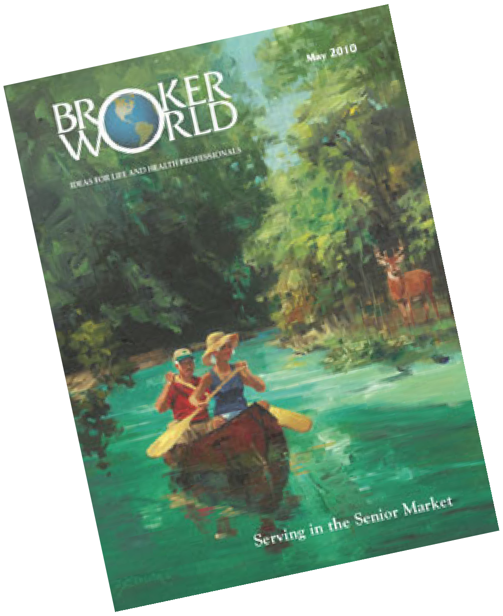
Surviving & Thriving In Today's Economy

Brokerage General Agents Focus On The Issues

Barbara Crowley & Gary S. Dworkin & Timothy Moynihan



What do you find most exciting about the insurance business?

Crowley: There is never a slow day in our business and never a boring day. Regardless of how long we've been at it, every day is different. Our advisors and brokers all have varying needs for their clients and their clients are never the same.

No one else offers the security and certainty we do with life insurance. All it takes is one experience with family, friends or clients to see what life insurance proceeds do to help families and businesses carry on. We are not insurance peddlers. We are problem solvers.

Dworkin: The infinite variety of challenges for each case as well as the continuing opportunity to earn a good living by doing good. As we are approached by producers with a variety of unique cases and complex issues to deal with, there are seldom any typical days. As a BGA, each day is filled with an infinite number of situations where we are asked to help a client obtain the coverage that they want and need at a premium they can afford.

Early in my career, I developed a passion for underwriting and continue to get my greatest sense of accomplishment from helping a client obtain the lowest possible rate classification and making needed coverage as affordable as possible. Not only is my job not boring, but I only earn money for us and our producers by solving problems and helping people obtain their goals.

In order to provide our producers with the best product, it is necessary to be aware of the changing landscape of products being offered and continually compare them to maintain a competitive edge. Our producers have come to consistently expect us to give them the best available options.

Moynihan: First of all, it's the people that make our business and it's the people that make it exciting. The insurance industry enables us to enjoy wonderful lifelong and productive relationships. We have the opportunity to reach people and assist them with one of the most intimate matters in their lives—their mortality.

We allow clients to feel more comfortable as their mortality approaches by delivering the products our industry supplies and the services our firms provide.

Our professional vocation allows us to deliver the most dynamic social benefit product ever created while being concomitantly focused on "always doing the good and right thing" for producers and their clients. When we inject ourselves with passion and meticulous preparation, our lives in the insurance business can become remarkably rewarding—a life-impacting experience.

What about the life insurance business keeps you up at night?

Dworkin: The necessity of maintaining a constant vigil to protect and defend our profession from those who would either recklessly or through ignorance cause harm. We must remain alert to the continuing efforts of those outside of our business to attempt to find ways to regulate, supervise or control our business. As was clearly demonstrated during the recent economic crisis, the life insurance business and the products we offer to protect our clients are very efficiently monitored. We must maintain our vigilance in defending our business from those more concerned with expanding their own area of responsibilities (and staff) than in providing any meaningful benefit.

This continuing challenge was very clearly evidenced by the efforts of the SEC to attempt to seize a supervisory role over certain annuity (and life) products through the issue that became known simply as Section 151A. For example, I do not believe that someone such as Bernie Madoff would have found his activities possible within our profession as it continues to exist. I do not wish to discuss this issue further than to use it to demonstrate the dangers from which we must continually defend our business.

Through dedicated efforts and talents, the companies that manufacture our products and the regulators who already supervise our profession do an extremely good job. While improvements may need to be made and refined over time, we must never allow ourselves to become complacent or lax in maintaining the level of safety and security that our clients have come to expect from us and the insurance community. Those who have made a career in insurance have a great responsibility to continually protect our business and, of course, our clients. I am proud to consider many of them among my closest friends and colleagues.

Moynihan: Pseudo-industry professionals who do not adhere to the fundamental values in our business—loyal relationships, integrity and compliance—with a premise based upon "always doing the good and right thing." Moreover, attempts to manipulate our industry's products and their unique tax benefits to concoct sales strategies as a money-grab without due care or respect for our customers or the industry as a whole.

In addition, there is a significant gap between today's industry leaders and the next generation. I am concerned about attracting and retaining talented staff as the foundation for future leadership or part of a viable succession strategy. As a specific example, we are constantly in search of the next generation of clinically talented yet revenue conscious home office underwriters.

