

CALIFORNIA BROKER

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SERVING CALIFORNIA'S LIFE/HEALTH PROFESSIONALS & FINANCIAL PLANNERS

AUGUST 2016

MEDALING IN MEDICARE

*Going for the Silver
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by KELLIE BERNELL

The New Insurance Broker Emerges With HEALTH CARE REFORM

You are stuck! Your business and life has changed. Your income unfortunately has taken a hit too, leaving you to decide if you wish to continue the path you are on or take on a new career. If you love what you do, don't give up! It's most likely you don't know why or how to renew, refresh or position your business another way. You simply can't be an expert at everything! And, the key to change is marketing your offerings, or perhaps yourself, differently – a very difficult task indeed.

You can't look at the competition and say you're going to do it better. You have to look at the competition and say you're going to do it differently.
– STEVE JOBS

You know your products and services you sell have somewhat become a commodity. With health care reform, an individual can go on the exchange or maybe apply through your website. They simply select a plan – perhaps with your guidance or not – enroll, and they are on with their life.

Why did they choose you? Were there many more customers that could have chosen you but didn't, simply because you offer what everybody else offers? You don't know this, but, yes!

Creativity is intelligence having fun
– ALBERT EINSTEIN

There's no question that customers need your product. Individuals and families secure insurance to assist in protection from what could be financially crushing medical bills. An intangible good is already hard to position and sell, so how do you package it to become more ap-

pealing to audiences? Think seasonal, conditional, timely and critical.

So you are not a marketing expert. Maybe you just think you already have your marketing and advertising down because you are on Yelp!, sending email blasts, blogging or obtaining referrals through your vast network. That's great! But, there are significant resources that may be right under your nose to assist you with your marketing and growth efforts beyond the basics, and year round!

Solicit help from your carrier representatives who have expansive experience in marketing, communications and have seen firsthand what works or doesn't when it comes to promoting insurance. Think about how certain insurance policies can be most helpful during situations or specific times of the year:

- Seasonal—summer vacation; sports time
- Conditional and timely—graduations; marriage; divorce; growing family
- Critical – open enrollment; lapse in coverage; work transition

Don't deliver a product. Deliver an experience.
– UNKNOWN

Insurance is personal. It's an investment that comes in highest next to one's rent or mortgage. People want instant gratification or feel like they are paying for something they can use. We hope they don't need to use their insurance, but what can you do to make people feel more connected to this product? Call out the immediate access items and present them as a meaningful, valued need.

I bet you provide "The best customer service experience." Or, "Evaluate your customer's budget and needs, and then make recommendations." But that's only part of how you can win

new customers. Mix and match varying products you have access to such as dental, accident and critical illness policies. Consider the few following ideas to deliver an experience:

- Package products ("Summer Package," "Grad Review," "Job Changer")
- Review existing policies and make calls to customers with life changes
- Provide real life examples of how these policies have changed people's lives (testimonials, thank you letter)
- Point out the immediate access to first dollar benefits or savings (dental cleanings, preventive offerings, Rx savings plans)
- Position benefits as solutions ("Deductible Protector," "Adult Dental Benefit")

If you change the way you look at things, the things you look at will change
– UNKNOWN

Let's look at your commissions. You can make a six-figure income by introducing low-cost, high value solutions, such as accident or dental, to existing or new customers. By doing so, you will enhance their benefits, and experience of the healthcare system at-large. Develop a plan and set goals. You will have much to gain, and nothing to lose.

There is no right or wrong way to present your business. Just remember:

1. Do things differently.
2. Be creative.
3. Deliver an experience.

I hope this will inspire you to think a little differently about how you are presenting and offering yourself and your services. ★

Kellie Bernell is regional sales director, National General Insurance Company. She can be reached at Kellie.Bernell@NGIC.com or 805-341-7843.

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	Bests	Fitch	S&P									
American Equity	A-	A-	ICC13 MYGA (Guarantee 5) (Q/NQ)	S	2.25%*	5 yr.	None	9%, 8, 7, 6, 5, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**	
			ICC13 MYGA (Guarantee 6) (Q/NQ)	S	2.45%*	6 yr.	None	9%, 8, 7, 6, 5, 4, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**	
			ICC13 MYGA (Guarantee 7) (Q/NQ)	S	2.70%*	7 yr.	None	9%, 8, 7, 6, 5, 4, 3, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**	
*Effective 6/7/16. Current interest rates are subject to change on new issues. **Commission may vary by issue age and state. See Commission Schedule for details												
American General Life Insurance Companies	A	A+	A+	American Pathway Solutions MYG (*Guarantee Return of Premium) (Q/NQ)	S	1.60% ^a 1.80% ^b	5 yr.	None	8%, 8, 8, 7, 6, 5, 4, 3, 2, 1, 0	Yes	\$10,000 (Q&NQ)	1.5% age 0-75 .75% age 76-85
*CA Rates Effective 7/8/16. First year rate includes 1.50% interest bonus. a (less than \$100K) ; b (100K or more)												
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 5 Annuity (*Guarantee Return of Premium) (Q/NQ)	S	1.00% ^a 1.15% ^b	5 yr.	None	9%, 8%, 7%, 6%, 5%, 0%	No	\$5,000 (NQ) \$2,000 (Q)	2.00% age 0-85 1.00% age 86-90
*CA Rates Effective 7/8/16. Includes 2.00% 1st year bonus, 1.00% base rate subsequent years. a (less than \$100K) b (100K or more)												
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 7 Annuity	S	1.15% ^a 1.35% ^b	5 yrs.	None	9%, 8%, 7%, 6%, 5%, 4%, 2%, 0%	No	\$5,000 (NQ)	3.00% age 0-85 1.50% age 86-90
*CA Rates Effective 7/8/16. First year rate includes 4.0% bonus 1 st year. a (less than \$100K) b (100K or more)												
Great American Life	A	A+	A+	SecureGain 5 (Q/NQ)	S	1.85%	5 yrs.	N/A	9%, 8, 7, 6, 5	Yes	\$10,000	2.50% 18-80 (Q), 0-80 (NQ) 1.50% 81-89 (Q&NQ)
Effective 7/21/16. Includes .25% first-year bonus and is for purchase payments over \$100,000. Escalating five-year yield is 1.85%. For under \$100,000 first-year rate is 1.70%. Escalating rate five-year yield 1.70%.												
Great American Life	A	A+	A+	SecureGain 7 (Q/NQ)	S	2.15%	7 yrs.	N/A	9%, 8, 7, 6, 5, 4, 3	Yes	\$10,000	3.50% 18-80 (Q), 0-80 (NQ) 1.50% 81-85 (Q&NQ)
Effective 7/21/16. Includes 1.00% first-year bonus and is for purchase payments over \$100,000. Escalating seven-year yield is 2.04%. For under \$100,000 first-year rate is 2.05%. Escalating rate seven-year yield 1.94%.												
Great American Life	A	A+	A+	Secure American (Q/NQ)	S	1.25%*	1 yr.	N/A	9%, 8, 7, 6, 5, 4, 3	No	\$10,000	5.75% 0-70 4.65% 71-80 4.40% 81-89
*Effective 7/21/16. Eff. yield is 2.27% based on 1.25% first year rate, 1.00% available portion of 10% annuitization bonus (available starting in contract year two) and 0.02% interest on available portion of bonus at the rate of 1.25%. Surrender value interest rate 1.25%. Accepts additional purchase payments in first three contract years. COM12255												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 5	S	1.00% ^a 1.15% ^b	5 yr.	None	7%, 7, 6, 5, 4, 0	Yes	\$10,000 (Q/NQ)	
*Rates Effective 7/8/16 (a-for premiums less than \$100K, b-for premiums \$100K or more), and are subject to change												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 6	S	1.10% ^a 1.25% ^b	6 yr.	None	7%, 7, 6, 5, 4, 0	Yes	\$10,000 (Q/NQ)	
*Rates Effective 7/8/16 (a-for premiums less than \$100K, b-for premiums \$100K or more), and are subject to change												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 7	S	1.25% ^a 1.40% ^b	7 yr.	None	7%, 7, 6, 5, 4, 3, 2, 0	Yes	\$10,000 (Q/NQ)	
*Rates Effective 7/8/16 (a-for premiums less than \$100K, b-for premiums \$100K or more), and are subject to change												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 8	S	1.25% ^a 1.40% ^b	8 yr.	None	7%, 7, 6, 5, 4, 0	Yes	\$10,000 (Q/NQ)	
*Rates Effective 7/8/16 (a-for premiums less than \$100K, b-for premiums \$100K or more), and are subject to change												
North American Co. for Life and Health	A+	AA-	A+	Gaurantee Choice (Q/NQ)	S	2.30% ^a 2.55% ^b	5 yr.	None	10, 10, 9, 9, 8	Yes	\$2,000 (Q) \$10,000 (NQ)	2.50% (0-80) 1.875% (81-85) 1.25 (86-90)
*CA rates effective 7/6/16 - a (less than \$200K) b(200K or more)												
Reliance Standard	A+	A	A	Eleos-MVA	S	3.25%*	1 yr.	None	8%, 7, 6, 5, 4	Yes	\$10,000	3.25%**
*Effective 6/2/16. Includes 1.50% 1st yr. bonus. Min. guarantee is 1.00%. **Reduced 20% ages 76-80, and 40% ages 81-85												
Reliance Standard	A+	A	A	Apollo MVA (Q/NQ)	S	4.05%*	1 yr.	None	9%, 8, 7, 6, 5, 4, 2	Yes	\$5,000	4.00% to age 75**
Includes 2.00% 1st yr. bonus. Min. guarantee 1.00% **Reduced 20%, ages 76-80, and 40% ages 81-85. Effective 7/19/16												
Symetra Life, Inc.	A	A	A	Custom 7 (Q/NQ)	S	2.25%*	7 yrs.	N/A	8%, 8, 7, 7, 6, 5, 4, 0	No	\$10,000	Varies
*Effective 7/15/16. 1.75% base rate with no guaranteed return of purchase payments. Plus 0.50% bonus for \$250,000 and above.												



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MEDALING IN MEDICARE

Going for the Silver in the Senior Market



Medicare Supplement Guaranteed Issue Secrets

by SUSAN HATCH

Most people in the Medicare insurance industry think they know all of the guaranteed issue guidelines for Medi-gap/Medicare supplements, but there are some laws that I consider almost secret. “Guaranteed issue” is when Medicare beneficiaries are guaranteed acceptance in a Medicare supplement plan that covers

all preexisting conditions except for end-stage renal disease.

Insurance companies, insurance agencies, and general agencies provide very little training for insurance agents on all of California’s guaranteed-issue guidelines. In addition, no state government entity provides training or certification on all Medicare sup-

plement guaranteed issue rights for California. This lack of training causes immense confusion to all involved. Medicare beneficiaries are bewildered when they have assumed that no one could be denied insurance because of the Affordable Care Act. It’s difficult to explain that people can still be denied coverage since Obamacare laws have



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nothing to do with Medicare supplements. Some Medicare beneficiaries have told me that they feel discriminated against. I believe that this happens when agents use insurance agencies, field-marketing organizations, and general agencies that don't represent all carriers that offer Medicare Advantage plans and Medicare supplements. An agent can't take advantage of all of California guaranteed issue rights when an agency is not appointed with all major insurance carriers.

The most well known guaranteed issue rights apply to beneficiaries in the following circumstances:

- They are new to Medicare Part B, or turned 65 in the past six months.
- The California birthday rule: If they already have a supplement, they can switch to another carrier with the same supplemental plan within 30 days after their birthday.
- They are enrolled in a Medicare Advantage plan that terminates.
- They move out of their Medicare Advantage plan's service area.
- The employer group plan terminates; the employer no longer provides insurance to the beneficiary; or the beneficiary leaves an employer group plan.
- They are under 65 and are new to Part B, but don't have end-stage renal disease.
- The 12-month trial period: If they are new to Medicare and are enrolled in a Medicare Advantage plan at 65, they can dis-enroll within 12 months of the effective date of the Medicare Advantage and get a guaranteed issue to a supplement.

