It’s About Your Business
A newsletter for life agents & financial advisors specializing in coaching growth-oriented producers

An Annuities Conversation
PAUL HEFFERNAN | ANNUITY WHOLESALER

Q. What are the opportunities for selling annuities today?
A. In the continuing low interest rate environment, fixed annuities have lost a lot of their appeal to consumers. Indexed annuities on the other hand, offer an opportunity for upside gain beyond the 2%-2.5% consumers will find with fixed annuities.

Q. What about guaranteed lifetime income riders?
A. As you might guess, this is very hot with consumers. Sales of indexed annuities were up about 30% in 2014 and there is no sign of slowing down. In addition, there are long-term care planning riders and features that may have sales appeal for some clients.

Q. Where’s the money come from to purchase indexed annuities?
A. Both IRA accounts and 401(k) rollovers account for the bulk of current annuity sales. But it’s also worth noting that a third source is existing annuities, whether it is older variable or fixed annuities that could use an update with newer features and riders. Consumers also see the possibility of higher gains from indexed products.

Q. Why is this happening?
A. Boomers, who are retiring at the rate of 10,000 a day, have been spenders, not savers. Just as important is the fact that many of them come to retirement without company pensions. Some, perhaps many, are waking up to the fact that they need to take action if they want a comfortable retirement. They’ve figured out that Social Security is not going to take care of their financial needs.

As a result, they need to turn what funds they have available into an income stream. Call it what you will, a “personal pension” or a “lifetime paycheck.” This is the appeal of indexed annuities.

Q. Why don’t more life producers take advantage of the sales opportunities offered by annuities, particularly indexed products?
A. Like all of us, they get comfortable with what products they know best and avoid venturing out of their comfort zone. Also, in years past, there were serious problems with indexed annuities. Some were sold to the wrong people, products were misrepresented to clients, and some had high surrender charges.

All that’s changed. Even though the industry cleaned up the situation and brought trustworthy products to market, the ghost of the past continues to influence how some producers feel about annuities.

Q. Based on your experience, what’s the best way for a producer to get started with annuity sales?
A. It’s very simple. The most effective approach is non-intrusive. Start with a conversation using these two open-ended questions that work because they let prospects tell their story:

- “What are your concerns about outliving your money?” (Surveys show that 80% of respondents are worried about running out of money.)
- “What do you want most from making a retirement investment?” (The most frequent answer is “security.” They are at a point where they don’t want to take chances.)

It’s not necessary to become an annuities expert. The role of a life producer is gathering information about the prospect. Then, it’s our job to take their “story” and provide solutions that will answer their concerns.

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Do you know your prospect’s story?

KENNETH A. SHAPIRO | PRESIDENT

Some things never seem to change. No matter how hard our industry has worked to build consumer confidence, the words “life insurance” are met with what can be called “diminished interest.”

It’s not surprising that many producers have attempted to overcome this hurdle by masking what they sell using “creative” titles on their business cards. Unfortunately, at some point the cat finds its way out of the bag and the prospect’s interest disappears.

It’s a mistake for producers to put such a high value on what they call themselves—Wealth Specialist, Financial Consultant, Retirement Advisor, and so forth—in attempting to impress prospects. Prospects don’t care about titles, which can often be confusing.

Meaningless titles only erect a barrier between producer and prospect. Prospects want to know why they should talk to you. They wonder if they can trust you and if you can really help them. In other words, they’re cautious and apprehensive, and they want to feel comfortable.

Instead of trying to impress prospects, don’t let a wall keep you apart. Focus on what they want most, someone who understands them and their situation. What they respond to is someone who they believe can help them get to their goals.

Along with sharing your experience as an advisor, the place to start is by asking simple questions to start the conversation:
Do You Know Your Prospect’s Story?

• How do you picture your retirement?
• What keeps you awake at night?
• What are your financial concerns?

Simple questions give people the opportunity to tell you their story. They build confidence and trust, and it’s the way they come to think of you as someone who can help them.

There’s one catch, however. And it’s a big one. Once producers gain a prospect’s confidence, they recommend a life insurance product they know and like to sell. Unfortunately, prospects can’t make a connection between their story and the producer’s recommendation. It’s the inconsistency between “problem” and “solution” that’s disruptive and causes trust to fade.

Fortunately, the life insurance industry is responsive with a broad stream of products that are complex but can be customized to meet specific consumer needs.

So, what’s the producer’s primary role today in making the life insurance sale? It’s having a thorough understanding of the prospect’s story, all the things that are never found on a life product spreadsheet. Unless the solution reflects the need, it isn’t a solution.

And this is why a recent LIMRA study reveals that 85% of advisors say that “wholesalers must do more than supply product.” Furthermore, “the best wholesalers play an important role in supporting an advisor’s practice by providing knowledge of their products, helping to navigate diverse client needs and provide solutions to meet those needs.”

Put us to the test. Tell us your client’s story and we’ll develop a creative solution, one that wins the business for you.

Tools for Helping Your Clients

PLANNING FOR LOVED ONES STARTS WITH A BASIC NEEDS ANALYSIS

Individual clients should prepare a proper estate plan that spells out their wishes in wills and/or trusts, and ultimately takes care of the needs of their loved ones. If there is a shortfall, life insurance can provide for those needs.

To help you approach clients with confidence, we provide a Basic Needs Fact Finder. To obtain a Fact Finder, please contact your Brokerage Manager.

ANNUAL LIFE INSURANCE SELF-REVIEW CHECKLIST

As part of the Annual Policy Review process, you can send this one-page “self-review” to clients prior to meeting with them, or you can go over it with a face-to-face meeting. The objective is to help them focus on their family’s financial security. It’s easy-to-use and only takes a couple of minutes, but it will let you know where they have concerns. The checklist is available from your Brokerage Manager.

