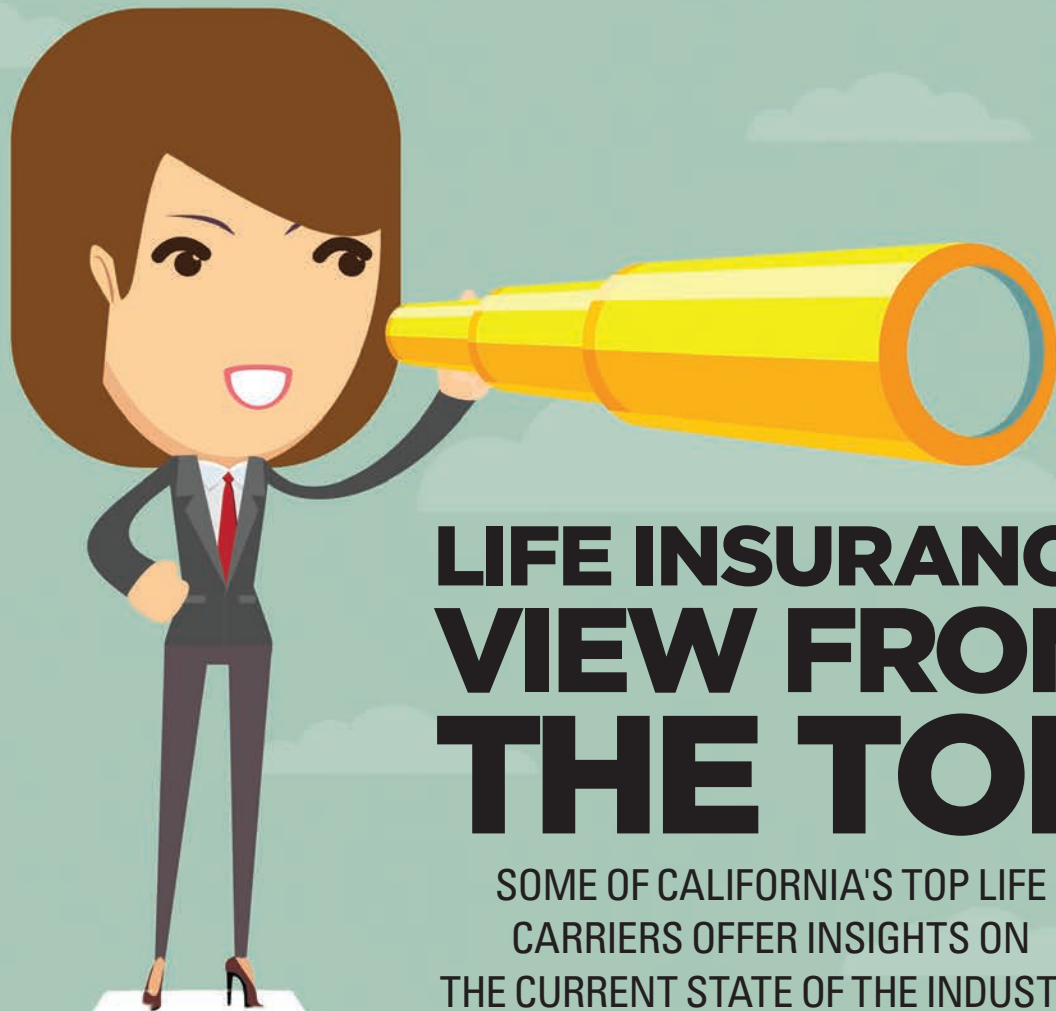


CALIFORNIA BROKER

VOLUME 36, NUMBER 12

SERVING CALIFORNIA'S LIFE/HEALTH PROFESSIONALS & FINANCIAL PLANNERS

SEPTEMBER 2018



LIFE INSURANCE VIEW FROM THE TOP

SOME OF CALIFORNIA'S TOP LIFE
CARRIERS OFFER INSIGHTS ON
THE CURRENT STATE OF THE INDUSTRY

Also Inside:

- Life Settlements
- Life and Retirement Planning
- Long Term Care
- Mental Wellness
- Self-Funding
- Voluntary Benefits

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Fresno, CA 93721

SANTA CLARA COUNTY

Sept. 5th | 11:00 AM & 2:30 PM

Maggiano's Restaurant
3055 Olin Ave. #1000
San Jose, CA 95128

Sept. 20th | 6:30 PM

Trianon Theatre
72 N. 5th St.
San Jose, CA 95112

SAN MATEO COUNTY

Sept. 21st | 10:00 AM & 2:00 PM

Hampton Inn Daly City
2700 Junipero Serra Blvd.
Daly City, CA 94015

SOUTHERN CA

KERN COUNTY

Sept. 12th | 10:00 AM

Marie Callender's Restaurant
3801 California Ave.
Bakersfield, CA 93309

LOS ANGELES COUNTY

Sept. 25th | 11:00 AM & 2:00 PM

Public School Restaurant
15300 Ventura Blvd., Ste. 102G
Sherman Oaks, CA 91403

IMPERIAL COUNTY

Sept. 27th | 11:00 AM

Brand New Day Regional Office
1405 N. Imperial Ave., Ste. C
El Centro, CA 92243

Sept. 28th | 11:00 AM

Brand New Day Regional Office
1405 N. Imperial Ave., Ste. C
El Centro, CA 92243

SAN DIEGO COUNTY

Sept. 13th | 11:00 AM & 2:00 PM

Coco's Restaurant
3444 College Ave.
San Diego, CA 92115

Sept. 18th | 10:00 AM

Pala Casino
11154 Hwy. 76
Pala, CA 92059

ORANGE COUNTY

Sept. 10th | 10:00 AM & 1:00 PM

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5455 Garden Grove Blvd. #600
Westminster, CA 92863

Sept. 24th | 10:00 AM & 1:00 PM

Brand New Day Corporate Office
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Westminster, CA 92863

RIVERSIDE COUNTY

Sept. 12th | 10:00 AM

Marie Callender's Restaurant
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Corona, CA 92879

Sept. 17th | 10:00 AM

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LIFE INSURANCE

24 View from the Top: Some of California's Top Life Carriers Offer Insights On the Current State of the Industry

Compiled by Thora Madden

It's that time of year again – time to hear from some of our favorite – and dare we say most influential?-- people in life insurance. Cal Broker asked a number of life insurance pros to weigh in on the industry. Here's what you need to know now...

GUEST EDITORIAL

8 Innovation Helps Improve Health Outcomes and Reduce Costs

By Robert Falkenberg

A growing number of health plans are searching for and creating innovative solutions to help slow rising health care costs for employers while improving health outcomes for employees.

RETIREMENT PLANNING

18 Employees Want Guaranteed Income, Why Not Institutional Annuities?

By Tim Walsh

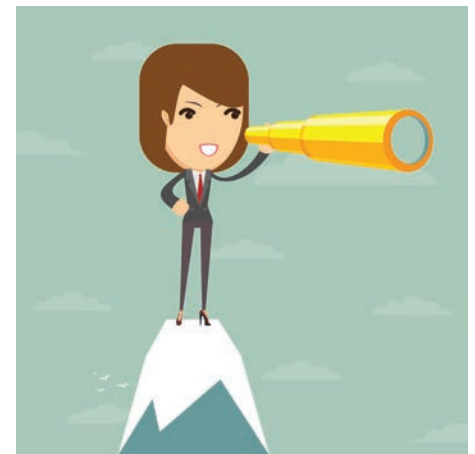
When looking ahead to retirement, employees say they would prefer monthly income for life over a large lump sum, yet few employers currently offer or plan to offer investments, such as annuities, that would provide this kind of guaranteed income.

HEALTH

20 Considering Self-Funding? Consider this...

By David L. Fear, Sr. RHU

While I've written in previous Cal Broker articles about the basics of self-funding, this article will address some sub-topics related to self-funding that need to be considered. Self-funding alone will not solve the challenge that employers face today regarding rising health care costs. But, having a self-funded plan in place will put the employer in a better position to do something about the cost of health care.



LIFE SETTLEMENTS

32 Case Study: CPA, Adviser Opt for a Life Settlement to Achieve Client's Goals

By Jeff Hallman

When high-net-worth senior clients pose unique challenges that require professional expertise from several members of the estate planning team, arriving at a consensus in terms of the most favorable solution may be challenging. Find out how life settlements might factor in.



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SEPTEMBER 2018

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Would it interest your clients to know what large, historically successful investors like Warren Buffett, Blackstone and national pension funds are investing their money in right now? It's life settlement

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By Emily Rose

With millennial and Generation Z workers entering the workforce in droves and Baby Boomers delaying retirement, employers are experiencing an unprecedented talent pool. Find out how legal and identity theft plans help employees and employers.

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By Louis H. Brownstone

With LTC, nothing has changed and everything has changed.

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While mental health continues to be a stigma in the workplace, companies are beginning to recognize the importance of mental wellness as part of overall workforce fitness.

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43 Agent's Voice Agents Are the Answer!

By Naama O. Pozniak

Only trained healthcare agents can efficiently guide the entire population to the right coverage. We walk our clients from decision to execution. How lucky we are to have the power to create such positive change in our world!



LIFE INSURANCE

44 Even Better Than Ever For Retirement Planning

By Ed Slott

Yes, everyone knows about the tax-free death benefit for life insurance, but there's also huge benefits for clients right now.

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Innovation Helps Improve Health Outcomes and Reduce Costs

Views expressed in our guest editorial are those of the author, not Cal Broker magazine.