The remaining circumstances in which beneficiaries have guaranteed issue rights are less well known. My favorite, and the most misunderstood, almost industry hidden guaranteed issue right is found in the Knox-Keene Act of California 1358.12 (d)(i): It applies when the beneficiary is in a Medicare Advantage plan that has reduced benefits, increased cost sharing or premiums, or discontinued its relationship with the member's plan provider for other than good cause relating to quality of care. The beneficiary is eligible for a Medicare supplement contract from the same issuer that they were enrolled in when the reduction,

increase, or discontinuance occurred. They are eligible beginning January 1, 2007 for a Medicare supplement issued by a subsidiary of the issuer's parent company or by a network that contracts with the issuer's parent company.

In the following cases, the beneficiary has guaranteed issue rights when enrolled on a Medicare Advantage plan with a company that doesn't offer a Medicare supplement plan:

- The plan discontinued its relationship with the beneficiary's plan provider for other than good cause relating to the quality of care.

If you are an agent, I suggest that you work with an agency that can help you take advantage of all of the unique Medicare supplement laws in California that apply to beneficiaries.

- The plan increased the premium by 15% or more or increased co-payments for doctors, hospitals, or any drug by 15% or more or reduced any benefits under the Medicare Advantage plan.

Agents need to prove that the law applies to their clients. I strongly urge agents to attach the following to the guaranteed-issue application:

- A cover letter explaining why you are requesting a guaranteed issue.
- A copy of the Knox Keene Act of California 1358.12 (d)(i).
- A copy of the beneficiary's Medicare Advantage card.
- If the plan increased premiums or co-payments or reduced benefits, attach the Medicare Advantage annual notice of change.
- If the provider was terminated, within 63 days after dis-enrollment, attach a proof of termination from the Medicare Advantage plan and a copy of the doctor or provider's termination letter sent to the member.

This can only be done during the annual-election period (October 15 to December 7). Check with the insurance carrier for additional proof they

might require, and refer to the California Assembly Bill 151 if you want to read the law in its entirety.

This law is amazing. My interpretation has worked well for my clients whose plans increased cost sharing. If a Medicare Advantage plan raises any co-payment for medical services or drugs, even one penny, that is a guaranteed issue to the company's Medicare supplement plan. Every year, Medicare Advantage plans raise co-payments on something. Think of all the Medicare beneficiaries and insurance agents who have no idea that a guaranteed issue is available under California law!

Obviously, an agent must be appointed with the carrier to enroll a beneficiary, which is why it's crucial for the agent to be appointed with all Medicare supplement carriers that have a Medicare Advantage plan. This is why it's also crucial for agents to work with an agency that represents and is appointed with insurance companies that offer both Medicare Advantage plans and Medicare supplements.

If you want to learn more about California insurance laws, I highly recommend reading the Knox-Keene Act in its entirety to get even more detailed information. If you are an agent, I suggest that you work with an agency that can help you take advantage of all of the unique Medicare supplement laws in California that apply to beneficiaries. You should also get appointed with carriers that offer both Medicare Advantage plans and Medicare supplements. By doing this, you can avoid telling clients that they will not be approved for a Medicare supplement plan because of a preexisting condition. ★

Susan Hatch, PHIAS is an advocate, analyst, and talk radio guest expert on Medicare supplements, a specialist on California Medicare supplement laws, and a speaker at the national Medicare Supplement Insurance Conference. She is a licensed, independent insurance agent with Applied General Agency, which represents all supplement plan types. She was awarded NAHU's #1 Medicare supplement agent award in California award and the Soaring Eagle Award. She is accredited with the Better Business Bureau, and is a member of the Congress of California Seniors and the National Committee To Preserve Social Security and Medicare.

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*Evening Cocktail reception on August 8. The main Marketing Summit occurs on August 9

How to Continue Your Success in the Medicare Industry



by PETE BLASI

You work as a health insurance agent because you care about improving the lives of aging adults. You are selling seniors one of the most important products they will ever buy: the assurance that they will get the medical care they need, not just the treatment they can afford out-of-pocket. You want to expand your reach and continue providing top-tier senior health insurance plans to aging adults in your community. What's the best approach?

It's a fact that the United States is aging. The number of adults 65 and over will almost double from 2012 to 2050, according to a 2014 U.S. Cen-



Success in the Medicare industry comes when you educate and communicate clearly, striking a balance between professionalism and personality.

sus Bureau report. Soon, there will be an estimated 83.7 million seniors in America, and they will be depending on insurance agents like you to educate them as regulations and minimum standards of coverage get stricter. As a health insurance professional serving the aging population, your business, your influence, and your success can expand with the influx of new seniors to the market. To make this growth a reality, establish the following effective strategies to form connections and market to prospective clients.

BUILD STRONG CLIENT RELATIONSHIPS

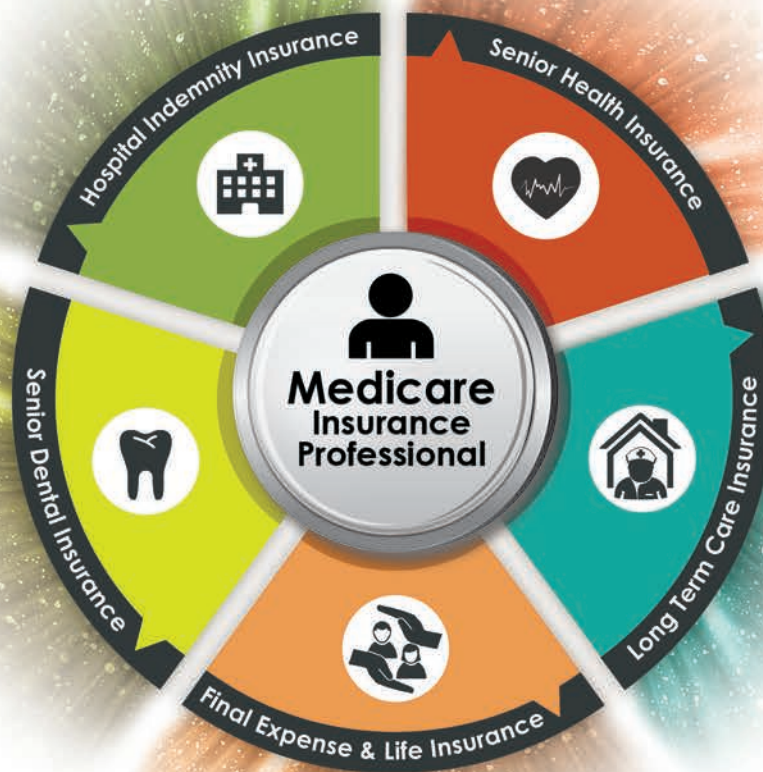
Before you look outward, look inward. Compile a list of your clients and check in periodically to make sure they are satisfied with their health insurance. You can connect by calling, e-mailing, or sending a birthday card each year. Your clients should view you as a trusted advisor whom they can rely on to provide information on their health insurance options. When you show personal interest in their physical and financial well-being, you will be their first contact when they realize that

they need to change their insurance coverage. Continue to educate them on the products you offer because, sometimes, your best leads are your clients.

ASK FOR REFERRALS

Besides continued business and additional sales, a major benefit that comes from building strong client relationships is personal referrals. Checking in on your clients helps retain your customer base, and gives you an opportunity to ask for the names of friends and family. Personal referrals can be some

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of your strongest leads since the success of an individual insurance agent is based largely on reputation and networking. There are additional ways to gain referrals. Connect with professionals in your community to generate leads. Hold training sessions to share information with lawyers, accountants, and financial advisors about the insurance options available for seniors. These sessions can help you meet professionals who already work with your target market so that your name is at the forefront of their mind when they have a client who could benefit from your services.

EXPLORE NEW ADVERTISING CHANNELS

Surprisingly, social media is your friend when marketing to the senior population. The number of people 55 and over who use social networking sites grew 80.4% from 2011 to 2014, according to Facebook's 2014 demographic reports. Set up a Facebook page for your business and post content that relates to the services you offer with links to your company website and blog. Seniors will engage with content that's helpful and informative. Getting results from new advertising channels doesn't discount the effectiveness of traditional avenues. Post ads in retirement home newsletters, church bulletins and newspapers. Send educational direct mailings. Flyers that explain answers to common questions can help older adults quickly identify the supplemental plans they may need based on their health status.

STAY PROACTIVE THROUGHOUT THE YEAR

Your selling session doesn't have to start and end with annual-election period; most successful insurance agents continue to sell during the special-enrollment periods. There are a number of different special election periods that give your prospective clients a reason to enroll in a Medicare policy. You can set yourself up for success all year long by simply learning the different election periods.

SCHEDULE AN EVENT

Consider setting up a free event to



provide a short, straightforward session on Medicare and how supplemental plans can help. The format can involve a brief presentation, then a question and answer session, with time set aside to set up individual appointments. Use all of your marketing channels, from social media to print advertising, to encourage local seniors to sign up for the event. Prior to the date, send them preliminary reading material as a reminder for the event and a way to begin their education before they arrive.

RECOGNIZE THE DIFFERENCES IN THE MEDICARE POPULATION

You are likely to encounter two populations when selling Medicare products. The first group includes seniors who are enrolled in Medicare and understand how their plan may not be meeting their needs. Your main role is to educate them about their supplementary options and enable them to add coverage based on features and price.

The second group includes seniors who have not yet enrolled in Medicare, but are looking to do so soon. Focus on education and assist them with initial Medicare enrollment. As you build trust and answer each and every question, you will become the advisor they lean on when their needs change or when they

It is important to understand seniors and how their needs change from year to the next. Form your own unique approach based on these effective strategies, and you will see continued progress as you reach out to the seniors in your community.

have questions about their coverage.

Success in the Medicare industry comes when you educate and communicate clearly, striking a balance between professionalism and personality. It is important to understand seniors and how their needs change from year to the next. Form your own unique approach based on these effective strategies, and you will see continued progress as you reach out to the seniors in your community. ★

Pete Blasi is president at Financial Grade Senior Consultants. For more information, call 619-595-0937 or visit <http://financialgrade.com>.



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THERE'S NO SUCH THING AS A FREE LUNCH

Defining the True Value of \$0-premium Medicare Advantage Plans

By CHAD HOUCK



You've probably heard your parents say it many times, "Nothing in this life is free. If something's sold at no cost, it may be too good to be true." While that's not always the case with \$0-premium Medicare Advantage plans, agents and consumers need to know that there's a lot more to them. Premiums are the most visible and easy-to-compare factor, but they don't define a plan's value. Consumers can get caught up in \$0. It's your job, as an agent, not to let them.

STARTING AT ZERO

Let's take a look at some enrollment figures. According to the Centers for Medicare and Medicaid Services (CMS), Medicare Advantage enrollment continued to grow in 2015. Of the 16.8 million people on Medicare, about one in three were enrolled in a Medicare Advantage plan. Consumers could choose from an average of 48 Medicare Advantage plans just seven years ago, but that selection shrunk to an average of 18 plans in 2015.

In this competitive market, how can an insurer afford to offer \$0-premium plans? In the simplest terms, the government pays private insurance companies to take care of the bills instead of the Medicare program itself, saving the government resources and money. Private insurers can then save costs by establishing networks for their Medicare Advantage plans to

keep expenses low. Those savings are put back into making the plan cheaper, which is how we get \$0-premium plans. In 2015, about 78% of beneficiaries had at least one \$0-premium plan available in their area. That figure is down from 84% in 2014 and 94% in 2009. Before the most recent annual-election period, 48% of Medicare enrollees were in a \$0-premium Medicare Advantage plan, a slight drop from 2014.

The average premium of all available Medicare Advantage plans was about \$33 a month in 2015, not including the monthly Part B premium that beneficiaries must continue paying (\$121.80 or higher depending on income), according to CMS. That's about \$396 that a client could save each year being in a \$0-premium plan, but is it worth it? Remember, there's much more to a plan than its premium. Out-of-pocket exposure, such as annual deductibles and copayments, is perhaps the most risky aspect of these super-affordable premiums.