Last, a major concern on all of our radar screens is the future of estate tax legislation and its impact on the sale of life insurance products (referenced in more detail in response to question three).

Crowley: Three things keep me up at night. First is the large number of individuals who are underinsured. In our weekly sales meetings, we frequently discuss the ongoing number of requests we receive for small face amounts. Recognizing that $100,000 in death benefit is better than nothing, I would wager that $100,000 won't go far in taking care of one's family or business expenses today. The public and their advisors need to be better educated, and this can be achieved by practicing needs-based presentations.

Second is the fact that we don't have enough young advisors entering our industry. We currently don't see many receiving the training and mentoring necessary to go out and do a complete analysis for their clients. This is an industry problem. We should be proud of what we do and we need to pass that pride on to other generations. We must support them with knowledge that will help sustain their career and allow them to professionally represent clients.

Third is legislation and regulation that could put us out of business or reduce our opportunity to insure people. We totally support reform that protects the insured public from improper products and salespeople. However, the regulators usually go overboard and impose redundant requirements and obsessive oversight. If it costs the insurance carriers and the industry more to administer all of the new rules, then the insurance costs will rise and the public will ultimately lose.

What new product twists or legislation do you believe producers should be aware of?

Moynihan: As part of the eighth largest accounting, tax and advisory provider in the country, we have access to the CBIZ National Tax Office in Washington, DC. We are fortunate to work in unison with and have access to comprehensive tax guidance to stay abreast of the current legislative environment. Some current legislative developments of note include:

• **GRAT Planning.** HR 4849 includes provisions to limit the GRAT to a 10-year minimum term. While this does not eliminate the opportunity to transfer assets at a zero gift tax, it does increase the risk of the technique should the grantor die prior to the end of the term. We often recommend that term insurance be purchased to offset the potential estate tax risk (assuming reform) of assets being brought back into the estate.

• **Estate Tax Reform.** Both the House and Senate are beginning consideration of estate tax reform. Proposals are still split between $3.5 million/45 percent and $5 million/35 percent for exemptions/top rate. The issue is complicated by PAY-GO (pay-as-you-go) that requires offsets for reforms that extend beyond 2011, and the upcoming elections limiting the ability to garner 60 votes in the Senate to pass permanent reform.

• **The Health Care and Education Reconciliation Act of 2010** imposes a 3.8 percent tax on investment income for those individuals whose adjusted gross income exceeds $200,000 ($250,000 for joint returns and surviving spouses or $125,000 for married taxpayers filing separately) and estates and trusts. The law directly impacts non-qualified annuity income, but AALU also believes this impacts the proceeds of life policies surrendered or sold because the net gain will be included in investment income subject to the tax.

• **IRS Notice 2010-6 - Section 409A Document Correction Program.** The IRS established guidance to allow employers transitional relief to correct their non-qualified plan documents to bring them into compliance prior to December 31, 2010. This presents a great opportunity to revisit employers to make them aware of the program and open opportunities to review the effectiveness and funding of their non-qualified plans.

• **Employer Owned Life Insurance (EOLI) and Section 101(j).** Now that we are almost through the third year following the imposition of the Pension Protection Act and the EOLI Notice and Consent and reporting requirements of Section 101(j), it is likely that many employers are still not familiar with the requirements of the law and the adverse tax consequences that will be imposed upon death if the policies are not in compliance.

As far as new product twists:

• **Resurgence in Premium Financing and Indexed UL Products.** New money appears to be coming back into the premium financing marketplace. The programs we have recently reviewed are more conservative than the programs prevalent before the financial crisis. Nonetheless, indexed products are gaining most of the recent headlines here.

A carrier recently reported that more than $890 million in indexed UL premium was written during 2009 throughout the industry. The indexed UL market is a very mixed basket of fruit that requires careful attention to policy differentiators. These products are very complex. Combining these products with premium financing can introduce significant arbitrage risk.

• **Current Assumption or No-Lapse… Which Is Better?** As companies have re-evaluated their no-lapse guaranteed (NLG) product lines, the trend to higher premiums or the abandonment of these products continues. Whether it be single life or survivorship life policies, current assumption products, in some cases, can deliver lifetime coverage without the guarantees for the same premium as their NLG cousins, but with substantially higher cash values.

Even at the guaranteed earnings crediting rate and current mortality and expense assumptions, current assumption products can often provide 20 or more years of coverage, along with the flexibility of having cash values when evaluated side by side with comparably priced NLG products.

Armed with appropriate education about products and the marketplace, and guided by advisors who can help them articulate their goals and objectives, smart consumers will purchase the product that best suits their risk tolerance and meets their planning needs

Crowley: While both products and legislation are important, I think the focus should be on legislation, as it affects our livelihood and our industry. There are many initiatives going on in Washington that can and will affect our industry. Please read the alerts that you see coming from NAIFA, AALU and your BGA.