By ROBERT FALKENBERG

Editor's note: If you have a strong opinion about this editorial or any other pertinent subject, please reach out. We welcome your comments. Please email editor@calbrokermag.com.

A growing number of health plans are searching for and creating innovative solutions to help slow rising health care costs for employers while improving health outcomes for employees.

The health insurance industry is moving in this direction because, simply stated, improved cost controls lead to a more positive care experience. This ultimately creates better health for people and communities.

Innovation is now a trending topic for the industry, as unique methods to manage costs and care are being developed and implemented. For example, a new effort seeking to provide value to all parties – commonly referred to as value based care – centers on paying for patients' actual health outcomes rather than on the number of tests or procedures they receive. Placing patients at the center of the health care experience can improve both the quality and cost of care.

One approach to managing costs is through an arrangement known as "bundled payments" that reimburse care providers under a single, set payment that is dispersed among every-

one involved in that patient's care.

An example of bundling is the payment program for knee, hip and spine procedures UnitedHealthcare launched with health care facilities around the country, including UC San Diego Medical Center and Keck Medicine of USC.

So far, the program has helped reduce hospital readmissions nationwide by 22 percent and led to 17 percent fewer complications for joint replacement surgeries, as compared to nonparticipating facilities. In addition, hospital readmissions for spine surgeries were reduced by 10 percent, and there were 3.4 percent fewer complications as compared to





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nonparticipating facilities. In short, this means that patients had healthier recoveries, and spent fewer days in the hospital and more time at home.

Under bundling arrangements, participating employers can realize savings on operations. In this case, the program saved an average of \$18,000 per operation when compared with median costs in the same metropolitan area. Also, eligible employees saved more than \$3,000 in out-of-pocket costs per procedure when seeking care from a participating facility rather than another in-network medical facility.

It's clear that bundling and other cost-related methods to support value-based care lead to a more positive

health care experience for patients.

Another value-based approach is collaborative.

The idea is relatively simple: entities team to create an accountable care organization (ACO) relationship. An ACO can promote a more holistic and connected view of a patient's health care needs through better sharing of data and identifying needed health care services.

This type of collaboration also improves the ability to identify patients at high risk. In turn, that helps these patients reduce emergency room visits and readmissions to the hospital, manage their chronic health conditions and take their needed medications.

In addition, ACOs can move care provider reimbursement away from the traditional fee-for-service delivery model to the value-based approach. Doctors will be eligible to receive payment incentives based on patient satisfaction and achieving certain clinical measures by placing patients at the center of the health care experience.

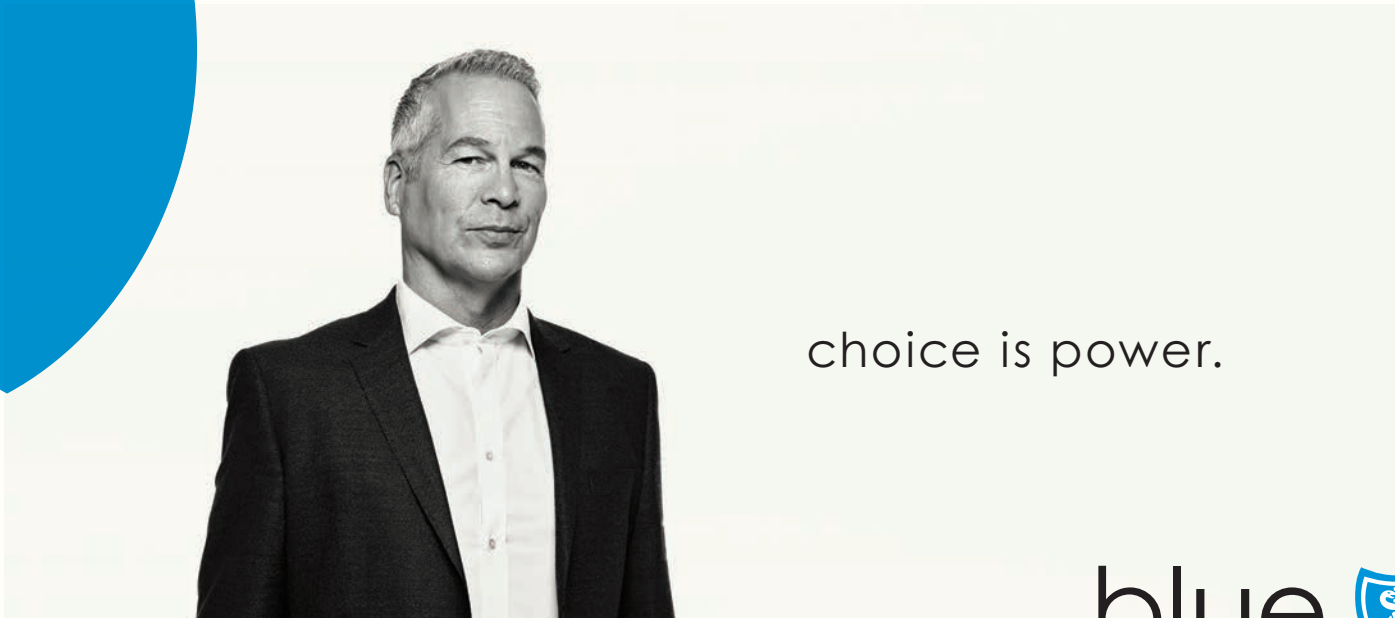
These new approaches, incorporating practicality and convenience, can provide the answer employers, patients and care providers are seeking.

Making health care simpler and more accessible for everyone helps all of us live healthier lives. ★

Robert Falkenberg is CEO of UnitedHealthcare of California.

ANNUITY SAMPLER AUGUST 1, 2018

Company Name	Ratings			Product (Qual./Non-Qual.)	Type SPDA FPDA	Initial Interest	Guar. Period	Bailout Rate	Surrender Charges	Mkt. Val. (y/N)	Min. Contrib.	Comm. Street (May Vary)
	Bests	Fitch	S&P									
American Equity	A-	A-		ICC13 MYGA (Guarantee 5) (Q/NQ)	S	2.30%*	5 yr.	None	9%, 8, 7, 6, 5, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 18-75 & 2.10%, age 76-80** 1.50% age 81-85**
				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** 1.50% age 81-85**
				ICC13 MYGA (Guarantee 7) (Q/NQ)	S	2.60%*	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** 1.50% age 81-85**
*Effective 11/9/17. 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	3.35%* 3.05%*	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
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 5 Annuity (*Guarantee Return of Premium) (Q/NQ)	S	2.40%* 2.20%*	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
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 7 Annuity	S	2.50%* 2.30%*	7 yrs.	None	9%, 8%, 7%, 6%, 5%, 4%, 2%, 0%	No	\$5,000 (NQ) 1.50% age 86-90	3.00% age 0-85
*(Guarantee return of premium (NQ) *CA Rates Effective 8/2/18.												
Great American Life	A	A+	A+	SecureGain 5 (Q/NQ)	S	3.10%	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 5/14/18. Includes .25% first-year bonus and is for purchase payments over \$100,000. Escalating five-year yield is 3.10%. For under \$100,000 first-year rate is 2.95%. Escalating rate five-year yield 2.95%.												
Great American Life	A	A+	A+	SecureGain 7 (Q/NQ)	S	3.20%	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 5/14/18. Includes 1.00% first-year bonus and is for purchase payments over \$100,000. Escalating seven-year yield is 3.09%. For under \$100,000 first-year rate is 3.10%. Escalating rate seven-year yield 2.99%.												
North American Co. for Life and Health	A+	A+	A+	Guarantee Choice II (Q/NQ)	S	2.95%* ^a 3.30%* ^b	5 yr.	None	8%, 7.15, 6.20, 5.25, 4.30	Yes	\$2,000 (Q) \$10,000 (NQ)	2.00% (0-80) 1.50% (81-85) 1.00% (86-90)
*CA rates effective 6/12/18 - a (less than \$100K) b(\$100K or more)												
Reliance Standard	A+	A		Eleos-MVA	S	3.30%*	1-5 yrs.	None	8%, 7, 6, 5, 4	Yes	\$10,000	2.50%**
*Effective 7/1/18. Minimum guarantee after year 5 is 1.35%. **Reduced 20% ages 76-80, and 40% ages 81-85												
Reliance Standard	A+	A		Apollo MVA (Q/NQ)	S	5.05%*	1 yr.	None	9%, 8, 7, 6, 5, 4, 2	Yes	\$5,000	4.00% to age 75**
*3.05% plus 2.00% bonus. Minimum guarantee after year 1 is 1.35%. **Reduced 20%, ages 76-80, and 40% ages 81-85. Effective 7/1/18.												
Symetra Life, Inc.	A	A	A	Custom 7 (Q/NQ)	S	3.70%*	7 yrs.	N/A	8%, 8, 7, 7, 6, 5, 4, 0	No	\$10,000	Varies
*Effective 8/22/18. 3.20% base rate with no guaranteed return of purchase payments. Plus 0.50% bonus for \$250,000 and above.												



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MassMutual: Retirees Worry about Health Rather Than Money

Many of us think about retirement in terms of a kind of permanent vacation that requires more disposable income, but retirees experience may give us a different view. New info from the MassMutual Retirement Income Study says people who are currently retired are considerably less concerned than pre-retirees about their money

lasting throughout retirement, but worry more about the financial and lifestyle implications of declining health. Retirees are confident that their retirement income will last as long as they live and that they will have enough money to meet their retirement lifestyle goals, with nine in 10 retirees saying they feel confident compared to roughly half of pre-retirees. Retirees' confidence may stem from finding they need less income than many pre-retirees anticipate. Overall, 60 percent of pre-retirees expect to need at least two-thirds or more of their pre-retirement income to live comfortably in retirement while 44 percent of retirees find that to be the case, according to the study. More than a third of pre-retirees believe they will need 75 percent or more of their pre-retirement income in retirement while one-third of retirees report actually needing less than 50 percent.