BEWARE OF THE MOOP

No, the MOOP isn't that horrendous monster who lived under your childhood bed, but it can be just as frightening. The maximum-out-of-pocket limit (MOOP) is the point at which beneficiary spending is capped and the insurer begins covering all medical expenses in full. In 2011, CMS began requiring all Medicare Advantage plans

to have an out-of-pocket limit no higher than \$6,700 annually, and a recommended limit of \$3,400 or lower for in-network services. But insurers like to play it closer to the edge. The average MOOP in 2015 was \$5,041. Forty-six percent of Medicare Advantage enrollees had a MOOP of \$5,001 to \$6,700.

In 2015, 9% of Medicare Advantage Part Ds limited out-of-pocket expenses to \$3,400 or less compared to 51% in 2011. That's a huge drop. Keep in mind that these limits don't include expenses for prescription drugs covered under Part D. They have a separate catastrophic cap of \$4,850 in 2016. Also, they won't cover over-the-counter medications or services that aren't part of the plan, such as dental or vision care. The rise in MOOP makes it critical for consumers to get good information so they can understand their range of choices. Low premium, but high exposure can be ideal for some, but a nightmare for others.

FACE THE OTHER FACTORS

We know that there's a lot more to a plan than its premium, but how can an agent determine which plans are valuable to which clients? You must know your client and their needs. The first thing an agent should do is find out what doctors their clients will use. Ask them, "If there was something really wrong, what hospital would you go to?" If their hospital of choice isn't in

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a plan's network, that plan shouldn't be considered an option. Most senior clients want to stay with their doctors. Put simply, their relationship with a doctor means more to them than saving a few bucks.

Additionally, agents should clearly present all of a plan's benefits. Some plans may offer specific values to your client that make a higher premium worth it. Rather than shell out a co-pay each month, it may be cheaper for your clients to pay the premium for a plan that covers a particular cost.

Finally, are you ready for the super combo that could benefit you and your client? Consider pairing a \$0-premium Medicare Advantage plan with a hospital indemnity plan to ease the burden of expensive hospital copays. A low-premium plan will yield a high MOOP, but clients can spend those savings on an affordable hospital indemnity plan that helps them cover pricey copays on hospital stays.

BE UPFRONT

You know from your CMS training materials that you must be sure that clients understand the exposure of high MOOP. Don't burn a bridge because a client thinks you misled them on a plan's true cost. Offering no-premium or low-premium plans is a great way to get your foot in the door, but these plans don't work for everyone. Savvy agents stick to selling the network and benefits in addition to the premium. They guide their clients to consider copays and deductibles as part of the larger picture. Most importantly, they are open and honest with their clients, putting in the work that nets them referrals and business in the long-term. Just remember, like your parents always told you, nothing in this life is free. ★

Chad Houck is editor and lead copywriter at Ritter Insurance Marketing (Ritter). He received his B.A. in Journalism from Duquesne Univ. Ritter is a national Field Marketing Organization that solves the distribution needs of more than 80 insurance companies in the Senior Life and Health Insurance markets. An industry leader in technology, Ritter has developed proprietary services, including a customized CRM and Medicare quoting system, to help their agents serve their clients faster, better, and smarter. For more information, visit RitterIM.com.

Medicare 2016



by YOLANDA WEBB

Medicare today is, without a doubt, a major player for any health insurance agent who is selling actively. Baby Boomers are aging in by the numbers and agents are reaping the rewards while educating their clients with the most up-to-date options. Selling Medicare is like that old saying, "You are in it for life." Medicare sales provide stability to the agent's book of business.

Referrals are always a big plus when selling to the senior market. The mandatory requirements to sell some senior products are daunting by any standard, once certificated by AHIP. Agents must get continued certifications from each carrier on Medicare options that are presented to the consumer.

Agents serve as the Medicare consumer's advocate, trusted source of information, and advisor by providing objective and affordable choices to meet the consumer's needs.

Over the years, a number of changes have affected the Medicare marketplace creating the environment we have today. The development of the private Medicare Advantage (MA) program option has given beneficiaries more choice and the option to elect coverage that more closely mirrors the coverage options that were available to them when they were part of the under 65 population.

Market and demographic changes have also created an increasingly robust and competitive marketplace for seniors who elect to combine traditional Medicare with supplemental coverage. Furthermore, as access to group retiree coverage declines, the demand for Medicare individual coverage has skyrocketed. Finally, the enactment of the ACA has intro-

duced new regulations on enrollment periods, minimum-loss ratios, certification, and other requirements that affect beneficiaries and the Medicare agent.

Another key priority is the need to ensure that Medicare beneficiaries always have access to a qualified licensed health agent to get the help they need to make plan choices that meet their needs and budgets.

Agents deal with Medicare issues every day, and are more than capable of educating seniors and advocating for them when needed. Unfortunately, in today's Medicare marketplace health insurance agents and brokers are not treated the same way as they are with other coverage options and other coverage marketplaces. Policies regarding agent and

broker commissions need to reflect fewer restrictions on carriers as to what they pay the agent. These are only a few issues that the Medicare agent faces every day.

Knowledge is everything. Americans have come to depend on Medicare as a core financial and health security element in their later years. We look forward to working with licensed professional health agents and brokers on educating and supporting them legislatively. ★

Yolanda Webb, CHRS has worked in the Inland Empire as a life agent with the National Association of the Self-Employed since December of 1999. In early 2002, she joined the NAHU with IEAHU as her local chapter. In 2009, she joined the Board of Directors, as the communications chair. Since that time, she has held several positions on state and national levels. She is the incoming president-elect for the Inland Empire Chapter. Webb and Stedt are co-chairs and founders of the Annual Medicare Products and Sales Summit.



PROGRAM HELPS FAMILIES LOWER OUT-OF-POCKET EXPENSES

HealthValues released a program to help families save on out-of-pocket medical expenses. The Saver plan combines telephone or video chat doctor visits that are free and unlimited to consumers and their families with reduced pricing on costly imaging services, medical bill negotiation, procedure pricing, doctor and hospital quality score ratings, plus educational information and other tools for a monthly fee of \$9.99.

The Saver plan offers free, unlimited access to licensed physicians by telephone or video chat for routine medical situations, lets people shop for services and see real medical prices, and helps families negotiate the best price for many different types of procedures. Saver Plus offers an additional \$2,500 for accidents or critical illnesses to supplement medical bills not covered by high deductible plans, and Saver Maximum covers \$5,000 for unexpected accidents and critical illnesses. For more information, visit healthvalues.org.

MINUTECLINIC ANNOUNCES NEW TRAVEL HEALTH SERVICES

MinuteClinic, the walk-in medical clinics inside select CVS and Target stores, added several travel-related services and immunizations. Patients can now see a MinuteClinic nurse practitioner or physician assistant for a pre-travel risk assessment and get a plan for prevention and treatment targeted to the country they are visiting. The clinics will provide educational information on health risks, disease outbreaks, recommended vaccines, and preventive measures, including the latest updates from the Centers for Disease Control and Prevention (CDC). MinuteClinic nurse practitioners can provide guidance on prescribed travel-specific medications, over-the-counter medications, first aid supplies, food and water guidance and even mosquito bite prevention. Patients can also visit MinuteClinic for travel vaccinations and prescriptions for preventive medications. For information, visit minuteclinic.com.

ENHANCED DEFINED CONTRIBUTION PARTICIPANT WEBSITE

Milliman enhanced its website for its defined contribution clients and their plan participants. New features on MillimanBenefits.com include an interactive "It's Your Move" dashboard to support successful retirement behavior, such as saving enough to get the company match, diversifying investments, and utilizing automatic increase and automatic re-balance features – all with a refreshed look and feel. The site enhancements build on Milliman's PlanAhead for Retirement projection tool, educational Financial Resources Center, and award-winning mobile application.

HELP WITH ACA REPORTING

Aflac has partnered with three reporting companies to make it simple and cost-effective for employers to get compliance services. Aflac's ACA reporting partnerships help business owners reduce the administrative tasks related to employee health care and enable them to take advantage of services at Aflac-preferred rates. Aflac employer clients will have access to ACA compliance solutions, including the following:

- ACA phone and email hotlines for ACA-related questions.
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 - Electronic IRS filing services of 1094 and 1095 forms.
 - Standard and customized reports, analytics, and testing to reduce risk of fines and fees.
 - Tracking and monitoring employee eligibility, including leave of absences and seasonal or union employees.
- For more information, visit aflac.com/aflac-business-solutions.

REVERSE MORTGAGE WEBINAR SERIES

American Advisors Group launched a free webinar series for financial professionals, "Reverse Mortgage 101 and The Boomer Effect on Financial Planning." For more information visit aag.com/financial-advisors/webinars.

COURSE ON THE DOL FIDUCIARY RULE

The LIMRA LOMA Secure Retirement Institute launched a short online course, "DOL Fiduciary Basics for Employees." Kathy Milligan, FLMI, ACS of LOMA said, "This rule touches almost every part of the business, so it's vitally important for financial services organizations to prepare employees as they transition to this new regulatory environment. Our new course helps employees understand the operational changes their company is making to comply with the new rule." It is presented in 13 short multi-media vignettes, each being several minutes long. For more information, visit limra.com/DOL.

ELECTRONIC MANAGEMENT FOR INDIVIDUAL DISABILITY POLICIES

Guardian released an end-to-end electronic policy service. Guardian says that it's the first DI program of its kind in the industry. It offers consumers a faster and more convenient way to enroll, sign, purchase, retrieve, and manage supplemental income protection program policies purchased through their employer. For more information, visit Guardian-Life.com.

NEW DISABILITY PLAN FOR HOLLYWOOD ELITES

Petersen International Underwriters of Valencia, Calif. Is offering the updated StarCover disability plan. The focus of StarCover is fiduciary security and income protection for the Hollywood elite – the talent in front of the camera and behind the microphone. The new plan touts a true "own-occupation" definition of disability and robust high-limit monthly and lump sum benefit schedules. A disfigurement rider provides primary benefits to a client who has become irreparably maimed or scarred due to an accident or sickness, but is still physically able to work and isn't considered disabled under traditional industry definitions. For more information, call 800-345-8816 or at piu@piu.org. ★

Self-Insured Health Plans Lead the Way on Innovation

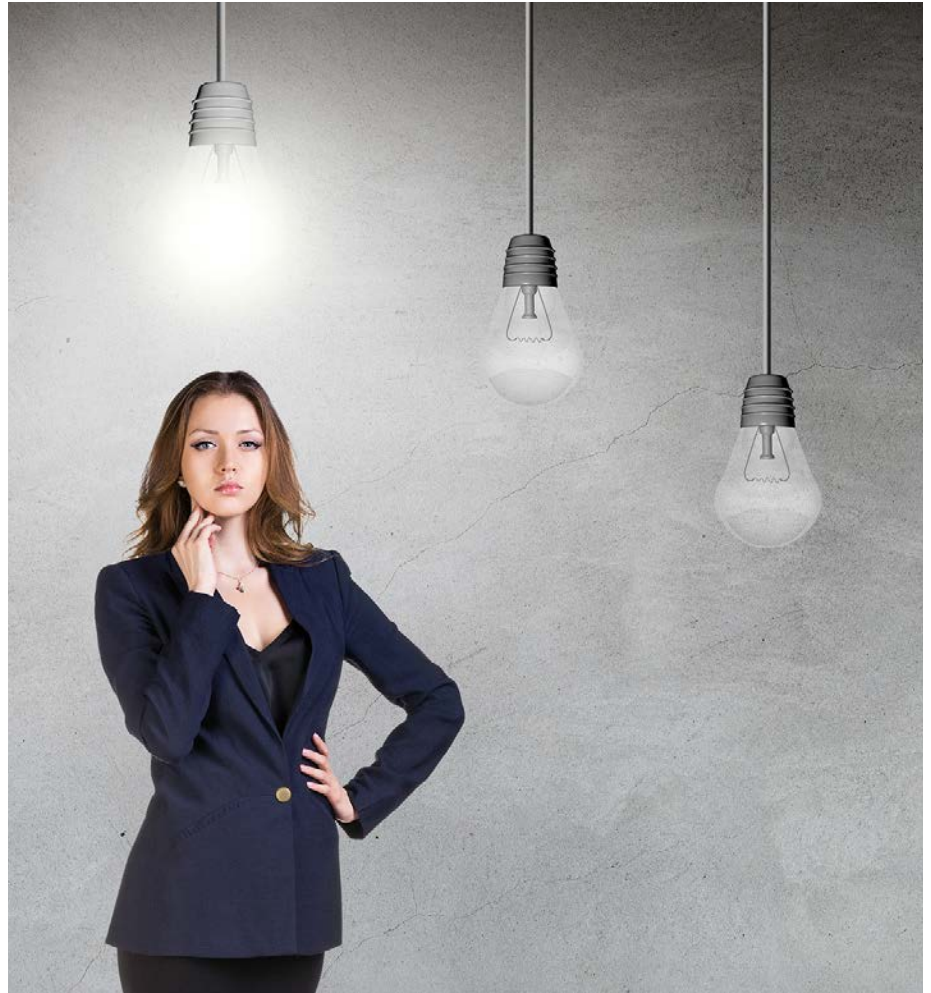
by WRENNE BARTLETT

Many businesses still rely on conventional health insurers. But a growing number of companies are taking control of their health benefits and switching to self-insurance. Companies are saving money, breaking the cycle of high annual premium increases, and shrinking benefits. More importantly, they've been able to tailor their plans to empower employees to improve their own health. Let's take a look at how some of them are doing so.