As part of the NAILBA organization, we receive updates regularly from our government affairs committee. All of the industry organizations are working diligently on our behalf. However, it is more important than ever that everyone participate in the process by reading the updates and respond by contacting their congressmen or senators.

There are some new product opportunities. Partly because of the Pension Protection Act and partly because of need, there are new, unique combo products. We are seeing outstanding single premium policies that combine either life and long term care insurance or an annuity and long term care insurance. These products give a wonderful option for individuals who are not prepared to buy individual policies for each need, but would still like to have coverage.

Dworkin: The level and intensity of activity in Washington is coming so quickly that it is necessary to constantly maintain vigilance and an "eye on the horizon." As expressed already, I remain quite concerned with the interest of those outside of our profession to attempt to control our business and justify their own existence at the expense of us and our clients. However, I also recognize the obligation that we have to help those faced with supervising the life insurance business as part of the financial services sector, to understand us and the differences between us and those involved in more speculative pursuits. The more they understand our business, the more secure we and our clients will remain.

After more than 35 years in the insurance business, I look to continuing product innovations as confirmation of the resourcefulness and vitality that remain a cornerstone of our business. For that reason, I look forward to the continuing resourcefulness of the companies that we work with to develop new and improved methods of helping make their products affordable in a changing world. BGAs will continue to evaluate and recommend these new and improved products as they offer increased benefit to the policyholder through their agents, our producers.

What advice about building an insurance business do you have for producers?

Dworkin: Maintain an awareness that you make a difference and that, if you do your job well, you can affect and improve the lives of all those that you and your efforts touch. I know of no successful agent or agency that can do it all alone. Therefore, I would encourage anyone in our profession to belong to a trade association supporting your business, such as NAIFA (for producers) or NAILBA (for wholesalers) and to become involved with a study group or marketing group whose colleagues you respect and from whom you can learn how to improve yourself and your business. I consider it extremely important to maintain a level of political involvement that can help support your point of view. I look at contributions to a PAC as a worthwhile investment in an effort to protect and safeguard our profession by insuring that our voice is heard when and where necessary.

Finally, as a general rule, I believe that if you wish to remain relevant in this changing world, you must be open to regularly review the market to obtain the very best products for your clients. To suggest that any one company has all of the tools and products necessary to fully serve all of your clients' needs is as tragic as it is flawed. [GSD]

Moynihan: This type of advice can demand a much more detailed if not analytical response. My recommendation for producers is more attitudinally specific yet brief. It's comprised of three primary items which I feel form the basis for any successful insurance practice.

1. Always focus on your "unique ability" and delegate everything else.
2. Be passionate in everything you do.
3. Always endeavor to differentiate yourself.

Producers should be willing to persevere and approach every day with conviction, commitment and courage.

"Clear your mind of can't…" Samuel Johnson [TM]

Author's Bio

Barbara Crowley is president and partner of Brokers Clearing House, Ltd., a multi-carrier wholesale distributor of life insurance, long term care insurance and annuity products. Crowley started her brokerage career in 1977 with BCH. She has served on insurance company advisory boards and has worked as a consultant for insurance carriers. She is an active member of NAILBA and NAIFA; has served as president of LIFE, Inc.; and has served as a board member and officer for LifeMark Partners, Inc., of which she is a founding member. Crowley can be reached at Brokers Clearing House, Ltd., 4546 Corporate Drive, #155, West Des Moines, IA 50266. Telephone: 515-223-9479. Email: bcrowley@bchlife.com.

Gary S. Dworkin is the founder (1976), president and owner (along with his partner and wife of 40 years, Lin) of DAI (Dworkin Associates, Inc.), based in Rochester, NH. In addition to his involvement in NAILBA as both a charter member and 2009 chairman, Dworkin has been a long-standing member of the Risk Appraisal Forum and is currently a member of The Marketing Alliance, Inc. During his career, he has served in all local and state chairs of NAIFA, including his term as president of the state association as well as serving on the New Hampshire board of the Society of Financial Services Professionals (formerly known as the CLU Society). Dworkin can be reached at DAI (Dworkin Associates, Inc.), 22 South Main Street/PO Box 2000, Rochester, NH 03866. Telephone: 800-777-0061. Email: gsd@dworkin.com.

Timothy Moynihan is a past home office underwriter with Connecticut General and manager of CIGNA Associates impaired risk division. A graduate of Amherst College, he is a native of Boston, MA. He has been a contributor to several industry trade publications as well as the "Journal of Insurance Medicine." He has also been the keynote speaker for AHOU, CLU, IAFP and IRUA meetings on the subject of special risk underwriting. Moynihan is currently president of CBIZ Special Risk Insurance Services, Inc. and an executive committee member on The Board of CBIZ Wealth Management. Moynihan can be reached at CBIZ Special Risk, 10616 Scripps Summit Court, #210, San Diego, CA 92131.