A QUICK-GUIDE TO LONG-TERM CARE RIDERS

First American’s Sue Devlin created a useful long-term care rider comparison chart to review the offerings of seven insurance companies. She has brought together everything to know in one place. The Quick-Guide is available from your Brokerage Manager.

Frequently Asked Questions

Q “What’s the value of field underwriting?”

A. It can play a role in the outcome of the underwriting classification, and therefore, the cost of life insurance. By having complete and accurate information early on, our in-house underwriters can select the most appropriate insurance companies for your case, and you can help avoid disappointing a client. Here are the key issues: height, weight, avocations, blood pressure, family history, cholesterol and driving record. If you have questions, contact your First American brokerage manager.

Q “Can I convert a case on which I was not the writing agent and still get paid?”

A. Yes, you may. Contact us to help you with the application, conversion process, and customized illustrations.
Introduce your client to the underwriter with a cover letter

What do you expect from the underwriter who doesn’t really know your client?

If an insurance application is complete and accurate, is a cover letter necessary? Most advisors don’t think so. Unfortunately, that’s a missed opportunity. A cover letter can help an applicant “come alive” to the underwriter, and it’s a perfect tool to discuss other aspects of a client’s life that may be beneficial to the outcome.

A well-written cover letter sends the message that the advisor is proactive and committed to securing the best possible offer for a client. It can also help expedite the underwriting process by answering an underwriter’s questions before they’re asked.

It’s often the protracted give-and-take between underwriter and agent that causes delays and raises questions in an applicant’s mind about the advisor’s competence. It can also tarnish a client’s satisfaction of getting a problem-solving policy issued, as well as causing the advisor to “resell” the need for the coverage.

The cover letter should paint an accurate, thoughtful picture of the applicant, including employment, life achievements, and social involvement. It can also add to the picture by portraying the client’s lifestyle, including hobbies, special interests or exercise regimens that may improve the underwriting and answer questions or concerns.

If the advisor knows the client well and can vouch for the person’s character, the underwriter should know about it. If there are other applications pending on the life of the applicant, make note of the amount and with what insurance company. Will the total amount of the coverage being applied for be placed?

Some underwriters downplay the value of having an applicant’s photo because they can’t verify the identity. However, attaching a copy of a photo ID can pay dividends, such as validating other photos presented.

For business applications, the cover letter should address how the sale was developed. If the purpose of the application is to fund a buy-sell agreement, include how the value of the business was determined. Has there been a recent valuation? Are all of the owners covered to satisfy the agreement? If any partners are applying for coverage from other insurance companies, note that information.

If the purpose of the sale is key person life insurance, address any special circumstances that stress the value of the applicant to the business. Relate the applicant’s industry experience that contributes to the company’s value. If the application is to cover a business loan, state the reason for the loan and the terms.

If the application is for estate planning, the cover letter should indicate how the estate’s value was determined. Are there persons with special needs involved or any unusual pattern of gifting or charitable interests? Is a trust being created that will own the policy, and that might lead to a replacement application being submitted later in the underwriting process? Explaining these issues up front can smooth and shorten the underwriting timeline.

For applications where there is a criminal background, address the probation and parole timelines, and give the underwriter a sense of what the applicant’s life has been like since the debt to society was paid.

If there are concerns about the applicant’s finances when the application is for larger amounts of coverage, the cover letter should provide assurances justifying the coverage.

Since some clients tend to minimize their income and assets on applications, it’s the advisor’s task to identify all sources of income to build the case for the requested benefit. Assets such as club memberships, company cars, performance bonuses, and stock offerings can enhance the amount of coverage an applicant can qualify for, but it’s up to the agent to bring the information to the underwriter’s attention.

A cover letter can help in cases where applicants have an avocation that can require a rating. Typically, questionnaires about an activity only address the basic statistics and certification to perform it. A cover letter can also speak to any awards, advanced training, and skill levels, as well as any specific safety measures that can put the underwriter more at ease with the risk.

While only a small percentage of life insurance applications include an advisor’s cover letter, those that do have an easier underwriting process. Making it a habit to bring your client alive in the eyes of the underwriter by providing an introduction is good business. A cover letter not only adds efficiency to your applications, but it helps create the best possible impression for clients with the person making the final underwriting decision.
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**12**

**Annual Brokers’ Open House**

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Stay tuned for more information.

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## UNDERWRITING Case Studies

### DEPRESSION & ANXIETY

| 60-year-old female | History of Brain Tumor and Elevated Blood Pressure | Borderline drug dependent | Applying for $5 Million GUL | Received multiple Table D,F and Declines |
| Approved Standard Non-Smoker (Using Credits) | Annual Premium $79,702 |

### EARLY ONSET PROSTATE CANCER

| Had surgery last year | PSA undetectable | Applying for $2.5 Million Term |
| Approved Standard Non-Smoker | Annual Premium $7,662 |

### REJECTED FOR COVERAGE IN 2012 WITH LARGE ASSOCIATION CARRIER, FOUND TABLE B IN 2013 AND RE-SHOPPED IN 2014 FOR BETTER OFFERS

| 59-year-old male | High coronary calcium and Pro BNP score in 2012 | Using Ritalin for Attention Deficit Disorder (ADD) and Hydrocodone for pain |
| Took normal stress test 2014. Changed his plan from a majority of term to all short pay permanent coverage for same outlay | Applying for $500,000 UL |

| Approved Preferred Non-Smoker | Annual Premium $9,300 |