The Phia Group is a Massachusetts consulting firm that offers health cost-containment strategies to companies. The firm practices what it preaches. It switched to self-insurance many years ago when it had fewer than 100 employees. Phia has tested many of the wellness and cost-savings techniques that it now offers to its clients. For example, the firm eliminated co-payments at less-costly urgent care facilities to encourage employees to only use expensive emergency-room hospital services when really necessary.

Phia encourages employees to scrutinize medical bills for errors. One woman discovered that the hospital she stayed in mistakenly charged her for a private room. Her alertness to the incorrect statement saved around \$3,000. In return, The Phia Group gave her a \$500 Visa gift card.

Ron Peck, senior vice president and general counsel of The Phia Group said, "These days, self-funding our health plan is the only way an employer like us can offer maximum benefits where they are needed, avoid costly items that are useless to us, address areas of need, and nimbly adjust our program when ever and how ever needed. We customize our plan documents, react to trends revealed by our



claims data, select our partners based on our values and needs, and ensure that our plan is truly our plan. That's huge. By taking control, working with passionate advocates, and implementing cutting edge programs, we've not only halted the upward cost-trend, but we've also reversed it by freezing premium growth and reducing plan spending."

Iowa-based Telligen, which specializes in health management services, is saving money through self-insurance.

For Telligen, wellness begins in the workplace. Its "Rev It Up" program encourages employees to live a healthier lifestyle by offering incentives and benefits, such as an indoor walking track. Doug Ventling, Telligen's vice president of human resources and benefits said, "For the several years leading up to 2014, Telligen's employee health plan was fully insured and experiencing double-digit premium increases annually. We made significant plan design changes, terminated



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high loss-ratio options, changed carriers, changed brokers, cost-shifted to employees, implemented wellness, but nothing seemed to stem the wild trajectory of costs. In 2014, Telligen shifted to self-funding, broadened efforts around a culture of health and well-being, and experienced only a 2% increase (even accounting for the immature claims year)."

Ventling added, "In 2015, we deployed our own Telligen Health Management Solutions' DM program, implemented our partner Total Well-Being's platform, and saw costs decrease 3.2%. In 2016, we are experiencing a 1.8% increase year-to-date through February. We project our costs to be flat to decreasing slightly in 2017 based on implementing these programs."

Hilltop is a Colorado firm that provides services to children, youth, and families. Since switching to self-insurance, Hilltop has realized big savings. Last year, premiums didn't go up at all. Hilltop also implemented a wellness program emphasizing healthy meals and exercise. Employees get regular blood tests to alert them to warning

signs of potential problems.

At Hilltop, employees earn points for doing blood screenings, attending educational programs, and exercising. When employees reach 10,000 points, their premiums drop significantly. The program also produces a treasure trove of data. When Hilltop discovered that male employees had higher BMIs, it targeted men with programs to get them into a healthier range.

Evans Roofing in New York, attaches high importance to worker safety and the use of education and technology to keep costs down. Evans switched to self-insurance in 2010 and has seen big benefits for employees and the business. Particularly important is the company's blood screening process. Owner Mike Spinosa said, "Through our annual wellness blood screenings, we are giving our participants a glimpse into their health risk areas. By putting their numbers in front of them on an annual basis, our participants can start to see trends and/or problem areas that they can work on. In some cases, the screenings have made employees aware of serious medical is-

sues," he said. Spinosa added, "Our wellness program is more than just generic 'do this/don't do that' posters hung on the wall, although we do have those. Each participating associate gets a report on their blood health and recommendations on how they can improve in those areas. They are also directed to see their primary care physician at least once a year to go over those results. We feel that kind of education is worth its weight in gold."

Yampa Valley Bank in Colorado is in a mountain community with only one hospital close at hand. The bank has started helping employees find the best, most cost-effective providers even if they are farther away. Said bank CEO P.J. (John) Wharton said, "I am proud to say that as a result of our self-insured plan and the education provided, we have become pro-active in our medical decisions. We have implemented electronic resources, such as Healthcare Bluebook, as an aid for our employees to locate high quality physicians and facilities at competitive rates. This and other available tools have uncovered cost savings for our employees and the bank while maintaining high quality medical outcomes for our employees and their families."

Deana Von Almen, assistant vice president and human resource officer for the bank said, "Our success with this plan is largely due to our strong relationship with our Benefits Consultant, Neil-Garing, and our third party administrator, Cypress Benefit Administrators. Over the past three years, they educated us on self-insurance and cost containment and guided us through implementation and renewals. We were then able to educate our employees so they could make informed healthcare choices for themselves and their families."

The reason self-insurance is growing is that it works. With direct control over health care, companies are devising innovative strategies to deliver better health outcomes for employees while keeping costs down. That's a winning strategy for everyone. ★

Wrenne Bartlett is a professional staff member with the Self-Insurance Institute of America, Inc., (www.siaa.org) specializing in communications, media relations, and political advocacy.



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Job Hopping?

IT'S THE BENEFITS, AND MAYBE NOT THE ONES YOU'D EXPECT



Millennials are one of the most studied and talked about generations of all time. From Boomerangers to Grasshoppers, society has bestowed countless nicknames to Millennials, all loosely linked to the concept of mobility and progress. The group of people born from 1980 to

1996 reportedly value new experiences so much that they've been shown to have four jobs in the first decade after college. *The Harvard Business Review* has even referred to them as "the consumers of the workplace." If you're in HR, you see this as a fabulous recruitment opportunity or a frustrating chal-

lenge in retaining employees. Or you deal with both sides of it on a regular basis. As brokers, we can help employers manage this tendency by better understanding and informing employers on what Millennials look for in a job.

New research from Transitions Optical suggests that attractive benefit

packages may influence whether a worker stays or seeks out new opportunities. The 2016 Transitions Optical Employee Perceptions of Vision Benefits survey, conducted by Wakefield Research, polled more than 1,000 part-time and full-time employees. It found that 27% of Millennials say they have accepted a new job in the past year to get more competitive benefits, versus only 11% of Gen Xers and 7% of Baby Boomers. Surprisingly, nearly one-quarter of the Millennials who accepted a new job for the benefits ranked vision as the most appealing element of the package.

And it's not just a matter of perception. Millennials use their vision benefits more than do other demographic groups. Nearly 30% of employees 18 to 34 said they used their vision benefits more than once to pay for an eye health appointment in the past year, compared to 18% of Gen Xers and 17% of Boomers.

CAN BENEFITS BUILD BETTER EMPLOYEE ENGAGEMENT?

The study didn't specifically ask whether job seekers consider vision benefits a significant factor in their level of engagement at work or the decision to accept a new offer. But it did find that the overwhelming majority chooses to enroll when offered the benefit.

Eighty-five percent of those who enrolled purchased their plan from their employer; 9% purchased directly from a vision provider; and 4% through a health exchange. Interestingly, 16% of Millennials purchased their most recent vision plan directly from a vision provider, compared to only 7% of Gen Xers and 4% of Baby Boomers. This may imply that more Millennials, compared to older generations, were not satisfied with the coverage options available through their work-sponsored plan and sought an alternative.

SO WHAT ARE THEY LOOKING FOR IN TERMS OF A VISION PLAN?

The most important factor when selecting a vision plan is having low out-

of-pocket costs, and the second is having coverage of premium brands. One in five Millennials says that having coverage of premium brands is the biggest consideration when selecting a vision plan, compared to only 10% of Gen Xers, Baby Boomers and the general population.

VISION PLANS THAT KEEP WORKERS HEALTHY AND HAPPY

Consumers have shown an increasing desire for more vision choices.



In the Transitions Optical study, for example, 87% of employees say having premium material coverage is important when selecting a vision plan. Similar reports have found that employees are interested in paying more for enhanced plans that provide full or partial coverage of premium eye wear options and brands, like photochromic Transitions lenses.

It's easy to understand that what's best for one, isn't best for all. And Millennials, like all generations, want the

freedom and flexibility to purchase coverage that's right for them. The challenge is tailoring vision care options to meet the needs of a diverse workforce while keeping costs low for everyone.

Vision plans can pave the way to personalization and savings. Providing coverage options doesn't just benefit employees. Offering more choices can increase enrollment by 13%, according to VSP enrollment data. Higher enrollment means more chances for early detection of eye disease and costly chronic conditions, like diabetes or high blood pressure. Personalized coverage means that employees get the choices they want. Employers get a healthier, happier, more loyal workforce while saving money on improved productivity and lower health care costs.

Beyond the benefits, what can go a long way is offering resources that allow workers to calculate their ancillary expenses or find opticians easily within their network. What has a tremendous effect on the success of the vision offering is ensuring that employees understand how their plans work, know

what's covered, and have the tools to help them understand their eye health needs and coverage options. Selling high-quality plans is always the main goal. But it's also important to foster a client base that is informed on the importance of eye health so that Millennials continue to highly value their vision benefits. Even if they do hop to another job, you'll have the continuing opportunity to bring value through the vision benefit with the next employer on the list. ★

Patrick McClelland is the vice president of U.S. Commercial Accounts for VSP Vision Care. He began his career in 1987 working in sales management for a variety of managed care organizations, most recently Health Net of Arizona. Patrick joined VSP in 2003. He oversees sales and account management of more than 50,000 accounts of 2-999 employees. Patrick is a graduate of the University of San Francisco, where he attended on a baseball scholarship.



Protecting Key Executives in Global Hot Spots

by EDWARD A. TAFARO

The acts of terrorism that ripped through Paris stunned and outraged the world; 150 dead, over 300 wounded. But the collateral damage went far beyond buildings being torn apart and one of the major cities in the world virtually shutting down. It also gave pause to many companies that may have been considering send-

ing their executives to Europe.

Business Travel Coalition, a U.S.-based lobby group, recently released a survey of 84 corporate, university and government travel and risk managers from 17 countries on attitudes of trips to France following the bombings. Twenty-one percent of the respondents said they were very or some-

what likely to cancel travel to France for "some period of time," and 20% were somewhat likely to cancel travel to and within Europe. A large majority said they'd probably allow employees to decide whether they were prepared to head to France. These are not surprising statistics. But it doesn't have to be that way, especially when you



consider that canceling a business trip can cost a company millions of dollars. It's the "butterfly effect" to the most extreme; a bomb explodes in Paris and 2,600 miles away in Manhattan a Fortune 500 company is seriously considering canceling a business trip to Europe.

"It's important that we don't allow acts of terrorism to knock the wheels off our economy. Business travel is a key element in making us what we are, so it's imperative that we mitigate that risk whenever possible."

Protecting your client's key employees is challenging enough, but when you add international exposure to locations once considered safe, then add those locations to the State Department's "bad list," an entirely different skill set is required for designing a program that will protect your client.

First off, there's no substitute for great planning. Coverage is easier to obtain and more cost effective if you work with a company that's contemplating overseas travel and can establish, well in advance, that there is a need for key person insurance. Heightened awareness around a dangerous trip often results in an insurance need being developed or uncovered. When this need arises, the underwriting process migrates from the traditional life and disability insurance market to the playing field of high limit or specialized risk underwriters.

