

To me, the most encouraging signs are the continued flexibility of the products in the industry. The more tools we have and know, the more client problems we can solve.

Dorrell: I have experienced a significant change in product mix due to lower interest rates, guarantees declining, commissions lowering, companies and

products merging, and health requirements tightening. I'm hopeful it doesn't continue to change, but change will be dictated by current legislation, future interest rates, the status of "ObamaCare," etc.

The most encouraging signs are in the boomer market. I even do a baby boomer and parent seminar. We are seeing crossovers into the boomers.

Dudum: In my opinion, there are encouraging signs in every segment across all niches. Our business generally does not differentiate among market niches other than to work exclusively with the affluent. That referral circle will provide natural success if you do your job as an educator. We are just constantly networking, trying to identify opportunities among our clients and their peers regardless of their occupation.

Growth opportunities

Hirsch: *If you were advising a producer who may not be having as much success with his or her life business right now, what might be a good market for that producer to consider that might help grow their practice?*

Dorrell: I would concentrate on both boomers and divorcees. Divorce statistics for those over 50 and the overall population has nearly doubled, and almost tripled. With social media and other avenues, more

Dudum: First and foremost, I would say to focus on their existing client base. Needs change, products change, and client reviews should be an integral part of how an advisor generates new sales. It's amazing what opportunities you might find by calling an existing client from a review. These can include rollovers from previous employers or additional insurance needs due to a change in their



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life. Referrals are always a possibility, too! We don't encourage focusing on one particular market, but rather focus on working with the affluent and deal exclusively in those potential referral circles.

Kaelberer: I would tell new advisors that, in my opinion, having the process that draws the client through the steps is the most important thing that they can do to increase their success ratio. As far as the market to consider, it should be one that they are excited to serve and know well. Once they have that market, whether it is individual, business, farmers, etc., they should develop a process that is unique to them and for their clients so that they see that they are guiding them. Clients don't want us to sell them a product; they want to be engaged in a process that gets them to a better place.

What's next?

Hirsch: *Speaking more in terms of the future than your current business, what do you see as "the next big thing" for the business, and why do you think so?*

Dudum: Well, the easy answer there is that you will see a migration back to cash accumulation within the fixed permanent life insurance space. The market is ripe for it, and if an advisor can properly educate the client on how interest rates work, then the sale should be a no-brainer. They may have to endure some lean years early on, as interest rates remain stagnant, but long-term assumptions may prove to have been conservative, and as interest rates rise, cash values should also rise.

Kaelberer: I am fearful that the next big thing in the insurance world is going to be a world of higher regulations, taxation, or both. And

with either of them, I fear it may be challenging!

Once regulators get their noses into it, we have lay people presuming they know best, so they begin prescribing solutions that riddle us with complexity and paperwork and do not bring about the desired improvement for the consumer. Now I know that this is a very elementary view, and there is much more that goes into it. But having come through significant regulatory changes in the pension world ... well, we will just have to wait and see if participants are really better off.

As for taxation, generally the more they mess with taxes, the more we need to connect with and serve our clients. It gives us reason to offer solutions or strategies to maximize their financial positions in light of the potential tax impacts. Any time we can be out front offering solutions, our clients see us as advocates and partners in their financial future. That, to me, is better than "the next best thing."

Dorrell: I think a lot hinges on what happens with "ObamaCare." That is going to dictate the upcoming changes in the industry. I just hope that carriers can keep ahead of the curve and they are ready for some of these legislative changes. I hope they will continue to fight for the industry. As for the next "big" thing, I think niche marketing is going to be huge for producers.

Knowledge is power

Hirsch: *Any further thoughts?*

Kaelberer: The life insurance world today is probably 10 times harder to really know and be good at than it was 20 years ago. And from the looks of things, it does not appear to be getting any easier. Financial strategies, product designs and riders get more complex each day. Know

what you are doing and why. Take the time to get that extra knowledge and do more than just scratch the surface. If you know of and believe in — and yes, even own — the product, it enhances your ability to sell and service your clients in these programs. We have an obligation to our clients to know what we are selling. We have an obligation to our partners and successors to sell that which will work for the long term, and we have an obligation to each other in this industry to act with integrity. We do all that with knowledge. Learn something new every day!

Jean Ann Dorrell, CEP, began a career in the insurance and annuity industry in 1991. She has achieved numerous designations and awards and is the founder of Senior Financial Security Inc., in The Villages, Fla. Since 2005, Dorrell has been awarded continuous membership to the Million Dollar Round Table elite group Top of the Table.