Hospital Costs May Be Easier to Compare Soon...

Under a rule finalized by the Trump administration recently, hospitals will be required to post online a list of their standard charges starting January 1, 2019. While hospitals are already required to make this information public on request, the Centers for Medicare and Medicaid Services (CMS) said the new rule will require the information to be posted online to "encourage price transparency" and improve "public accessibility." Hospitals will be required to do annual updates.

NAIC Annuity Suitability Group Not Embracing Life For Now

Members of the NAIC Annuity Suitability Working Group have decided to keep the group's focus on annuities for now. That decision came at the recent National Association of Insurance Commissioners' summer meeting in Boston. The working group continues to work on an

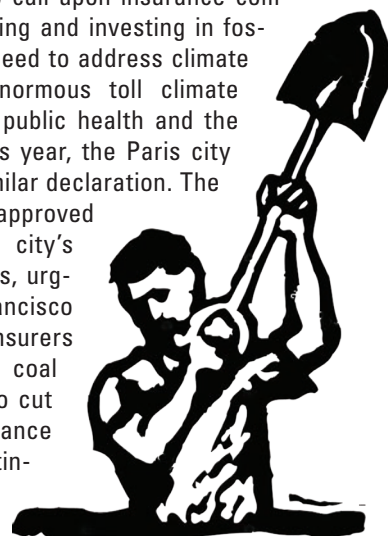


National Association of Insurance Commissioners

update of the NAIC's current sales standards model, which applies only to the sale of annuities. Some states had wanted the same standards to apply to life insurance products as well. According to the working group's summary, it "decided that considering expanding Model Number 275 [the Suitability in Annuity Transactions Model Regulation] to include life insurance products was beyond the scope of its current charge."

SAN FRANCISCO JOINS PARIS TO PUSH INSURERS TO DITCH FOSSIL FUELS

San Francisco has become the first municipal body in the United States to call upon insurance companies to stop insuring and investing in fossil fuels, citing the need to address climate change and the enormous toll climate pollution inflicts on public health and the economy. Earlier this year, the Paris city council passed a similar declaration. The San Fran resolution, approved unanimously by the city's Board of Supervisors, urges the City of San Francisco to screen potential insurers for investments in coal and tar sands and to cut ties with any insurance company that continues to insure those energy projects.



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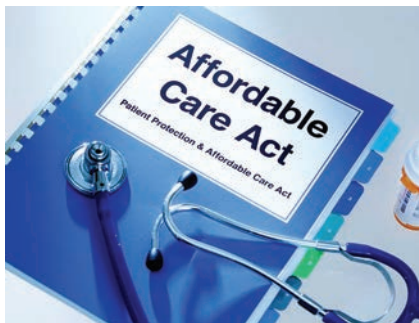


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HOSPITALS SAY FOCUS SHOULD BE ON ADVANCES UNDER ACA

Charles Kahn III, president of the Federation of American Hospitals, which represents investor-owned and managed community hospitals, says lawmakers should be "...focusing on the advances that were made under the Affordable Care Act" instead of focusing on single payer/Medicare for all. Kahn expressed concern that some legislators are reportedly



signing onto single payer -- making the government the only payer of healthcare services – and he warned they will face a mighty adversary in the hospital industry.

Hospital organizations have said they support "universal coverage," in which everyone has some way to pay for medical care, but they don't want a state or federal government to be the only one funding it. During the past year an increasing number of politicians have backed the Medicare for All Act, which would insure everyone in the U.S. through Medicare. Kahn says hospitals, however, don't welcome the idea of the government ditching private insurers.

Hodges-Mace Recognized as Top Cloud Solution Provider

Hodges-Mace, LLC, an award-winning benefits delivery innovator that also happens to employ several folks who have contributed excellent articles to Cal Broker, has been recognized as one of the Top 10 Cloud Solution Providers in 2018 by HR Tech Outlook magazine.



Since 2007, Hodges-Mace has been working to leverage the power of tech to innovate and improve the employee experience. The company's AI-enabled SmartBen solution can be layered on top of an underlying healthcare management system (HMS) and has proven to boost employee engagement, trust and retention. Way to go, Hodges-Mace!



CMS Calls on Insurers to Make Claims Data Easily Accessible

CMS Administrator Seema Verma has urged health insurers to follow the lead of the Centers for Medicare and Medicaid Services and make claims data more readily available. At a recent conference, Verma asked insurers to release claims data in application programming interface (API) format. CMS is creating a new type of patient profile by making the agency's massive amounts of claims data available to the public via the Blue Button 2.0 API. Major players from the private sector – Amazon, Google, IBM, Microsoft, Oracle and Salesforce – have already pledged to work together to leverage APIs and other interoperability specs to break down barriers to health data exchange.



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Standard Insurance Company, its employees and The Standard Charitable Foundation contributed more than \$5.5 million last year to nonprofits. The company says the contributions prepared children for success in the classroom, broadened access to the arts, helped people with disabilities thrive independently and supported families facing challenges. The Standard provides philanthropic support annually through its corporate giving program and The Standard Charitable Foundation. During the company's annual Employee Giving Campaign, nearly 70 percent of employees and retirees made donations that were matched by The Standard and parent company Meiji Yasuda to benefit more than 1,700 nonprofits in communities where employees and customers of The Standard live and work. Employees of The Standard also volunteered thousands of hours in their communities on company-donated time. Nice work!



EVENTS

Oscar Health Broker Events September 6 (Costa Mesa), 7 (Warner Center, Woodland Hills) & 13 (Skirball Center, L.A.)

In June, Oscar launched small group products. For Q4, the company is positioned for growth. Also, Oscar is committed to serving and growing the individual market. Learn what the company is doing to help you grow your IFP business, on and off-exchange. Ask your small group GA, or get info at hioscar.com.

CAHU Foundation Gala September 14, Fairmont Grand Del Mar, San Diego

Please join CAHU for a Masquerade Gala to revitalize the CAHU Foundation. Festivities begin at 5:30pm at the famous Fairmont Grand Del Mar. Formal attire is requested. Gala tickets and hotel reservations can be purchased at cahufoundation.org.

DCAHU 2nd Annual Medicare Summit Thursday, September 20, 8:30am - 2:30pm Villa Portofino Clubhouse, 4001 Via Portofino, Palm Desert



Stedt at 1pm discuss helping your senior clients maximize their drug plan and options. 2 CEs available. Advance tickets \$30 or \$60 at the door. More info and registration at dcahu.org.

Hear Ryan Dorigan from Applied General Agency at 11:30am speak on working with providers and medical groups and Margaret

LAAHU and VCAHU Medicare Summit September 20-21, Pickwick Gardens Conference Center, Burbank

September 20- certifications and product training (including SCAN) September 21- C.E. Courses and breakout sessions! Theme is "Get Ready to Rock and Roll with Medicare." More info at LAHU.org.

IICF Week of Giving 2018: October 13-20

The Insurance Industry Charitable Foundation announced the 2018 Week of Giving will be October 13-20. Registration for nonprofits and volunteers is now open. Check out IICF.org for more info.

NAILBA 37 November 1-3, Gaylord Palms Resort and Convention Center, Orlando, Florida

Detailed information about NAILBA 37 will be available soon. Exhibit hall and sponsorship opportunities available at nailba.org.

Oscar Health To Enter MA Market in 2020

OSCAR

Oscar Health is getting an infusion of about \$375 million from Google's parent firm Alphabet. The New York City-based health insurer said it intends to use the money to enter the Medicare Advantage market in 2020 and expand its presence in the individual and small-group markets. Oscar has focused on tech to improve the consumer experience and contain costs, with more than 60 percent of interactions between the health care system and members occurring on a virtual basis. Want to know more about Oscar? Google Nicholas Thompson's Wired story "Health Care is Broken. Oscar Health Thinks Tech Can Fix It."



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Covered Cal Rates Will See Modest Increase For Now

Covered California announced premiums in the state's health insurance exchange will rise by an average of 8.7 percent next year. This means the average increase in California is smaller than the double-digit hikes expected in other parts of the country. Experts say this is due largely to a healthier mix of enrollees and more competition in our marketplace. Don't get too comfortable, however. State officials estimate that more than 260,000 Californians will likely drop their coverage in coming years because the ACA individual mandate fines were eliminated. Peter Lee, executive director of Covered California, warns that if this happens it will drive up insurance costs beyond 2019 — not just for individual policyholders but for California employers and their workers. For now, Covered Cal encourages everyone to shop carefully when possible. In many cases, consumers may see lower increases or even premium decreases if they are willing to switch plans.