Here's a notable example. A large U.S. company recently made a significant investment in a defense contractor. Shortly after the investment closed, the company named a new CEO and sought to acquire \$50 million of key person life and disability insurance.

As of the day of the request, the insurance advisor had eight business days to secure the insurance before the CEO departed for the Middle East,

with stops in Iraq and Afghanistan. Because of the abbreviated time frame, traditional life and disability insurance was not an option. The advisor needed to turn to a specialty underwriter that deals with exceptionally large and complex human capital risks.

Armed with the CEO's itinerary and details of the executive's compensation and equity incentive agreement, the advisor had enough information to present the submission to the underwriters. Within 72 hours, a policy was issued that covered the private equity firm's loss of the CEO directly due to an accidental death or disability, as well as a result of acts of war or terrorism.

The premium for \$50 million in insurance was \$62,500, covering a two-week period. Sickness coverage was included for certain elements of the insurance policy.

Few domestic life and disability insurance carriers have the ability to underwrite large risks when there's high-risk exposure to the world's hot zones. To get the job done, producers must work with large international insurers that are willing to deploy meaningful capacity. The easiest way for advisors to access these markets is through an experienced U.S.-based correspondent who is skilled at designing and underwriting coverage in these volatile locations. Local correspondents or managing general underwriters guide producers through the regulatory complexities that go along with underwriting risks through surplus lines carriers – something most life and health producers have little experience with.

The best producers are masters at uncovering details from their clients, documenting them, and communicating them effectively to underwriters. A well-written cover memo will often be the basis for offering coverage and can be the primary source for pricing consideration. A complete itinerary coupled with security detail information are the underwriter's key points of interest, so make sure the information is gathered and communicated as early as possible.

Frequently, specific plans will be classified when working with international defense contractors; yet, one way or the other, the basic informa-

tion must be made available. When underwriting coverage in highly hostile areas, rates can vary based on multiple factors, such as security arrangements, travel vendors and length of stay. In highly hostile areas, rates even vary down to specific latitude and longitude coordinates, often within a single city or locale.

No detail is too small for spelling out the need for the insurance and financial justification, including the purpose of the trip and the client's specific duties and objectives. This is the information that sets apart a submission and makes it more likely for an underwriter to go out on the limb with preferential pricing and terms. Keep in mind, when underwriting risks in highly volatile areas—with the propensity for rapid deterioration—it may not be possible to negotiate coverage or a rate guarantee for the entire duration of the client's journey. It's essential to keep

"No detail is too small for spelling out the need for the insurance and financial justification, including the purpose of the trip and the client's specific duties and objectives."

in mind that the best underwriting offers go to advisors who deliver the best information.

It's important that we don't allow acts of terrorism to knock the wheels off our economy. Business travel is a key element in making us what we are, so it's imperative that we mitigate that risk whenever possible. ★

Edward (Ted) Tafaro is president & CEO of Mahwah, New Jersey-based Exceptional Risk Advisors, LLC. He is an expert on high-limit specialty life, accident and disability products for clients with extraordinary insurance needs, including celebrities, athletes, entertainers, highly compensated executives and professionals. By partnering with Lloyd's of London syndicates, his firm has the largest binding authority available in the U.S. for its products. For more information, contact him at 201-512-0110 or ted.tafaro@exceptionalriskadvisors.com.

Minimizing Risk and Protecting Employees in a Global Business Environment

BY JEFF RUTLEDGE



Over the past several decades, globalization, driven in large part by businesses' rapid expansion from domestic to international markets, has evolved from a buzzword to a reality. Globalization brings massive changes to the corporate world including heightened competition, record innovation, and increased business travel.

In fact, business travel grows every year, and associated U.S. spending is expected to reach \$2.99 billion in 2016, according to the Global Business Travel Assn. At the same time, the expat population is booming as businesses send employees to focus on overseas markets for months or years at a time. While such trends present unprecedented opportunities,

they also expand the obligation of businesses to ensure the 24/7 health and safety of employees traveling around the world.

Recent events make it clear that unexpected events and emergencies may happen anywhere at any time, such as the Zika outbreak, the Paris and Brussels bombings, and the mass transportation disruption caused by mass refugee migration to Europe. Having a comprehensive business travel accident insurance and assistance program is one way businesses may help fulfill their duty of care to employees.

Travel accident insurance and assistance services were once thought of as "nice to have," value-added benefits – to which employees might opt-in to protect their belongings or minimize

inconveniences while traveling for work. But they are now regarded as critical by employers across industries. Corporate risk managers, not just benefit and human resources managers, may weigh the costs of business travel accident insurance and assistance services against the liability of devastating events, such as medical travel emergencies.

In light of this shift, brokers serving the group business market (or affinity groups, such as schools and churches, for which similar programs are available) should stay up to date on the many benefits of business travel insurance and assistance services, and be prepared to evaluate different plans and providers on behalf of their clients. In this effort, the following tips may help:



"Companies often prioritize coverage and logistical expertise when evaluating business travel insurance and assistance plans, but user experience may be another important differentiator."



panies from covered travel losses while assistance services provide evacuation assistance, medical attention, and other services for travelers. Some companies

provide these services in a piecemeal fashion, coordinating among two or more providers while others offer insurance and assistance in one solution. In crisis situations a direct line between insurance and "boots on the ground" assistance may be invaluable. Amid last year's earthquakes in Nepal, travelers were trapped in remote locations, sparking enormous demand

for emergency evacuation and response in the midst of communication and power breakdowns. Providers with integrated solutions may better be able to understand local and regional challenges, and respond more quickly and efficiently in a major crisis.

CONSIDER THE USER EXPERIENCE

Understandably, companies often prioritize coverage and logistical expertise when evaluating business travel insurance and assistance plans, but user experience may be another important differentiator. For example, some providers offer electronic claims submission, which is designed to be faster and easier than manual alternatives. Others offer resources and apps, which users often appreciate as an added value. For example, a digital emergency help button can connect travelers to medical terms translation, drug brand equivalencies, training videos and more.

Business travel insurance and assistance services vary from program to program, and are ever evolving to meet new industry realities and customer needs. Brokers should consider paying close attention to these products as their role in risk management portfolios continues to grow. ★

Jeff Rutledge is the CEO of AIG Travel, a member of American International Group, Inc., a leading global insurance organization serving customers in more than 100 countries and jurisdictions.

START WITH BUSINESS NEEDS

As with all business travel insurance and assistance products, it's critical to consider a company's needs to determine the best coverage. Business travel insurance and assistance programs come in all shapes and sizes – sometimes bundled with other offerings and sometimes standing alone, providing comprehensive or *à la carte* coverage for: emergency travel medical coverage, medical or security evacuation, repatriation of remains, accidental death and dismemberment, and more. In addition, value-added services may help boost employee job satisfaction, such as concierge services, personal security assistance, and identity theft assistance.

LOOK FOR A PATTERN OF SUCCESS

In incapable hands, travel crises may devastate businesses and their employees. Look for reliable insurers with a broad network and a long history of claims payment and support for clients. Industry recognition and awards may suggest credibility while case studies may help illustrate how providers have handled previous crises. Remember, experience counts; pay attention to demonstrated success in the geographic destinations or travel situations most relevant to each client.

SEEK AN INTEGRATED SOLUTION

Business travel accident insurance and assistance are separate products. The insurance financially indemnifies com-

View from the Top of the Life Insurance Industry

by LEILA MORRIS

For our annual survey, life insurance executives gave their take on the industry's opportunities and challenges. When it comes major sales opportunities, executives told us that it's **Millennials, Millennials, Millennials!**

This generation (18 to 34) has surpassed Baby Boomers as the largest living generation. But it's not just demographics; Millennials are better savers than their parents have been. There are also multi-cultural opportunities, particularly among Asian Americans. Another growing opportunity is in the middle market.

The lines continue to blur between traditional health insurance brokers, voluntary brokers and life insurance brokers. There are opportunities for brokers to expand their books of business and increase their revenue. As for product mix, there has been a move away from variable products and a greater shift to products with less risk, such as index universal life (IUL). But term and whole life are still strong sellers. Low interest rates have created the single greatest challenge facing the industry. Also creating headaches is the Dept. of Labor's fiduciary rule.

Has there been a significant change in product mix over the past 12 months in terms of guarantees, variable, or term?

Dave Wilken, president of Individual Life, Voya Financial: Over the past three years, we've shifted our focus to the sale of indexed universal life products, and we've been pleased to see the industry moving in the same direction. In the first quarter of 2016, IUL was the second biggest driver of individual life growth according to LIMRA. IUL now represents 56% of universal

life, and 21% of all individual life premiums. I attribute that growth to Americans taking ownership of their finances and having a more sophisticated knowledge of financial products. Today's consumer wants solutions that serve multiple purposes leading up to and through retirement. That's exactly what cash value life insurance can do.

Andy Glaub, senior vice president and director of sales, Aflac: There is a growing desire for carriers to provide a complete portfolio of benefit offerings, which includes supplemental health, life and disability insurance. So we've embarked on a multi-year plan to expand our life and disability insurance portfolio. This plan begins in August with the introduction of enhanced permanent life insurance options and continues throughout 2017 with enhanced term life and disability insurance plans.

Thomas H. Harris, CLU, ChFC, FLMI, executive vice president, Distribution at Penn Mutual: Over the past several years, we have seen a greater emphasis on products that offer guarantees with cash accumulation, like whole life or indexed universal life. This is a shift from three to four years ago when there was a greater emphasis on guaranteed universal life.

Steven Johnson, vice president, Products, Colonial Life & Accident Insurance Company: Term life sales continue to lead the market. The low cost is



attractive to consumers, although generally people want to make sure they understand what they're buying and getting the right amount of coverage for the right price. Carriers continue to look for ways to design a product that will appeal to the consumer. According to Eastbridge Worksite/Voluntary Sales Report (2015), term life remains the top-selling line of worksite business, representing 22% of all worksite sales.

Kyle O'Dell, managing partner of O'Dell, Roseman, and Shipp: There has been a move away from variable products and a greater shift to products with less risk such as IUL, but the old traditional whole life continues to be a strong seller. There was a shift in the 1980s and 1990s toward "buy term and invest the difference," but this has lost steam because of poor market returns in the 2000s when it comes to the "invest the difference" portion. But term insurance is still a very strong selling product.

Do you see growth in particular niche markets?

Steven Johnson, Colonial Life: Life insurance is needed across all markets as America's workers in general are uninsured or under-insured. At the same time, being able to afford a comfortable retirement is a common financial worry among consumers. This is particularly true of younger Americans who are expected to live longer while more of the retirement savings burden is pushed on to the consumer. This represents a good opportunity to educate employees about their needs and help them match those needs with the right type and affordable amount of coverage.

Thomas H. Harris, Penn Mutual: Penn Mutual is preparing for growth in the middle market. We have invested in our business to provide simplified underwriting and accelerated underwriting programs that will allow for smaller policies to get processed much quicker. This will allow us to enter these markets where we weren't previously.



Andy Glaub, Aflac: The market, as a whole, is increasingly looking for competitive, affordable, quality life insurance products, and they're turning toward carriers they trust to deliver. However, the market with the most potential for growth is the Millennial generation. Millennials tend to get a bad reputation when it comes to financial planning and savings, but they are becoming increasingly more aware of its importance. In fact, a study from Bankrate.com

found that 62% of Millennials are saving more than 5% of their income. Millennials are making conscious decisions about planning for their future and are interested in potential investment tools that products like permanent life insurance can offer, which is fueling the growth in this particular market. That said, our own research from the 2016 Aflac Workforces Report shows that Millennials are much more prone

to underestimating the costs of an unexpected accident or illness than other generations. While this may not relate specifically to life insurance, it's important to educate them better and provide solutions that will help them do what they want most, which is to remain as debt-free as possible.



