While making predictions is always a questionable exercise, the road ahead for 2006 in the life insurance business may be surprisingly clear. We can certainly expect the trends that we have seen taking shape over the past three or four years to continue.

On everyone's mind, of course, is how to sell more product. Both companies and advisors are asking this question, particularly in the face of severe marketplace competition for the consumers' attention. Yet, the life insurance industry has some of the most beneficial solutions available today, particularly when it comes to meeting the financial challenges of retirement.

The value of looking at the coming 12-months rests in finding opportunities to solve problems. Here are some thoughts about 2006 that may be helpful in planning your practice.

1. **Estate tax not going away.** As we all know, the IRS Tax Code makes 2010 the favored year to die. This may seem somewhat ghoulish, but it's certainly true since that's the only year with unlimited exemptions and, even better, no Federal estate tax.

   Beginning with 2011, we revert to the previous system of a $1 million exemption and a maximum rate of 55 percent.

   Who knows what will happen? Even if the federal estate tax were repealed permanently, would anyone think for even a moment that the states would not step into the vacuum and enact legislation to enhance their own revenues?

   It's safer to act as if there will be some type of estate tax well into the future. That may not be so bad since, as some are pointing out, we could be faced with paying capital gains tax on inherited assets from when the deceased individual acquired them, rather than when they were transferred to us if there were even a minimal estate tax.

2. **Web vs. face-to-face sales.** Whether advisors like it or not, Web sales of term life products will grow as Internet-savvy twenty-somethings start families and buy homes. The price of housing is such that protection is essential. These are the consumers who trust the Web and are totally comfortable with it.

   But as every agent or advisor knows, what's missing is adequate fact finding, making sure the customer has the right product to fill a specific need. Because Web buyers tend to be price-driven, questions can go unanswered, especially with an unfamiliar product like life insurance where family history, for example, can make a difference.

   Studies show that consumers are underinsured and welcome interaction with a competent advisor who recognizes the importance of educating clients as to their realistic life insurance requirements.

   Nevertheless, as total Internet sales gain traction, there will be more life sales through this channel.

3. **Long-Term Care Insurance coming into its own.** Although consumers have been enthusiastic about LTCI, advisors have generally struggled with sales of this product to
individuals. Often times, those who need it the most can’t afford it due to either financial limitations or health reasons.

The sales process can be high maintenance and lengthy for agents who are inexperienced with this product. This hurdle can be overcome by partnering with an LTCI specialist.

The growing sales opportunity is with businesses since the premiums are tax deductible if paid by the company. To make it even more attractive, there are no discrimination requirements so it can be offered at the discretion of management.

4. Life product rates may go up. While some rates seem to be trending downward at the moment, it’s a good bet that prices on life products will be going up. Driven by the continuing mergers and consolidations in the reinsurance market, there’s less capacity and competition. Also, we can expect to see some of the attractive guarantees to disappear.

If you have clients who are trying to make up their minds, be sure to let them know that waiting could mean higher premiums.

5. More company consolidations. The creation of the Genworth family of companies and the merger of Travelers Life and MetLife will have a profound impact on the life insurance landscape for years. But just as important is the acquisition of Jefferson Pilot by Lincoln National Corp. More consolidations are certainly on the way and with them will come stepped up performance demands on brokers.

6. Policy reviews. A major opportunity exists for serving clients by evaluating the performance of their life insurance policies.

As we all know, many policies are in trouble because of what were, in retrospect, overly aggressive assumptions. This is an enormous opportunity and astute advisors will actively look for policyholders with troubled policies that need to be evaluated to meet the consumer’s needs and goals.

7. New products coming to market. While new products are always enticing, what they represent and what problems they address can be quite revealing. For example, we will undoubtedly see more survivorship policies for estate planning purposes as advisors and their clients bet the estate tax will not go away. There is already more interest in second-to-die.

We can also look for return-of-premium policies that take it to the next step by adding various types of loan features.

There will be more flexible UL products coming to the market that offer improved methods for cash accumulation, even though they may have the look and feel of existing policies.

Finally, larger term policies ($250,000 face value) will be available with simplified underwriting and that means no medical work up.

8. Blurring of the distribution channels. Whatever else happens, we’re sure to see insurance companies using every possible distribution channel. Banks will be increasingly important distributors of insurance products, as well as other products. More insurance companies will be getting into banking. Those watching the nascent moves by State Farm catch a glimpse of the future. It will be much the same for the mutual fund companies. On top of that, there are Wal-Mart’s moves to get into banking. What do they have in mind?

What this means is that every manufacturer of financial products will seek more ways to distribute their products to an increasingly segmented population. We can expect the channels to continue to change.
9. **Opportunities for advisors.** In some ways, it’s all good news. There will certainly be greater opportunities for those in life insurance sales who take the term “advisor” seriously. The youngest members of the workforce are starting out taking responsibility for their personal financial security. They appear to be far more serious than those who had gone before them. This trend runs through the nation’s adult population, which is embracing financial planning as a lifelong activity and not something that can be put off until a few years before retirement.

All this suggests that the advisor role has value in the marketplace for at least a segment of the population and that means relationships matter. If this is true, then those advisors who make financial planning a priority have an opportunity to serve clients on a continuing basis through changing circumstances and needs.

These nine trends carry an important message for everyone in the life insurance business, whether advisors, brokerage firms or insurance companies. It won’t be getting any easier. The many options for consumers are attractive and the competition will be as intense as ever.

At the same time, our ability to interact with clients in both a professional and personal way remains a major asset. We have the experience to help people evaluate their options so they make the best possible decisions. In the year ahead, that’s worth remembering.

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