PRICING REGION	TOTAL ENROLLMENT*	AVG. RATE CHANGE	SHOP AND SAVE
REGION 1 Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne and Yuba counties	53,772	9.0%	5.3%
REGION 2 Marin, Napa, Solano and Sonoma counties	51,193	9.1%	3.1%
REGION 3 Sacramento, Placer, El Dorado and Yolo counties	79,158	8.8%	3.5%
REGION 4 San Francisco County	36,099	9.4%	1.5%
REGION 5 Contra Costa County	44,114	8.4%	1.7%
REGION 6 Alameda County	63,554	9.4%	4.4%
REGION 7 Santa Clara County	58,435	6.3%	-12.2%
REGION 8 San Mateo County	24,283	9.3%	2.7%
REGION 9 Monterey, San Benito and Santa Cruz counties	27,283	16.0%	11.4%
REGION 10 San Joaquin, Stanislaus, Merced, Mariposa and Tulare counties	8,817	6.8%	0.5%
REGION 11 Fresno, Kings and Madera counties	32,674	-0.5%	-3.5%
REGION 12 San Luis Obispo, Santa Barbara and Ventura counties	65,829	8.7%	1.4%
REGION 13 Mono, Inyo and Imperial counties	13,329	-0.5%	-3.5%
REGION 14 Kern County	17,715	8.3%	6.9%
REGION 15 Los Angeles County (northeast)	173,381	10.0%	-1.1%
REGION 16 Los Angeles County (southwest)	213,126	8.6%	-5.2%
REGION 17 San Bernardino and Riverside counties	123,025	9.0%	0.7%
REGION 18 Orange County	133,166	9.0%	-2.2%
REGION 19 San Diego County	116,149	9.0%	-3.8%
TOTAL	1,395,102	8.7%	-0.7%

EMPLOYEES WANT GUARANTEED INCOME, WHY NOT INSTITUTIONAL ANNUITIES?

By TIM WALSH

When looking ahead to retirement, employees say they would prefer monthly income for life over a large lump sum, yet few employers currently offer or plan to offer investments, such as annuities, that would provide this kind of guaranteed income.

The 2018 TIAA Plan Sponsor Retirement Survey found that overall, many employers doubt that their employees will generate income from an in-plan annuity: 57 percent of employers expect employees to generate retirement income through systematic and lump sum withdrawals—distribution options that aren't guaranteed—and 27 percent said they don't know how their employees will generate income.

This disconnect is especially puzzling given that our survey of plan sponsors found that a top concern is that their employees are not prepared for retirement and may be at risk of outliving their retirement savings. Why are employers holding back from offering the guaranteed income that so many employees say they want?

It's possible that some of this is driven by a lack of familiarity with annuities. Just 13 percent of the plan sponsors surveyed said they are "very familiar" with annuities, 42 percent said they are "somewhat familiar" and 45 percent said they are "not very" familiar or not familiar at all. Plan sponsors in the West are especially unfamiliar with annuities and their ability to provide lifetime income in retirement—two of three (66 percent) 401(k) plan sponsors in the West are not familiar with annuities.

As part of extended interviews in conjunction with TIAA's 2018 Planned Sponsor survey, one plan consultant



anticipates that younger workers may be more inclined to look for lifetime income guarantee options, like annuities, "With the continuing decline and inevitable disappearance of pensions over the next few decades ... the pendulum is on the cusp of swinging back in favor of annuities and guaranteed retirement income options."

It's true that increasingly, the youngest generation of people in the workforce—which is also the largest generation, according to Pew Research—cannot rely upon guaranteed payments from a pension in retirement. It's rare that a young person will start a job today that offers a defined benefit retirement plan. The Continuing Retirement Savings Crisis from the National Institute on Retirement Security found that younger households are half as likely to be covered by a defined benefit plan through their workplace as those near retirement. Although annuities are a close alternative to pensions, our new survey showed that only 12 percent of employers offer annuities as retirement

income options as part of retirement savings plans. There is a role to be played in helping this generation find more predictable and secure retirement income streams, much like their grandparents' pensions.

Another plan sponsor consultant we spoke to argued that whether you like them or not, annuities should be viewed as a tool to be made available in every investment tool box. We believe that annuities are not all-or-nothing solutions, but they play a key role within an investment menu. By annuitizing a portion of savings, workers can get a source of income that is designed to cover essential expenses in retirement, providing a sense of security after a long working career. Although many people share misconceptions about



annuities, the time has come for a second look. ★

Tim Walsh is senior managing director of institutional and endowment distribution at TIAA.

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CONSIDERING SELF-FUNDING? CONSIDER THIS...

By DAVID L. FEAR, SR. RHU

While I've written in previous Cal Broker articles about the basics of self-funding, this article will address some sub-topics related to self-funding that need to be considered. Self-funding alone will not solve the challenge that employers face today regarding rising health care costs. But, having a self-funded plan in place will put the employer in a better position to do something about the cost of health care. This article deals with two critical aspects of cost containment in a self-funded health benefit plan.

#1: BENEFIT DESIGN

Because self-funded plans are not subject to the restrictions of State benefit mandates, they are pretty much free to custom design their benefits any way they chose. However, that feature

can be like a two-edged sword: An employer can make the mistake of designing their self-funded plans without considering cost-containment features and end up with higher utilization and claims cost than had been experienced

under a fully insured arrangement.

The key point is that the self-funded benefit plan must incorporate key features that help to direct patients to use less-expensive health care services while not exposing them to high

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- ☑ Access to great cost-saving services and resources.

¹Willis Towers Watson Press Release. 8.2.17. ²Except in the instance of organ transplants, where benefits are available when performed at a designated transplant facility, and specialty drugs, where benefits are available when provided by the designated specialty pharmacy as outlined in the plan document. ³The Reasonable Fee is based on a multiple of Medicare. (Percentages may vary by state.)

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out of pocket costs. That is a tricky proposition.

For this reason, a high percentage of self-funded plans have now incorporated "Consumer Directed" features that not only give patients choices of where and from whom they obtain services, but reward them for making good choices. Without going into details, there are three types of Consumer Directed arrangements that can be implemented as part of or supplemental to a self-funded health plan: Flexible Spending Accounts (FSA), Health Savings Accounts (HSA) and/or Health Reimbursement Arrangements (HRA). Of these, the HRA is the most flexible and least regulated under Federal law.

There are both long and short-term considerations regarding plan designs in a self-funded plan. In the short-term, the plan needs to direct usage in managed care or specific provider networks (see #2 below) while providing the employee with incentives to get second opinions, use generic drugs and focus on less expensive primary care. In the long-term, a self-funded plan should promote employee (and dependent) wellness and healthy lifestyle. Prevention of disease through exercise, smoking cessation and weight loss are all features that will help bend the health care cost curve.

There is still a lot of argument about the use of "Consumer Directed" plan designs. But the fact is that when a person has "skin in the game" and incentives to make healthy choices, the benefits will accrue over time. This is not something that happens overnight. The NAHU Education Foundation is a great source of information about Consumer Directed plans, wellness and employee education. You can access them at www.nahueducationfoundation.org.

#2: PROVIDER PAYMENT METHOD

Self-Funded employers should not be paying "retail" price for health care. Thus, most insurers and administrators contract with provider networks to assure that they pay less than the billed cost of health care services. PPOs, HMOs and EPOs are nothing new – been around for decades. But

today we see that traditional PPO plans still pay substantially more than they need to. Why is this?

The largest purchaser of health care in the United States of America is the Federal Government – specifically the Medicare program. It is a fact that since the passage of the Medicare Modernization Act in 2004, more providers are now participating in Medicare. This is because payments to providers are now more scientifically based. That means that providers now provide the government with their costs, and are paid back on a more equitable basis than the old fee-for-service system. It's complicated but its working and the fact that near-

"If an agent/broker does not have a self-funded expert on hand they may find themselves losing clients who will seek out new ideas and strategies going forward."

ly 90 percent of providers in the U.S. are participating in the Medicare program is an indication that things are changing.

For this reason, the self-funded employer should consider the implementation of a "Reference Based Pricing" (RBP) strategy. This can be done as a whole or as part of their entire plan. For example, some employers now pay all of their health care providers based on a percentage of Medicare. Others just use RBP for hospital services only and pay doctors through a PPO arrangement. Others may only use RBP for non-network claims (so they still offer a PPO network benefit but use RBP for out-of-network claims).

There is information available to show how much greater savings are generated when using an RBP program versus traditional PPO network. While the RBP strategy is beginning to sweep the country as employers seek a way to reduce their costs, it is important to remember that not all RBP programs are the same. A key

component of RBP is a provision that protects the patient from provider balance-billing. Without this feature, RBP can be a disaster!

Again, no self-funded employer should be paying the retail price for health care services. A great article was written by Steven Brill a few years ago: "The Bitter Pill: America's Health Care Crisis." Google it. That article is recommended reading for all employee benefit professionals. It addresses the cost of health care and possible solutions such as Reference Based Pricing.

While these two issues are key in the success of a self-funded health plan, they are not exclusive. The selection of a capable administrative services firm is very important and one that must be carefully vetted. Additionally, the purchase of the right amount and right type of stop loss insurance is extremely important.

Again, self-funding is not new and it's not going to go away. As I've reported in previous articles, the ACA did little to change the self-funded market in the U.S.A. However, some states will continue to attempt to try to regulate self-funding either directly (which leads to an ERISA pre-emption issue in the court) or in-directly (through regulation of stop loss insurers). Organizations such as the Self-Insurance Institute of America (SIIA) fight hard to protect self-funded employers from overreaching attempts of State regulation.

However aside from that, the number of self-funded employers continue to grow each year as they seek ways to reduce costs without reducing benefits. If an agent/broker does not have a self-funded expert on hand they may find themselves losing clients who will seek out new ideas and strategies going forward. ★



David L. Fear, Sr. RHU is the President/CEO of Shepler & Fear General Agency in Roseville, California. A 38-year veteran of the employee benefits business, David is a Past President of NAHU and CAHU and the 2015 recipient of the NAHU

Harold R. Gordon Memorial Award for Health Insurance Person of the Year.