Dave Wilken, Voya Financial: Since 2007, Voya has had a strong presence in the multi-cultural market. Since 2013, we have almost doubled our sales to multicultural consumers. Particularly among Asian Americans, there is an opportunity for even more growth moving forward. According to Voya research, Asian Americans are more likely to contribute to their workplace savings plan, more likely to have six months of living expenses in savings, and

also manage debt better than the majority of Americans. In our experience, this group also gravitates toward cash-accumulation products. They see more value in a policy that provides death benefit protection, along with the ability to grow supplemental income for retirement. While they have many strong financial habits, only 22% of Asian Americans work with a financial professional. They are also the least likely to have calculated how much they need to continue their lifestyle in retirement. So, we've made great inroads in serving Asian Americans, but there's still an opportunity to expand life insurance ownership within this group.

Kyle O'Dell, O'Dell, Roseman, and Shipp: I see a divide in the marketplace. Families that are fortunate enough to have large portfolios and strong cash flow tend to use permanent life insurance vehicles such as whole life or index universal life. Families that aren't quite as fortunate to have the same assets or cash flow tend to buy term insurance. It's the difference between owning and renting, similar to a house. In the long run, the families that purchase permanent insurance are happy that they did because they will always have the life insurance coverage for their spouse if they pass away. The families that purchased term insurance usually become concerned about losing the coverage at the end of the term because they can no longer afford the increase in premiums.

What is happening with your distribution systems? If you have an agency force, is it growing, are you hiring, and is there more attrition than usual?

Andy Glaub, Aflac: Aflac's distribution system is multi-pronged. There are the 70,000 plus independent agents who are licensed to sell our products, which have always provided a competitive edge for Aflac. However, in today's environment the broker community is a vital part of our sales model, particularly in selling our group products. Aflac began selling products under Aflac Group insurance in 2010

to a great deal of success and brokers have become a significant part of the sales model. We continue to recruit new brokers and associates every day.

Dave Wilken, Voya Financial: Our products are sold by a select group of external distribution partners who share our commitment to helping Americans achieve their financial goals. Last year, we made the decision to narrow this distribution network in support of a refined strategy focused on strong relationships, personal attention and dedicated resources. This approach has been largely successful and has differentiated us from our competition, particularly among multi-cultural agents who are more open to brand loyalty than other groups.

Kyle O'Dell, O'Dell, Roseman, and Shipp: A recent study by Ernst & Young reveals that the total financial advisor population has decreased by 4.3% in the past decade, and the average advisor is over 50, so we will continue to see the numbers drop. We have had to learn to adapt to our changing world and communicate with clients and potential clients via social media and different forms. We are continuing to grow as we have had success meeting and sometimes exceeding our client's expectations. We have also been fortunate to add advisors to our company because we have had success in helping them grow their client base and become well-rounded advisors.



Thomas H. Harris, Penn Mutual: We have two distributions channels – our career agency system and independence financial network – and both are growing. Our independent channel is growing thanks to our work with producer groups such as FFR, NFM, and Lion Street. Our largest independent region, the Pacific region, is headquartered in Irvine. Our career agency system is also growing with the number of full time advisors and the addition of five new agencies since December 2014. They're located in areas where we hadn't had a presence before, which includes San Francisco, Boca Raton, FL, Birmingham, Ala., Nashville, Tenn. and Kansas City, Mo. This is allowing us to reach new advisors and new policyholders. The opening of our San Francisco office was the first time we had an agency in California in over 20 years. Half of the advisors we hired last year were Millennials and last year was our second highest recruiting year. In fact, the disruption with other carrier's distribution systems has created opportunities for Penn Mutual.

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Steven Johnson, Colonial Life: At Colonial Life, our strong agency distribution has kept us among the leaders of the voluntary industry. The year 2015 continued the strong trend in terms of new recruits joining our team and sales generated by this group of agents. There is tremendous opportunity in the worksite industry for people who genuinely care about protecting America's workers. Our agency sales organization members build their business by working directly with employers as well as partnering with brokers.

portunity in the worksite industry for people who genuinely care about protecting America's workers. Our agency sales organization members build their business by working directly with employers as well as partnering with brokers.

Speaking of life insurance customers, are there certain niches or age groups that brokers should place more of a focus on?

Dave Wilken, Voya Financial: Life insurance products can help people at every age and life stage, but in different ways. As the Baby Boomer generation transitions out of the workplace, indexed universal life will help them protect and preserve their wealth in retirement; we look forward to continuing to serve that market. From a sales standpoint, we have a particular focus on Generation X, given that they will still be in the workforce and saving for retirement for another 20 years. For this demographic, we're focused on promoting the wealth-building and protection properties of indexed universal life. It's one of very few products that has the ability to protect, accumulate, and distribute wealth, which makes it attractive to consumers of all ages.

Steven Johnson, Colonial Life: Employers across all markets continue to be interested in life insurance as a benefit for their employees. They see it as a must have to attract and retain those top performers.

Andy Glaub, Aflac: Millennials, Millennials, Millennials. Today, Millennials represent about one-third of the country's population and will account for 75% of the workforce by 2025. They are a somewhat untapped group that will only continue to grow in the workplace, opening the door for brokers looking to expand their sales.

Thomas H. Harris, Penn Mutual: We're hiring a lot of Millennials; they will make up a big part of our business going forward, so I think naturally, that is a great market. They are typically aspire to be better savers than other generations so educating them about life insurance products that can offer more than just a death benefit, but also a potential cash value component is a big push for us and could be very attractive to them. We are preparing to increase the number of policies we write and make the process quicker and more efficient to work with younger generations. This will make it attractive for advisors who might not have otherwise thought of working with Millennials.

Kyle O'Dell, O'Dell, Roseman, and Shipp: Everyone! As a society, one of the biggest problems we have besides not saving enough money, is that almost the entire population is remaining under-insured. My grandparent's generation "the greatest generation" used to work until age 55, retire, then pass away from 65 to 75. They had pensions and Social Security so they didn't need to have \$1 million saved. Many of them purchased whole life Insurance so that, when they passed away, their spouse would have a little something extra to offset the loss of a pension or a portion of Social Security. It was much simpler back then.



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We have seen fewer and fewer people purchase life insurance because they don't want to pay for it. They don't think they will die until they are in their 80s, 90s or even longer, and they are correct. They don't want to pay for something for the next 40 or 50 years. But this leaves a void in their financial assets for their spouse or kids. Life insurance is one of the greatest assets because it has living benefits and passes on to heir's tax free. I would recommend that families purchase a permanent policy, but if they can't afford a permanent policy, purchase term insurance that they can convert to a permanent policy in the future. This will protect their insurability and they may even get credit for some of their term premiums toward their cash value inside their permanent policy.

What kind of growth do you see in life insurance sales as an employee-paid or employer-paid benefit?

Steven Johnson, Colonial Life: The shift toward employees taking more responsibility for benefit decision-making and purchasing will continue. With benefit packages, employers aren't looking to increase their costs. Even for employers who continue to offer some employer-paid life insurance, the amount usually is far less than what a typical employee's family would need. That's why voluntary life insurance is so important. It gives employees access to the additional coverage they need at more affordable rates and an easy underwriting process — plus in some cases, the opportunity to talk to someone face-to-face so they understand their needs and what they're buying. The good news is that employers continue to see the need and importance of offering life insurance as a valuable benefit for employees.

Kyle O'Dell, O'Dell, Roseman, and Shipp: I don't see much in this area. I see fewer and fewer companies offering this benefit, unfortunately. Most employees that do have some type of coverage from their employer only have one to two times their salary. It's becoming more difficult for companies to offer this type of benefit.

Andy Glaub, Aflac: Research consistently tells us that Americans are under-insured when it comes to life insurance products, creating tremendous opportunity in this line of business to provide a complete portfolio to consumers regardless of who's paying. While employers will continue to look for life insurance solutions that maximize their benefit spend and employees will continue to look for affordable options that will be with them through the long haul, the ability for brokers to provide life insurance products that satisfy the needs of both groups will be paramount no matter which way the market sways.

Thomas H. Harris, Penn Mutual: While this is not a focus for our business, I would think that you're more likely to see growth in employee-paid life insurance as a benefit. More companies are offering *à la carte* benefits to employees that they can pay for, as opposed to the company.

What, if any, state or federal legislative issues are you concerned about?

Thomas H. Harris, Penn Mutual: We are preparing to make changes based on the new Department of Labor's fiduciary rule. These changes will support the way our advisors do business – allowing them to continue providing valuable advice to their clients while keeping them fully compliant with the new rule.

Dave Wilken, Voya Financial: We're obviously keeping a close eye on the DOL Fiduciary rule, as it's going to impact the way many broker/dealers and financial advisors do business. There will be a lot of watching and waiting in the coming months. The financial services industry has seen tremendous economic and regulatory change over the past 10 years. Our mission remains the same; we will continue to help our clients achieve their long-term goals. Consumers may see a narrowing of product offerings from providers and advisors, but they can remain confident that the same organizations that have supported them in the past will continue to do so, with an even keener eye towards education and transparency.



Kyle O'Dell, O'Dell, Roseman, and Shipp: I see the new DOL ruling as a rule with good intentions, but the actual wording of the rule will cause problems within our industry. It will be more difficult for new advisors to come into the industry and have success, therefore the advisors within our industry will continue to get older. They will retire or leave the industry without any new, younger advisors coming into the industry. The consumer,

who the rule was meant to help, will ultimately get hurt. This industry is already tough enough to have success without having the added regulations.

Steven Johnson, Colonial Life: Low interest rates are the single greatest challenge facing the industry. These low rates will continue to put pressure on financial services companies and the interest-sensitive financial products they issue, including life insurance. All life insurance products are affected to varying degrees, but long-term contracts that rely heavily on earned interest, such as whole life and universal life, are especially impacted. All life insurers will be challenged to make product adjustments in order to manage lower investment income and profitability in the current environment.

What are some of the common characteristics of your most successful life insurance producers?

Thomas H. Harris, Penn Mutual: I think the most successful advisors are those who listen well and are great at building relationships. They're someone you want to spend time

with and are trustworthy. They also do a great job of making people think about situations they might not think about otherwise, like what would happen to their family or business if they were to die. They're good at painting a picture for their clients and dealing with emotional subjects. This connection helps their clients to take action and make beneficial decisions for their loved ones and their businesses.

Kyle O'Dell, O'Dell, Roseman, and Shipp: The largest producers in our industry tend to have a very specific niche market that they work in such as the ultra-high net worth, or they work with several estate planning attorneys and CPAs that refer new business their way.

Andy Glaub, Aflac: Success in this industry comes from being consultative. To be a successful life insurance producer, you have to know whom you're talking to and recognize that everyone's needs vary. The needs of the client you are meeting now can be vastly different from the needs of the client you sat with 10 minutes before. Our most successful life insurance producers take time to listen to their customers' needs and respond with the most appropriate option.



Steven Johnson, Colonial Life:

We strongly believe in the value of one-to-one, personal benefit counseling sessions to help employees understand their needs and options to create an effective financial safety net for themselves and their families. So our most successful life insurance producers are those who are not only experts in product knowledge, but who also excel at this customized counseling approach. They create trust and credibility, as well

as long-term relationships — they'll be back in the same account next year and the year after, talking to the same employees, whose needs likely will change. We've developed a certification process so brokers, employers, and employees can be assured they're working with the best in the business when it comes to individual benefits counseling.

Dave Wilken, Voya Financial: The most successful producers have changed their approach in response to economic realities. In the past, many people had a pension, Social Security payments and their savings to last them through retirement. But that has changed dramatically. Most private sector employers have moved from a pension to a 401K. The future of Social Security is a matter of public debate, but either way, payments may not be enough to cover basic living expenses. The Federal Reserve Bank of New York reports that student loan debt now exceeds credit card debt and auto loans. A recent Fed study also reported that many Americans would need to borrow or sell something to cover a \$400 financial emergency. Not having enough money for retirement and not

having enough money to cover serious medical costs are two topics that consistently rank highest on Americans' list of financial concerns. Agents and advisors who understand the life-long value of life insurance are able to articulate to their clients how products like indexed universal life can address these concerns and help them grow, protect and enjoy their retirement savings.

Are you seeing more health insurance brokers getting into life insurance sales? If so, do you have any advice for them?

Thomas H. Harris, Penn Mutual: We're seeing more P&C and CPA firms partnering with life insurance advisors to bring additional value to their practices. Health insurance brokers could also follow the same path by partnering with a life insurance expert. Just as health insurance is complex, so is life insurance so it's best to work with someone who has the expertise instead of going it alone. By teaming with an expert, you'll provide greater value to your clients.