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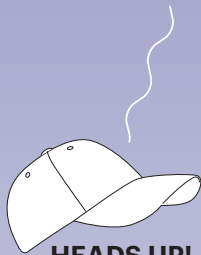
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LIFE INSURANCE VIEW FROM THE TOP

Compiled by THORA MADDEN

SOME OF CALIFORNIA'S
TOP LIFE CARRIERS
OFFER INSIGHTS ON
THE CURRENT STATE
OF THE INDUSTRY

It's that time of year again – time to hear from some of our favorite – and dare we say most influential? – people in life insurance. Cal Broker asked a number of life insurance pros to weigh in on the industry. Here's what you need to know now...



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

Stephanie Shields, vice president of premier broker solutions, Aflac: Aflac continues to see high growth rates in both group whole life and group term life insurance policies. They are often offered together in a paired strategy to meet policyholders needs both during their working careers and beyond. This allows customers to plan for their short- and longer-term needs, tailoring the plan to fit their lives. Aflac's new guaranteed-issue options allow employers to offer more robust life insurance packages to their employees. The improvements create more flexibility, more choice and more value, all for the same great rates as our current plan.

Pam Jenkins, assistant vice president, product and market development, Colonial Life: According to Eastbridge Worksite/Voluntary Sales Report (2017), life sales again captured the largest share of total voluntary sales by line of business with 29 percent, up slightly from last year. Term sales showed a 14 percent sales increase in 2017, while universal life/whole life sales were up 7 percent

Greg Faux, second vice president, life product development, Guardian Life Insurance Company of America: The trends from the past few years have continued, with a shift away from longer-duration guarantees toward more accumulation-focused products. While interest rates have started to move upward, they continue to put pressure on products like guaranteed UL. Term insurance will always have its place, and we've seen continued steady growth. We've also seen increasing interest in combination life and long term care products as longevity and chronic illness are primary concerns for much of the population.

James Ryan, SVP, head of sales and distribution for individual life insurance, Voya Financial: At Voya, we see the growing demand for Indexed Universal Life (IUL) as a big opportunity. According to LIMRA sales data, IUL new annualized premiums grew 8 percent in the first quarter — marking the sixth consecutive quarter of growth for IUL. This sales trend is not surprising, since we find more and more Americans are interested in the living benefits that life insurance products can provide. In addition to traditional death benefit protection, IUL products provide a cash-value component that Americans can use to help cover unexpected expenses, education cost or to supplement their retirement savings. Given the strong value these products offer to customers, Voya has shifted our strategy over the past few years to focus on the sale of IUL products. In September, we plan to launch a new Index Credit Accumulation Rider to our top-selling IUL product called Global Choice. This gives customers the potential to more rapidly increase their cash value, by allowing them to use a portion of past gains to purchase greater participation in their selected index performance. With interest rates rising, Variable Universal Life (VUL) products are also surging in popularity. According to LIMRA sales data, VUL new annualized premiums jumped 10 percent in the first quarter — marking the second con-

secutive quarter of double-digit increases to VUL. While VUL products only held 6 percent market share of total life insurance sales in the first quarter, it's clear that Americans are interested in life insurance products that offer them greater upside potential as interest rates continue to climb. At Voya, we're keeping a close watch on this market and are in the early stages of developing an innovative VUL product that we think will be a game-changer.

Cal Broker: Do you see growth in particular niche markets?

Stephanie Shields, Aflac: We think one of the key opportunities continues to be hybrid life products that offer a living benefit or long-term care component. Research shows that 30 percent of households in the U.S. do not have life insurance, meaning there is great opportunity in the market. More broadly, we are seeing the adoption of voluntary benefits strategies across all industries and size segments as consumer awareness continues to increase. We are moving with a focused approach in terms of our marketing effort and product portfolio.

Pam Jenkins, Colonial: Life insurance is needed across all markets as America's workers in general are uninsured or underinsured. Over a third (35 percent) of all households would feel adverse financial impacts within one month if a primary wage earner died. Even those with life insurance say they probably do not have enough. 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.

Greg Faux, Guardian: Small businesses have long been a primary focus for us. Business owners naturally look for assistance in areas such as providing employee benefits and executive retention, as well as their own personal planning needs. Also, whenever there are significant changes to the tax code, as we've seen recently, there is an opportunity to review estate plans and related insurance policies to ensure client's needs are still being met.

James Ryan, Voya: The demographic of our country is changing. According to the U.S. Census Bureau, the minority population in America (Hispanics, African-Americans and Asians, for example) currently represents roughly one-third of the U.S. population and is expected to become the majority, reaching over 50 percent by the year 2044. At Voya, we see the shifting and diverse population of America as a growing market. Particularly, among the Asian American community, there is an opportunity for even more growth in the future. According to the Pew Research Center, the Asian population in the U.S. grew 72 percent between 2000 and 2015 — from 11.9 million to 20.4 million — the fastest growth rate of any major racial or ethnic group. Voya has a strong presence serving the multi-cultural market — specifically, the Asian-American community. Voya's life insurance business tailors to the needs of this group by creating in-language and in-culture marketing materials, while

also providing dedicated support service to accommodate people who speak Mandarin and other dialects of Chinese. Research also shows that the Asian American community, while growing in size, is still a relatively underserved market with preferences towards strong brand loyalty. That's why last fall Voya introduced a Chinese version of its name to help appeal to the Asian American community and reinforce its commitment to this growing market. The Chinese name is pronounced wò ya — which translates to richness and happiness of life for the future. To help build further brand awareness, Voya launched a three-month advertising campaign leveraging a combination of television and digital ads as well as paid searches to target key Asian American markets and media channels. For example, as part of the campaign activation, Voya ran commercials in Mandarin on Chinese TV stations in a number of select U.S. cities — like San Francisco, Los Angeles and New York City. Another growing niche market is high-net worth foreign nationals (HNWFN). This market is typically defined as a person with investable finances in excess of one million dollars. According to industry research, global high-net worth individual wealth is projected to surpass \$100 trillion by 2025, which is being propelled by strong Asia-Pacific growth. At Voya, we have the tools and capabilities to successfully serve HNWFNs looking for domestic insurance-based solutions. In fact, a large portion of Voya's IUL sales are to HNWFNs, since they value the protection and cash-value benefits these products offer.

Cal Broker: 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?

Stephanie Shields, Aflac: Both our agent and broker teams provide valuable support to the life markets at the worksite. Our agents and broker partners play a key role in our continued success in reaching new accounts and customers in the U.S. Today, there are more than 70,000 independent agents licensed to sell Aflac products in all 50 United States and in Guam, Puerto Rico and the Virgin Islands. Our sales force continues to thrive and grow. Aflac's distribution strategy continues to expand and evolve. We continue to revise and develop our products based on policyholders' ever-changing needs to ensure we can offer our products to the greatest number of people in the most efficient way possible, all through the channels they desire. As more workers join the freelance and gig economy, we believe it is vital to find ways to reach this largely untapped customer base.

Pam Jenkins, Colonial: At Colonial Life, our strong agency distribution has kept us among the leaders of the voluntary industry. There is tremendous opportunity in the worksite industry for people who genuinely care about protecting America's workers. Colonial Life provides the chance to be in business for yourself but not by yourself, and control your own schedule and income. Our agency sales organization members build their business by working both directly with employers as well as partnering with brokers.



Greg Faux, Guardian:

There is the reality we all face, and that's the aging of the distribution force — many of whom are retiring, which can have an impact on the distribution model. It empowers us to make a concerted effort to build, maintain and still capture the experience of those individuals. We are focused on maintaining the population level of our advisor base at our current pace,

while continuing our efforts to foster an environment of collaboration and partnership (advisors teaming up to service clients). There is continued interest in financial sales careers among professional women, who are attracted to the entrepreneurial spirit and we have several programs to help drive their growth. We've introduced flexible leadership training programs designed to be more accommodating for those interested in a sales career. It uses assessments so that each person gets the support and training they need, when they need it. We've also tested our use of apprenticeships to outline different pathways and bridges to becoming an advisor so that individuals can find the track that works best for them.

James Ryan, Voya: Our life insurance products are sold by a select group of external distribution partners who share our commitment to helping Americans achieve their financial goals. They are sold through institutions — like banks, independent broker-dealers and independent marketing partners. 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.

Cal Broker: Last year we heard a lot about millennials. Are these customers still of primary focus and interest? Are there other niches on your radar now?

Pam Jenkins, Colonial: Millennials make up the largest segment of America's workers today. According to LIMRA's 2018 Insurance Barometer Study, millennials need life insurance information and education, as they are most likely to be uncertain about product types, coverage amounts, and qualifying for coverage. They also prefer to buy life insurance in person, although many will research online. 44 percent of millennials estimate the cost at over five times the actual amount. While the generations that follow will have their own unique needs, there is still much opportunity for educating millennials.

Greg Faux, Guardian: Millennials are and will be a focus for the foreseeable future. Based on our recent study, Millennials and Money: Understanding What Drives Financial Con-

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- Humana Product Training

12:00 – 1:00 Lunch

1:00 – 3:00 2nd Session

- **SCAN Face to Face**
(Connections)
- Anthem Product Training
- **Aetna Face to Face**

3:00 -5:00 3rd Session

- **Care1st Face to Face/**
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8:00 – 9:00 Breakfast and Exhibit Hall

9:00 – 9:30 Opening with **NAHU President Rusty Rice!**

9:30 – 10:30 Gary Owen: 5 Step Marketing Makeover C.E.*

10:30 – 11:30 1st Breakout Session

- Beginner – Medicare Expert Series C.E.* w/ Brad Miles
- Advanced – To Group, or not to Group C.E.* w/ David Garcia

11:30 – 12:00 Exhibitor Time

12:00 – 1:30 Lunch with Exhibitors

1:30 – 2:30 2nd Breakout Session

- Beginner – MAPD vs Med Supp C.E.* w/ David Garcia
- Advanced – Technology Panel C.E.

2:30 – 3:30 3rd Breakout Session

- Beginner - MAPD & PDP Marketing Do's and Don'ts
C.E.* w/ Korey Platt
- Advanced – TBD w/ Barry Sikov

3:30-4:30 Peter Bauer (CMS) & Closing Remarks

fidence study, millennials are open to learning about financial strategies more so than predicted, as nearly 75 percent say they would attend an in-person financial seminar, and almost one in three unadvised millennials are likely to begin using a professional advisor in the next year. As this segment of the population moves through the major milestones of life, such as marriage, having or adopting children, and buying a home, we will continue to provide security with the products and services that have worked so well with prior generations. At the same time, we realize that each generation is different. For example, the popular perception is that millennials, having grown up in the age of the smartphone, engage with the world differently. This is driving the industry towards new and better ways of engaging that should benefit all consumers, not just millennials. The way we are starting to build up tools and resources is from a mobile-first posture.



Matthew Purington, assistant vice president, product and market development, Unum: Yes, millennials now make up the majority of the workforce. So they are and will continue to be a primary focus. But the workforce is diverse, so employers should develop a well-rounded benefits strategy that caters to all segments of the population and includes multi-year strategies with

the right product blend and enrollment approach. Likewise, the "Gig" economy (i.e., independent contractors) continues to be a watch area and a potential growth opportunity in the industry.

James Ryan, Voya: While millennials are certainly a popular group to discuss these days, there's another underserved market that doesn't get enough attention: the special needs community. According to the U.S. Census Bureau, one in five Americans — an estimated 56.7 million people — will be affected by a special need or disability in their lifetime. Research also shows that 105 million Americans are friends and family of people with special needs in the U.S., and more than one in six American workers also act as caregivers. As experts in retirement, investment management, employee benefits and individual life, Voya is uniquely positioned to make an impact in the lives of people with special needs as well as their families and caregivers by helping them think differently — and holistically — about planning for a financial future. Specifically, this includes offering a depth of resources focused on financial planning and education through our Voya Cares® program. At Voya, we're also especially proud of our Invest in Something Special campaign, where Voya Cares and the Special Olympics partnered together to help raise awareness for this underserved market. To show the strength and courage that people with special needs display

every day, and to support the special needs community, late last year Voya shared Special Olympics athletes' inspirational and heart-warming stories and pledged to donate \$1 — up to \$500,000 — for each like, share or comment generated with the Invest in Something Special hashtag. At the end of the weeklong social media campaign, the hashtag engaged nearly one million people and initiated more than 940,000 likes, comments and shares. Most importantly, the campaign inspired a national conversation about inclusion. The overwhelming response to the invest in Something Special campaign resulted in a donation of more than half a million dollars shared across 52 U.S. Special Olympics Programs.

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

Stephanie Shields, Aflac: Life insurance continues to be one of the most desired benefits on the market. Employers are increasingly seeking ways to maximize what is spent on benefits, providing employees with enhanced coverage options. Aflac believes that trends of life insurance sales at the worksite eclipsing private sales will be on the rise as employers seek to meet employee population needs with both contributory and non-contributory strategies. On top of that, our new guarantee-issue options can allow employers to offer more valuable life packages to their employees. We have even opened up guarantee-issue access to employers with 10 life applications or 15 percent participation, whichever is more, so agents can reach more customers and clients than ever before.

Pam Jenkins, Colonial: Term insurance growth is stimulated by employer-paid benefits, which does create additional growth as employees "buy-up" for more coverage. For cash value plans that are intended to cover a person for their lifetime, employee-paid and owned coverage is the best solution.

Greg Faux, Guardian: The workplace is a natural point of engagement for insurance benefits and is the first time many consumers will seriously think about the need for life insurance. There is also an alignment with employee benefits as advisors meet with business owners to discuss their personal planning needs. Individual financial planning for owners and executives is a labor-intensive process, and as the conversation shifts to employee benefits, we continue to hear the need for simpler, cost-effective products from advisors working in this space. This extends beyond product development to marketing, the underwriting process, and the way we talk about the services we provide. We expect the workplace to continue being an area of growth and focus for us and the industry.

Matthew Purington, Unum: I see modest but steady growth. While the shift to voluntary continues, employer-paid coverage remains a valued employee benefit and a significant percentage of sales. And, as employees continue to take on more costs for health care, offering an employer-



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paid benefit can also help fill a widening gap for employees.

James Ryan, Voya: As the financial wellness needs of Americans continue to evolve, innovative compensation benefits become an increasingly important way for employees to attract and reward key members of their workforce. Recently, Voya acquired Pen-Cal Administrators, Inc., a California-based company with over 50 years' experience designing and administering nonqualified deferred compensation benefit plans and providing consulting services. We are excited that Pen-Cal is now part of the "One Voya" family, and our Individual Life business is exploring potential cross-selling opportunities for Corporate-Owned Life Insurance (COLI) funded nonqualified plans.

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

Stephanie Shields, Aflac: Since our policies are not major medical insurance, the changes resulting from health care legislation do not often have a direct impact on our business. However, we expect the uncertainty around the health care industry to continue for the foreseeable future, increasing consumer awareness around their health care offering. Rising health care costs can force more and more companies to offer high-deductible plans, leaving many employees to wonder how they will make ends meet. Household out-of-pocket health care expenses – not to mention any other costs associated with an accident or illness, like taking time off work, child care, travel costs, etc. – can be overwhelming to the average American worker. Aflac's cash benefits can help provide additional safety and stability for workers and their families.



Pam Jenkins, Colonial:

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.

James Ryan, Voya: The financial services industry has seen tremendous economic and regulatory change over the last decade. Like many in the industry, Voya was closely monitoring the DOL's fiduciary rule until it was recently overturned. A main component of the DOL rule was the require-

ment that providers of investment advice act in their customers' best interest. Working in our clients' and customers' best interests has been a long established part of Voya's culture and business practices. This is at the core of our values — and does not change simply because the DOL rule no longer applies. As for our Individual Life business, specifically, we're developing plans to retool our life insurance product portfolio as part of the 2020 regulatory changes that require carriers to adopt the new Commissioners' Standard Ordinary (CSO) mortality tables, along with the Principles-Based Reserves framework.

Cal Broker: What are common characteristics of your most successful life insurance producers?



Stephanie Shields, Aflac:

Our most successful life insurance producers help clients and employees understand the importance of life insurance and effectively position the products as valuable components to any benefits plan. We expect voluntary insurance to be increasingly viewed in the workplace as a "must have." One of the driving factors behind this belief is that workers who have

major medical insurance may be feeling the brunt of higher health care costs and need options to help cover those costs. Also, our most effective producers have deep relationships with their broker partners and clients that enable them to understand each employer's unique benefits strategy and tailor a life solution that delivers on their objectives. These producers know how to provide coverage options and plan recommendations (variations of employer-paid, supplemental buy-up and voluntary options) to help create the most attractive offering for a particular benefits package. Last, strong producers help policyholders understand how any changes in their lives should play a part in how they evaluate their specific needs to help make sure they have adequate protection. The better the offering through the workplace, the less likely individuals may be to seek individual coverage through other vendors.

Pam Jenkins, Colonial: We strongly believe in the value of one-to-one, personal benefits 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. 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.

Greg Faux, Guardian: The most successful producers take a comprehensive, consultative approach to helping their clients along their financial journey. The ability to ask questions and actively listen are traits of top life producers. It's important to understand what the client needs versus what you want to sell to them. Successful producers provide a superior level of value to their clients, offering knowledge and dedication to them, positively impacting their lives. At Guardian we support our advisors in many ways to help become and remain their clients trusted advisors. They have a network of advanced sales partners, training solutions and practice management tools/programs to join and can participate in study groups to create a community of high performance producers driven to deliver best practices to meet client evolving needs. For many successful producers who have such strong partnerships with their clients, there's a willingness for their clients to share referrals, without being asked, which is the ultimate recognition of a job well done for that producer. Matthew Purington, assistant vice president, product and market development, Unum: Strong product knowledge and an orientation for customer-focused solutions are characteristics of successful producers. The best sales people are always listening to the client then taking proactive steps to solve problems, uncover issues and tailor recommendations. Increasingly, they also combine data and market insight to deliver smart, simple and fitting solutions.



James Ryan, Voya: As we spend more time with advisors, I'm finding that today's successful life insurance producer is more likely a financial advisor who takes a holistic approach to planning and has built a practice with its foundation in asset management. While they are focused on managing client assets, most likely in an advisory environment, they recognize the changing needs of their clients

— and thus, the changing needs of their own practice. So when it comes to planning solutions, they are flexible and open-minded when it comes to helping their clients build a secure future. In addition, they understand the importance of being able to offer differentiated solutions outside of traditional money management — not only for their clients, but for their business. Life insurance can have a critical role in any financial plan, offering significant benefits both during the life of the client as well as in wealth transfer scenarios. Strong engagement with their clients is also a universal characteristic of the most successful producers. They take the opportunity to understand more about their clients in every interaction, whether it's a new relationship or one they've had for many years. Life can change on a dime, and

we often unrealistically assume that we know exactly what is going on in every one of our client's lives. Our top life producers are asking questions and listening to their client so they can uncover needs that either arise through a situation, or one that has been on the horizon for some time.