Steven Johnson, Colonial Life: Education and communication are at the heart of helping America's workers get the right coverage for their needs. To do this effectively, it's important for health insurance brokers to partner with a benefit provider with not only a broad portfolio of life insurance options, but also the expertise and resources to provide strong benefit communication as part of the package.

Andy Glaub, Aflac: The lines continue to blur between traditional health insurance brokers, voluntary brokers and life insurance brokers. There are opportunities for brokers in each of the spaces to expand their book of business and increase their revenue. We will continue to see crossover, and we, as a company, have to be prepared to respond to all of our brokers' needs by providing expertise, industry insights, best practices, and customized communication and education to help drive their practice regardless of the product they're selling.

Kyle O'Dell, O'Dell, Roseman, and Shipp: I have seen many people from the health insurance area try to break into selling life insurance and they tend to struggle. The biggest challenge I see is that they are used to quoting rates and selling over the phone, or at a coffee shop, or at the client's home expecting them to purchase a policy. Our industry is built upon trust and a relationship with the client, which takes time. Adding life insurance in as a product for your clients is a completely different business model for those in the health insurance field. They struggle with the transition. To have success with life insurance, you have to change a number of things. Advisors who sell a lot of life insurance meet with the client several times in their office. Selling life insurance is usually a two- to three-meeting process in order to fully explain all the types of policies and how they work so that you can help the client make an informed decision. ★

Leila Morris is senior editor of California Broker Magazine.

Affordable Care Act Advantaged Wellness Programs

WHEN ENCOURAGING A HEALTHY LIFE FOR EMPLOYEES, EVERYBODY WINS!

by DAVID REID

Most companies see employer wellness programs as an added perk for employees instead of as a strategic investment to help grow their business. A comprehensive wellness program typically offers plans that help employees quit smoking, manage medical conditions, and lose weight. They also offer preventative health screenings, gym memberships, and other incentives to encourage participation. These programs foster healthy habits, happiness, and increased productivity.

The Affordable Care Act (ACA) creates new incentives to promote wellness programs and encourage

opportunities to support a healthier workplace, such as cash rewards and premium discounts. Wellness programs, which are classified as “participatory medical plans” save on payroll taxes, and offer supplemental coverage to employees without reducing their take-home pay.

Despite these benefits, most employers, particularly small and mid-sized businesses, fail to see why they should implement wellness programs. Wellness programs are a component of the ACA that not a lot of employers are taking advantage of, but should. By doing so, employers can bring solid wellness offerings to employees while

rewarding the company. Employers can offer wellness programs to their employees at the expense of 12 payments per year (i.e. \$29 per month) with the opportunity to be reimbursed by year’s end.

For many companies, health costs use up 50% or more of their corporate profits. In fact, the indirect costs of poor health, such as absence from work and reduced productivity, can double or triple direct medical costs, according to a report by Aflac. Companies can save money on healthcare costs and reduce employee-related expenses by implement-



ing and expanding employer wellness programs that invest in employees' social, mental, and physical health.

There are also tax advantages that come with maintaining a participatory medical plan. Certain programs reduce payroll tax obligations of the employee and employer. This enables employers to save money on taxes, and gives employees extra money to spend on additional benefits. For instance, employers can save as much as \$500 a year, per employee, on taxes while employees can have an average of \$150 per month to spend on benefits at zero net cost.

Not only do these programs provide an economic incentive, but they can also be tailored for each employee to get them moving, eating right and feeling better – putting choice back into the employees' hands. It also builds employee loyalty, leading to higher job satisfaction, work productivity, and employee retention, as well as lower absenteeism.

EMPLOYEE ENGAGEMENT

To be qualified, a program needs to engage employees. In addition to

offering traditional incentives (gym memberships, access to nutritionists, etc.), businesses can boost employee engagement by encouraging them to be more proactive with their health. The ACA has devised standards for non-discriminatory health-contingent wellness programs, which require individuals to meet a specific standard related to their health to get a reward. For instance, a wellness program could require employees to meet a standard to get discounts on health insurance premiums, such as achieving a specific cholesterol level, going for genetic screenings at certain times of the year, or decreasing their use of tobacco for those who smoke. Engagement could even be as simple as asking employees to log in to the wellness platform, fill out a questionnaire, and provide feedback online.

THE FUTURE OF WELLNESS PROGRAMS: SECURITY AND TECHNOLOGY

For these elements to come together, an employer needs a tech solution that puts everything under one umbrella for easy access. For example, employee profiles need to be filled out, tracked, and managed by administrators. Instead of having employees fill out various forms and mailing them to providers, these features can be available using an online platform that's integrated with the employer's

payroll system, streamlining processes for a faster and more secure way to manage benefits.

Advancements in technology will eventually allow employees to sign up for personalized alerts on their mobile devices that can track their location and send notifications based on where they are. For instance, when an employee walks into a restaurant, they could get an alert reminding them to avoid certain types of food. They could also get notifications when a prescription is ready for pickup. And, they can be asked to participate in programs that are targeted to their needs, whether they have a chronic medical condition like hypertension or diabetes, or they're overweight.

Taking advantage of ACA wellness programs will not only benefit employees, but it will also save businesses money overall. When encouraging a healthy life for employees, everybody wins. ★

David Reid is CEO of EaseCentral. He has over 30 years of experience in the employee benefits and group insurance industry, and was one of the earliest adopters of technology as an integral strategy for employers in the late 1990s. In 2012, Reid co-founded EaseCentral (easecentral.com) to create a small group solution that provides the robust eligibility management features previously limited to enterprise solutions used by large employers. Throughout his career, Mr. Reid's focus has been creating broker-centric solutions that are easy to use and practical to deploy.



WHAT SMALL BUSINESS OWNERS DON'T TELL THEIR BROKERS

Small business owners are reluctant to give detailed information to benefit brokers who haven't earned their trust, according to a white paper by MetLife. Ilka Ramirez of the TIA Group says that clients often withhold salary information, employee counts and job titles. "Sometimes we need to redo their proposal because they didn't provide enough information," she said. Kent Schnepf of Bend said, "The age of my employees played a huge role in the cost of health insurance benefits for my last business. So, this time, I didn't want to talk about age that much." The white paper recommends that brokers explain that they need complete and accurate information to offer better plan recommendations and prevent surprises and dissatisfaction.

Small business owners may also be reluctant to discuss their business plans and projected growth. But these discussions can create opportunities, such as altering plan designs to fit an evolving workforce, providing valuable new coverage options, and improving services. The report suggests asking clients about their growth plans over the next year or two. Look for issues that may affect the company as it expands, whether it's having a dispersed team or an older workforce. David Niu founder and CEO of TINYpulse said, "We like to understand what we should be looking out for as we continue to grow aggressively." Niu wants to know how benefits work for remote workers. This is the kind of issue that a broker may uncover when discussing a company's plans.

To establish trust, brokers need to offer value. Kelly Riggs, president and founder of Business LockerRoom said, "The last thing business owners need is someone imposing on their time. This is where many sales people fail. They don't earn the right to sell." Many clients avoid answering phone calls or taking lunches that don't offer value. Elicia Putnam, founder of Brand Genie said, "Often, sales people or service providers would offer to take me to lunch just to meet, and I hated that. I would love it if someone came to me and said, 'Here's the issues we've seen with agencies like yours and here's how we helped them save money.'"

President of KCD PR, Kevin Dinino

says that he is amazed at how many sales professionals don't visit the business owner's website or do a quick web search on the challenges facing their industry. "You don't need to be an expert in the small business or its market, but doing basic research goes a long way. Then you can ask the small business owner about issues. It would be a huge value to connect with a broker who understands your business and your business model. That person becomes a resource that I can turn to as my business grows."

Riggs said, "If you've researched the company and delved into its problems, it's easy to offer something of value, whether it's information about best practices or your experience with similar-sized businesses. You want to have a reason for a conversation." For example, a small-business client may be competing with larger companies for talent, or be looking for a more affordable dental plan.

Many small business owners don't think of their broker as a resource for ideas on improving their recruitment package or reducing turnover. Brokers can suggest how small business owners can expand their benefits and meet employees' needs, even with smaller budgets. Karen Carter, an account manager with MHBT said, "Employers are really surprised when they can do things like offer vision on a voluntary basis. They'll think it's not important, but then they'll get 100% participation from employees." The report suggests asking clients about their recruitment and retention efforts and whether they have high turnover. Show them how offering ancillary benefits, such as vision or dental, could help attract and keep staff. Dinino said, "Good sales professionals follow up after a sale; they genuinely care; and they make it more of a relationship. Not a lot of people actually do that." For more information, visit metlife.com.

VOLUNTARY/WORKSITE TAKE-OVER SALES ROSE AGAIN IN 2015

In 2015, takeover sales accounted for 53% of new voluntary sales premium, up from 51% in 2014, according to an Eastbridge study. A takeover sale happens when one carrier's plan is replaced with a similar plan from another carrier. The increase in takeovers is largely a result of the increase in voluntary sales

among benefit brokers who were responsible for 60% of voluntary sales in 2015. It's a standard practice in the traditional group business to replace a plan with one from another carrier that has better benefits or lower premiums. Benefit brokers have brought this sales approach to the voluntary business. Another recent Eastbridge survey finds that 76% of carriers expect the volume of takeover business to increase, and 14% expect a significant increase. For more information, visit eastbridge.com or call 860-676-9633.

THE COSTLIEST MEDICAL CONDITIONS

Sun Life Financial studied the costliest medical conditions covered by its stop-loss insurance from 2012 to 2015. During the four years of the study, billed charges from medical care providers totaled \$9 billion. Self-insured employers paid just over half (\$5.3 billion) of those billed charges after discounts were applied and received \$2.3 billion in reimbursements through stop-loss protection.

Million-dollar-plus claims increased 25% compared to the previous year. Less than 2% of million-dollar plus claimants (448) account for 18.5% of stop-loss claims reimbursements (\$431.2 million). The average amount an employer paid on a claim above \$1 million was \$1.45 million, which was reduced to \$491,000 after applying the average stop-loss claim reimbursement (\$962,000).

Cancer dominates the top of the list (number one and number two) with \$618 million in stop-loss reimbursements, accounting for 26.6% of stop-loss claims. Breast cancer accounted for 13.6% of cancer reimbursements. Cancer is also a leading million-dollar condition; it's in the number-two spot after premature infant and live-born complications. The use of Intravenous medications was a key driver of rising cancer costs in 2015.

Chronic/end-stage renal disease (kidneys) held steady at number-three, accounting for over \$369 million in combined first-dollar claims and stop-loss claims reimbursements. The average treatment cost for claims associated with kidney disease has gone down 21% over the last four years, the high incidence rate of the condition contributes

to its ranking. One in three Americans is at risk for kidney disease, with diabetes and hypertension as leading causes.

Transplants were number-six with a 65% increase in incidence from 2012 to 2015. There has been an expanded use of transplants and an increase in organ donations and improved procedures, which can increase the pool of transplant candidates. Transplants represented over \$62.2 million in stop-loss claims. There was a 79% increase in bone marrow/stem cell transplant costs and a 55% increase in associated pre- and post-transplant costs. The costs to treat a catastrophic condition were higher in certain regions of the United States: 27% higher in East South Central, 22% higher in the Mid-Atlantic, and 19% higher in the Pacific regions.

MANUFACTURING LEADS ADOPTION OF HIGH-DEDUCTIBLE HEALTH PLANS

A survey by Benefitfocus reveals distinct differences in benefit offerings among manufacturing, education, and health care industries. Manufacturing leads the adoption of high-deductible health plans (HDHPs), education favors traditional plans (PPOs, HMOs, etc.) and the health care industry offers the most voluntary benefits. Manufacturing is the only industry of the three, in which more companies offer a combination of HDHPs with traditional plans than traditional plans only (48% to 46%). Manufacturing employees selected an HDHP over a traditional plan 46% of the time. The findings suggest that manufacturing employers have an opportunity to encourage employees to participate in health savings accounts (HSAs) or flexible spending accounts (FSAs) to cover higher out-of-pocket costs associated with HDHPs. Only 23% of education employers offer at least one HDHP. Traditional health plans dominate the mix of benefits. HMOs made up 44% of employee enrollments, which suggests an opportunity to offer a wider range of lower cost benefit options for a multi-generational workforce.