Cal Broker: With the health insurance turmoil, are you seeing more health insurance brokers getting into life insurance sales? If so, do you have any advice for them?

Stephanie Shields, Aflac: With the continued changes in health care and the consolidation taking place in the broker markets, successful brokers are deploying diversification strategies that include life and other key voluntary benefits in order to grow their client base and meet the market's needs. The national conversation around health care laws impacts how we think about health insurance and other benefits. The industry has an opportunity to educate customers on the valuable role voluntary benefits plays in the total value of health and wellness plans. Brokers are more likely to increase their client base and grow their sales by elevating voluntary products into their overall benefits or total rewards strategy. For example, with Aflac's latest life insurance expansion, brokers can offer more flexibility, more choice and more value to customers. Brokers can combine whole life insurance, term life insurance and their clients' existing policies—giving them the chance to increase sales and kick off conversations with accounts both old and new.

Pam Jenkins, Colonial: Health insurance brokers have made the shift to voluntary benefits over the last several years because of health care reform. With life insurance, it's important to select a carrier you know will be in it for the long term. Colonial Life's voluntary sales grew 7 percent in 2017, totaling \$520 million. Colonial Life is the only company with more than \$150 million in annual sales to exceed the industry average each of the past three years, according to Eastbridge. The performance earned Colonial Life the 2017 Voluntary Sales Growth Leader recognition. Voluntary sales totaled \$8.1 billion in 2017, according to Eastbridge's annual U.S. Voluntary/Worksite Sales Report. Voluntary benefits include any financial protection that employees can choose at the workplace, including life insurance, disability insurance, dental insurance, accident insurance, critical illness insurance and cancer insurance. As health care costs have climbed, and many employers have shared the growing costs of benefits with employees, millions are realizing they can affordably protect their finances, their families and their futures with voluntary benefits.

Greg Faux, Guardian: We have a variety of brokers joining our sales team with some from the health insurance side but there isn't a trend to infer there is a heavy flow of these brokers. Health Insurance brokers are valuable additions to the team as they can be client focused and can synthesize intricate details of benefit offerings, which can be applied to their role as a life insurance sales member. ★

CASE STUDY: CPA, ADVISER OPT FOR A LIFE SETTLEMENT TO ACHIEVE CLIENT'S GOALS

By JEFF HALLMAN



When high-net-worth senior clients pose unique challenges that require professional expertise from several members of the estate planning team, arriving at a consensus in terms of the most favorable solution may be challenging. Factors to consider involve liquidity, cash flow during retirement, tax planning and legacy objectives.

But in this case, the key members of the client's advisory team required no arm-twisting and they all viewed a life settlement as "a no brainer" in terms of the best solution for this client.

This case example which involved a \$15 million trust-owned life insurance policy is not only instructive as it relates to how financial advisers are serving their high-net-worth clients in the wake of the 2017 Tax Cuts and Jobs Act (TCJA), but it is also a powerful illustration of the widening acceptance

and deployment of life settlements by most interdisciplinary professionals – CPAs, estate attorneys, financial and insurance advisers.

CLIENT'S CHALLENGES

The client is a 78 yr. old successful entrepreneur in the state of California. Together with his wife (age 76), they purchased a \$15 million survivorship UL policy in 2003 for legacy planning when the estate tax exemption was only \$1 million per individual.

Over the years the client and wife raised four children who also worked in the family business. After owning the policy for 14 years, the client no longer needed the coverage for estate tax reasons and felt burdened by the \$200K annual premium.

Having been cured during experimental trials for cancer several years earlier, the client held a new lease on life and wanted to optimize the value of the unwanted policy so he and his wife could enjoy life, travel more and

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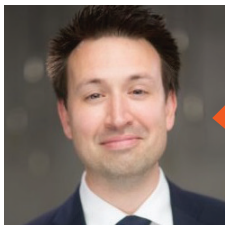
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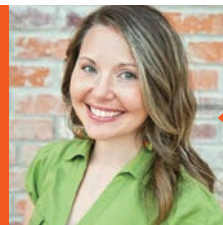
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COLLABORATIVE APPROACH

The client met with his insurance adviser to discuss options, such as surrendering the policy and buying a new policy with less coverage and more affordable premiums. However, based upon their age and current health condition, the adviser noted that new insurance was not an option as they were both uninsurable. While a life settlement was one of the solutions dis-

CASE STATS	
\$15M	Survivorship Policy Male/78; Wife/76
\$517,275	Net Surrender Value
\$200,000	Annual Premiums
\$500,000	Policy Loan
\$1.7M	Premiums paid

cussed, there were other issues relating to whether any coverage was still needed for tax planning and whether there would be any tax consequences if they decided to sell the policy.

The insurance adviser decided it was necessary to consult a tax planning professional and referred the client to a CPA. The CPA noted that the estate tax exemption had increased substantially since 2003 and immediately determined that the level of coverage was no longer needed for tax planning. The CPA also noted that the recently enacted TCJA provided for more favorable tax treatment on the proceeds of life settlements.

The client's CPA concluded that a life settlement seemed to be the most advantageous solution and referred the case to yet another insurance adviser with specialized expertise in life settlements.

ROLE OF SKILLED BROKERS

Following a lengthy review and discussion of the client's financial objectives, the adviser recommended they pursue a life settlement and the client agreed. Given the size of the policy and the complexity in terms of the client's expectations, the insurance adviser realized the case would require the services of Asset Life Settlements, a skilled life settlement brokerage firm with expertise in ne-

gotiating secondary market offers for multimillion policies.

Asset Life Settlements assembled the necessary documents and started the bidding process by submitting the case to multiple providers. As a handful of bids started coming in, some offers involved cash only offers, while other offers included a combination of a cash settlement along with a retained death benefit payable to the trust upon the death of both insureds. In a retained death benefit transaction involving a trust-owned life insurance policy, the beneficiary on the policy (i.e. the trust) remains the same. However, the original death benefit is adjusted and reduced in accordance with the retained death benefit offer agreed upon by the seller and the buyer.

"Having been cured during experimental trials for cancer several years earlier, the client held a new lease on life and wanted to optimize the value of the unwanted policy so he and his wife could enjoy life, travel more and leave a cash legacy."

Following receipt of the initial bids, the client felt more knowledgeable about marketplace dynamics and the broker's role in helping to shape a settlement package that met the client's objectives. At this point the client and his adviser instructed Asset Life to negotiate a settlement that would accomplish the following:

- Recoup the premium investment
- Pay off the loan
- Provide reduced death benefit (RDB) coverage
- Include a substantial cash settlement

A CREATIVE DESIGN SOLUTION FROM ASSET LIFE SETTLEMENTS

As additional offers and combinations were presented by the interested buyers, we saw further opportunity to

tweak the numbers in order to achieve a specific ratio between the cash offer and the RDB offer that best fit their needs. At that point, we went back to the drawing board with a crystal clear view of what it would take to make the deal work. These options were discussed with the interested buyers.

In the end, the client accepted a settlement package involving a gross offer for \$2.65 million and a retained death benefit for \$2.55 million. The adviser and his client were thrilled that a life settlement was the perfect "creative design solution" to achieve the client's goals.

Commissions were paid to the adviser/life settlement broker from the gross offer reflected by an asterisk in the chart at right.

TAKE-AWAYS FOR ADVISERS

The timing for this case coincided with the recent passage of the 2017 Tax Cuts and Jobs Act and as such, serves as a reminder to advisors that life settlements may be the best option for clients looking for a sensible exit strategy from policies no longer needed for estate tax planning.

In the case discussed above, the client accepted the package offer approximately one week following enactment of the new law. Although the client's CPA will be examining the tax consequences involving the cash proceeds from the settlement, the client will likely benefit from the more favorable tax treatment as a result of the TCJA.

And finally, advisers will want to be mindful that life settlements can often yield the greatest benefit to a client's estate plan via a combination of a cash settlement with a retained death benefit requiring no future premium payments. ★



Jeff Hallman is co-founder and managing partner of Asset Life Settlements, LLC, a secondary market brokerage firm. With more than 18 years of progressively responsible experience since the inception of the industry, Jeff has earned a reputation among his peers as a highly skilled negotiator and one of the foremost professionals in his field. Jeff may be reached at jhallman@alsettlements.com.

FRACTIONAL LIFE SETTLEMENTS

Watch What They Do...

by BRIAN CLARK

Picture the following conversation between an advisor and her client:

Advisor: "Hi, Jim. I'm recommending you invest \$10,000 of your portfolio into that investment I was telling you about."

Advisor: "Are you kidding me, Jim? I wouldn't touch that investment with a 10-foot pole!"

Client: "Hmmm, okay Gina. If you think it is a good idea. By the way, how much of this investment do you own?"

Do you think the client will invest their money into the investment mentioned in this situation? Not likely!

The lesson here is one that my parents taught me when I was still quite young. They told me, "Don't just listen to what people say, watch very closely what they do." The same lesson applies each time we hear a recommendation from some large investment shop on what to do with our hard-earned money... "Invest in quality, buy and hold, diversify among different kinds of stocks and bonds, etc., etc." But where are they putting their money? Are they following the same advice they are giving us, or are they doing some things differently? Sometimes it can feel like the message from the financial media and

"the professionals" is to buy stocks, bonds and real estate and you are all set! But is that what "the professionals" are doing with their own money? Shouldn't we ask that?