Employees in the health care industry face high deductibles regardless of plan selection, but are better equipped to cover unexpected medical costs with voluntary benefits (including critical illness, accident, and hospital-indemnity

insurance). Health care employers offered gap products at the highest rate of the three industries at 12 percentage points above the average. Nearly half of health care workers selected a voluntary plan when given the choice. For more information, visit benefitfocus.com.

HEALTH INSURERS INCREASE DEBT IN WAKE OF THE ACA

Since 2011, U.S. health insurers have nearly doubled their borrowing levels due to the Affordable Care Act (ACA), according to a report by A.M. Best. With traditional health insurance products, insurers receive full premium payment every month before paying any claims. But that's not the case with exchange products. In the first few years of the exchanges, insurers relied heavily on risk-adjustment, reinsurance, and risk corridors. The timing of paying direct premium subsidies fluctuated significantly. So health insurers had to pay the claims because their liquidity was under pressure. They turned to borrowing to alleviate this pressure. A.M. Best has not seen any significant rating pressures due to borrowing. However, heavy reliance on borrowed funds could put pressure on ratings if it reduces financial flexibility or slows the growth of capital and surplus. However, financial institutions see the use of borrowed funds as favorable since many top borrowing insurers are very big, highly capitalized, and highly rated, according to the report.

LIFE INSURANCE & ANNUITIES

INDIVIDUAL LIFE & ANNUITY INSURERS RESPOND TO DISTRIBUTION DISRUPTIONS

Insurers are scrambling to keep up with the accelerating pace of change in the life-annuity industry. They have been transforming their distribution and marketing operations in response to consumer preferences, new technology, and new regulations, according to a study by Conning. Insurers are retooling their systems to respond to the digital imperative that's driving consumer marketing and distribution. Steve Webersen, head of Insurance Research at Conning, said that insurers are actively planning for the Dept. of Labor's Fiduciary Rule, which would phase-in through this year and into the next. He said that the great-

est disruption will be among midsized and large insurers that have a greater focus on indexed and variable annuities. The potential impact of the fiduciary rule has caused Fitch to reduce its forecast of individual annuity sales for 2016 and 2017. For more information, visit conningresearch.com.

EMPLOYEE BENEFITS

EMPLOYEES APPRECIATE VOLUNTARY INSURANCE BENEFITS

Seventy-nine percent of employees see a growing need for voluntary insurance compared to last year. And of those, 60% say the need is driven by the rising cost of medical services, according to an Aflac survey. Employees who are offered voluntary benefits report higher satisfaction with their jobs and their benefits. Employees whose work site offers voluntary benefits are more likely to say the following:

- They are prepared to pay for out-of-pocket expenses not covered by major medical/health insurance related to an unexpected serious illness or accident (73% versus 56%).
- They are extremely or very satisfied with their jobs (73% versus 57%).

For more information, visit Aflac-WorkForcesReport.com.

EMPLOYEES VALUE STUDENT LOAN PAYMENT BENEFITS

Ninety percent of 400 middle managers say that that student loan debt is creating stress for their employees, according to a survey by IonTuition. Nearly 85% say that employees would appreciate being able to make student loan payments via automatic payroll deductions. Almost 85% say that employees would take advantage of a student loan repayment assistance benefit; nearly 80% say it would help them recruit talent; and 70% say it would improve employee retention and morale. Nearly 75% say that employees contribute less to their 401(k) because of their student loans. More than half of managers say that prospective employees view benefits as the most important aspect of a company, taking priority over company culture, commute, and reputation. For more information, visit iontuition.com/Partnership/Employers or call 888-853-8323.

ARE LIFE SETTLEMENTS RIGHT FOR MY CLIENT?

by LINGKE WANG

A life settlement can be an excellent option for a client who is thinking about lapsing their policy. But, they are not always appropriate for everyone. Here is a four-step framework that life insurance professionals can use to evaluate whether life settlements are a good fit for their clients:

1. Does my client qualify?
2. What are my client's financial needs?
3. What is the policy's purpose?
4. What are the alternatives?

STEP 1: DOES MY CLIENT QUALIFY?

The first question is the easiest: Does my client even qualify? If not, it's not worth the effort to consider the other aspects. Although there isn't a rigid set of rules, typical life settlement candidates are at least 65, own a permanent or convertible term policy, and have a policy benefit of greater than \$100,000. The age qualifier can be lower if the insured's health is below-average.

STEP 2: WHAT ARE MY CLIENT'S FINANCIAL NEEDS?

If you determine that your client is eligible, the next step is to consider whether a life settlement is right for them financially. Ask your client if they can continue to afford the premium payments? Typically, they will answer with something like, "Yes, but I'd rather have the extra money." In this case, you'll need to help your client weigh the pros and cons of giving up their policy. Do the premiums account for a large portion of their expenses and income? For instance, if your client purchased the policy while they had a salary, it may be challenging to keep the

policy in-force on a retirement income.

Next, ask whether your client is expecting a large expense, such as a medical procedure, or some other major purchase. Many people want to use the settlement payout to fund a large expense, but there may be other funding options. If you happen to be your client's financial advisor, then great. But if not, you should include their advisor for help.

The client should consider other fi-

nderstand why they purchased the policy and whether the policy still serves that purpose. Many policies that were purchased to protect the families of the insured outgrow this original purpose. For instance, a policy owner's dependents may no longer need a financial safety net if the children have grown up and are self-sufficient. You will have to speak with your client to determine the benefits of retaining the policy.



STEP 4: WHAT ARE THE ALTERNATIVES?

The last step is to evaluate other options to achieve the same goal. You might have considered some financial alternatives in step two. Revisit them. Don't forget to consider insurance alternatives. For instance, if the policy owner has built up a large cash value, it might be a good option to take out a loan on the policy. As the insurance professional, you are the expert here, so I'll leave this up to you.

If you are on the fence about whether a life settlement is right for your client, go ahead and figure out how much money your client could get. This will help your client make a decision, and it won't cost your client

anything. Simply reach out to a qualified broker and ask them to solicit offers for your client. After seeing the offers, your client can decide whether it's worth it.

nancing alternatives, such as selling a property, taking out a bank loan, or getting financial support from their family. Remind your client that there is an economic cost to a life settlement. If someone is willing to take the risk to buy a policy, they believe there is a profit to be made (i.e. the difference between the economic value of the policy and the settlement amount).

STEP 3: WHAT IS THE POLICY'S PURPOSE?

Once you have a sense of your client's financial needs, your next step is to un-

derstand why they purchased the policy and whether the policy still serves that purpose. Many policies that were purchased to protect the families of the insured outgrow this original purpose. For instance, a policy owner's dependents may no longer need a financial safety net if the children have grown up and are self-sufficient. You will have to speak with your client to determine the benefits of retaining the policy.

In conclusion, figuring out whether a life settlement is right for your client is not easy. It's more of an art than a science. But by considering all of aspects of their needs and alternatives, you can reach a good recommendation for them. ★

Lingke Wang Lingke is the co-founder of Ovid Corp. Check out Ovid's "Definitive Guide to Life Settlements" at ovidlife.com. For more information, visit www.ovidlife.com or call 800-311-OVID.



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A Retired Business Owner Shares His Views on Life Settlements



by JEFF HALLMAN

“I borrowed a lot of money over the years to finance five different businesses. My debt exposure made it necessary to purchase large insurance policies to protect my family from bankruptcy in the event of my death,” said Smith (not his real name). “It’s pointless to continue paying large premiums on policies that have become obsolete, now that my children are grown and doing well financially.”

At age 85 and with a mind still sharp as a tack, the retired entrepreneur welcomed the opportunity to be interviewed following the successful completion of a life settlement transaction involving the secondary market sale of nearly \$11.6 million in life insurance coverage. Smith was motivated to share his story in hopes it would inform other seniors facing similar challenges with sizable life insurance policies they no longer need for estate planning purposes.

During the interview, Smith noted the peace of mind he now enjoys as a result of a life settlement that provided him with premium relief, as well as \$2 million in retained death benefit coverage and an immediate cash payment exceeding \$240,000. He looks back with pride on having built a car and truck dealership that has been recognized as one of the country’s top performing automobile dealerships. As he enjoys the view from his ocean front home in Florida, he attributes his entrepreneurial spirit and a strong work ethic for enabling him to amass an estate valued at more than \$12 million today.



But he also notes that, while his business acumen served him well over the years, he credits his estate planning attorney for having guided him in pursuing a life settlement for three policies that had outlived their original purposes. "My attorney really knows his stuff," Smith said.

Smith's story began several months ago when his estate attorney consulted a secondary market advisory firm regarding three policies totaling more than \$11.5 million that were no longer needed for estate planning purposes. Having previously facilitated life settlement cases, the attorney outlined the objectives. Foremost was Smith's desire for premium relief. Second, it was to retain no less than \$1.5 million of

paid up insurance coverage. And third, it was to generally optimize the fair market value of his client's insurance assets in the form of a cash payment beyond what he would receive from the carrier for surrendering the policies.

After a preliminary review of Smith's health and a review of the policy illustrations for the three life insurance contracts, the secondary market brokerage firm determined that, based on Smith's age and current health, he fit the general criteria secondary market investors typically require for purchasing policies.

To commence the bidding process, the three policies were presented by the broker to 11 institutional funders. The largest policy was a \$10 million policy owned by a corporation established by Smith for business expansion and succession purposes. Now that Smith's companies were operating successfully and debt exposure was no longer an issue, a life settlement with the highest retained death benefit option made the most sense.

The second policy, valued at \$1.5 million, was purchased by the auto dealership as a key man policy when Smith and his business partner initially launched the car dealership. Before selling his business interest to his partner and retiring, Smith transferred ownership of the key man policy to a family trust.

The third policy, valued at \$60,000, was a universal life policy initially purchased many years ago for \$20,000 when Smith's first child was born. The policy's death benefit coverage and the cash build-up grew over the years.

The brokering process was met with a number of challenges. Achieving the client's objectives to receive both a cash offer along with a retained death benefit required shopping the case to multiple secondary market providers, each of whom has its own unique funding requirements. The bidding process was further complicated by the fact that most providers are accustomed to purchasing policies valued at \$250,000 or more, and most are unwilling to purchase a small policy valued at only \$60,000.

During the brokering process, the field of funders was narrowed down to several. The brokerage firm proceeded

to negotiate a life settlement package – including the sale of the \$60,000 policy – that achieved all three of the client's stated objectives.

Free from future premiums and with cash in his pocket, Smith was delighted with the outcome, as was his family. "My daughter is an advisor with a well-known financial services firm and holds five professional licenses, including one for life insurance. She confirmed that my attorney had steered me in the right direction as it relates to a life settlement, and I'm glad he did. My daughter is a very smart woman!"

Smith's estate planning attorney agrees with his client that sharing his life settlement success story could benefit others who may be struggling

"It's important to work with an experienced life settlement broker who will aggressively shop the policy among multiple funders in the secondary market to receive the fair market value."

to pay large premiums for troubled policies they no longer need. Given the recent cost of insurance increases by a number of major carriers for universal life policies, many policy owners are motivated to explore all their options in order to avoid lapsing or surrendering their policies for the small cash surrender value in the policy. A life settlement often can be the most advantageous solution, considering the alternatives. But as Smith's attorney knows, it's important to work with an experienced life settlement broker who will aggressively shop the policy among multiple funders in the secondary market to receive the fair market value. ★

Jeff Hallman is co-founder and managing partner of Asset Life Settlements, LLC, a secondary market brokerage firm. He is managing partner of Asset Life Settlements, LLC. With more than 15 years of progressively responsible experience since the inception of the industry, Jeff has earned a reputation among his peers as one of the foremost professionals in his field.



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What you can learn from us in one hour will change the way you do business forever.

Attention please. No fidgeting. Today we're going to go over a few things that should be of interest to hardworking brokers. Are there any brokers here? Good. Now, how many have heard of Rogers Benefit Group?

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