For example, would it interest your clients to know what large, historically successful investors like Warren Buffett, Blackstone and national pension funds are investing their money in right now? For example, Blackstone, one of the world's leading investment firms, has quietly been investing billions of dollars into an asset class that most of your clients have never even heard of. You may not even be very familiar with it. I'm talking about

investing in life settlements. In addition to Blackstone's involvement, Warren Buffett's Berkshire Hathaway is reported to invest up to hundreds of millions of dollars each year into life settlements. As reported by Deal Street Asia, New Zealand recently invested \$145 million in their National Pension Super Fund. So, the big players know about life settlements as an investment, but do you and your clients know about it? Do you know how to offer it and access it?

LIFE SETTLEMENT 101

As a refresher, a life settlement is simply the sale of an unwanted, un-

needed or unaffordable life insurance policy to an investor for more than the cash surrender value, but less than the death benefit amount. Once settled (or sold), the new owner/investor continues to pay the premiums until the insured passes away and they then collect the death benefit. A relatively small fraction of all the life insurance issued falls into the category of being appropriate for a life settlement. On occasion though, life changes from the time when a person first made the decision to buy a policy. Perhaps there has been a divorce, or a child has predeceased the parent, or estate tax laws change, or a business dissolves where there was key person insurance in place. These are just a small handful of the reasons why an aging senior may wish to sell their policy. Simply put, the senior will decide to do a life settlement if they conclude that selling the policy for value today to put money in their pockets now is worth more to them than continuing to pay the premiums and leave money to someone else upon their passing.

Buying these life insurance policies has been an attractive investment to the “big, smart money” for many years for a few important reasons. I will highlight three. First, having a slice of your investment portfolio insulated from the risks that the rest of your money is exposed to can be quite valuable, especially when some of the other investments you are in lose value, as stocks and real estate seem to do cyclically. This is called non-correlation. True non-correlation is highly coveted and hard to come by when you are seeking to hedge other risks, like geopolitical risk, rapid declines in stock or real estate values or bond funds losing value in rising rate environments as we find ourselves now in. Think back to 2008 when stocks and real estate lost value at the same time, bringing us closer to the brink than anyone wanted. A decade later, if you are finding your memory of those times to be getting a bit fuzzy, go back and read *The Big Short* by Michael Lewis. Or you can always just watch the movie...

A lot of people at the time believed their real estate holdings were a hedge to their stock holdings, and oth-

ers thought their stock holdings were a nice hedge to their real estate. Not so much as it turns out, and I am not alone in feeling that as bad as it was, we got off relatively easily with such a rapid V-shaped recovery. Is there another shoe still to drop as a result of all the quantitative easing (QE) that occurred (QE is a great term that is code for what might be considered “printing money like crazy”)? We are just now in the process of unwinding this stimulus, and so as Jamie Dimon, CEO of J.P. Morgan Chase, recently pointed out in a CNBC interview, we have never had to unwind this level of quantitative easing, so we are facing something unknown and untested, so there is some uncertainty in how this will all play out. As we all know, the markets typically don’t like uncertainty.

The second reason life settlement investments have been attractive to large, institutional investors is the very competitive risk-adjusted return history and performance potential of the asset class. In a recent empirical study, the prestigious London Business School looked at a portfolio of life settlements worth \$24 billion of death benefit and concluded that from 2001-2011, the average annual returns of the portfolio were expected to be a bit better than 12 percent annually. In the study, Professor Narayan Naik was quoted as stating, “Being largely uncorrelated with other financial markets, the life settlement asset class would appear to be an interesting investment opportunity for those willing to include longevity risk in their portfolio and to commit capital for the medium term.” You can be sure that your clients are not aware of this study, but you might just be the agent to educate them.

The third reason for the popularity of life settlements is that the large investors appreciate the quality and certainty and of the investment gains. The gains are derived from the death benefit payouts of some of the world’s oldest and strongest companies, namely strong U.S. life insurance carriers. I’m guessing you wouldn’t be in this industry reading this article if you didn’t have high confidence that U.S. life insurance companies will be able to make their death benefit payouts. And since the payouts are coming

as a matter of when and not if, there is a level of certainty that the gains will happen. As Benjamin Franklin famously stated, there are two certain things in life: death and taxes.

FRACTIONAL LIFE SETTLEMENTS INVESTING

The good news, now that you know more about this unique opportunity as a life licensed agent in California, is you can now offer your clients access to life settlements in what is known as fractional life settlements investing. With fractional life settlement investing, your clients can own pieces (or fractions) of various life insurance policies that were sold usually by an aging client in declining health. If you are offering annuities and life insurance, or P&C or health insurance, you could add fractional life settlements to your product mix, and help your clients add some true diversification to their investment portfolios while increasing your revenues. You will also find that since there is relatively little competition in this space, it is a powerful door-opener for you that will allow you to work with higher net worth families. Offering this unique investment can also be a great differentiator for you in your marketing efforts. Think about how many annuity pitches clients hear on a regular basis vs. how many life settlement presentations they see. After you do your due diligence, you may even decide to make an investment yourself, since your clients may not only be listening to what you are saying, but they may also be watching what you are doing. Find a reputable fractional life settlement company today and reach out to get started! ★



Brian J. Clark, CRPC® is director of business development for Sherman Oaks-based Reliant Life Shares, LLC. Reliant is a leader in fractional life settlement investing and helps qualified California investors

reach their goals by providing them the ability to access an asset class formerly only available to institutions. Reliant empowers insurance agents to increase revenues and diversify their product offerings. Brian Clark may be reached (760) 668-5440 or email: bclark@reliantlifeshares.com. Find out more at www.reliantlifeshares.com

AN EXTENSION OF FINANCIAL WELLNESS LEGAL AND IDENTITY THEFT PLANS

By EMILY ROSE

With millennial and Generation Z workers entering the workforce in droves and Baby Boomers delaying retirement, employers are experiencing an unprecedented talent pool. Employers are looking for ways to attract the best talent and ensure that they are meeting the needs of today's multi-generational workforce to guarantee long-term employment satisfaction. In a competitive employment landscape, a robust wellness program that incorporates voluntary benefits is an important component in employee recruitment and retention.

It is well-documented that the values of millennials are reshaping corporate culture. This generation, which will comprise nearly half of the workforce by 2020, cares deeply about the values of the companies for which they work. Employees are seeking like-minded employers who care about their overall well-being. To millennials, wellness is about more than just the physical body; it also includes their emotional and financial well-being. They want to work for companies that invest in employees' financial wellness, including a broader benefit that offers help on how to manage financial issues. Studies have shown that financial stress can dramatically



impact an employee's emotional and physical health, causing employers to take a closer look at financial wellness solutions.

Certainly, no age group is immune to financial stress. The total outstanding student loan debt in the U.S. is approximately \$1.5 trillion. Nearly half of Americans are unable to pay for an emergency expense of \$400 or more. Older Americans are working well past the once-standard retirement age of 65, often taking part-time jobs that would have gone to younger workers. In Los Angeles, 58 percent of renters are cost-burdened, spending more than 30 percent of their income on housing. Given this data, it is hardly surprising that approximately 80 percent of employees who work full-time report feeling financially stressed.

Further, studies show that financial stress can be especially harmful to one's health. In a 2009 Associated Press poll, among the people reporting high debt stress, 27 percent had ulcers or digestive-tract problems (compared with 8 percent of those with low levels of debt stress), and 29 percent suffered severe anxiety (compared with 4 percent of those with low debt stress). Stress can cause elevated levels of adrenaline and cortisol which can negatively affect blood pressure, heart rate, memory, mood and overall immune system health. Long-term financial distress and ongoing debt have been linked to anxiety, depression and emotional distress—leading to a protracted cycle of chronic workplace absenteeism and diminished workplace performance.

Educational programs focused on improving employees' financial aptitude are proactive solutions that employers are taking to help employees. These programs empower employees to improve debt management, retirement savings and overall financial well-being. But even the savviest finance professional can run into trouble when an unexpected legal crisis occurs, or their identity is stolen. It is mutually beneficial for employers to offer voluntary benefits that help employees with short-term and long-term financial struggles and to help prevent future financial crises. Another tool employers can provide

is access to professionals such as attorneys and identity theft specialists.

The potential expense associated with a legal or identity theft matter only adds to the stress of an employee's experience when dealing with legal and financial issues. With an average legal fee of \$284 per hour most workers who find themselves thrust into a legal crisis, even a non-criminal one, may soon find themselves drowning in debt from legal fees. In addition, navigating the uncharted waters of identity theft can often leave employees in financial dismay and potential added financial hardship when trying to resolve identity theft matters on their own.

Identity protection is one of the fastest growing areas of voluntary employee benefits, and for good reason. Today's ongoing rash of data breaches means employers and employees alike must be hypervigilant about protecting themselves and hedging against the far-reaching, time-consuming and expensive consequences of identity theft. The Equifax data breach in 2017 exposed the sensitive information of more than 143 million Americans, including 15 million Californians putting them at risk for identity theft. In some cases, cybercriminals can open multiple lines of credit, empty bank accounts and engage in other criminal behavior, such as impersonating someone to steal their tax refund or secure a home mortgage. Such fraudulent activity can temporarily ruin a person's credit score, and remediation can take months.

Dealing with identity theft and its repercussions can take a great toll on individuals and families. As previously discussed, identity theft is not only a financial burden: it's an issue of health and emotional well-being. Stress and exhaustion may also contribute to a decline in physical health. Identity theft and loss of personal information also present real risk to the companies where affected employees work. The loss of workplace productivity can be staggering, as employees may be forced to take time off to deal with law enforcement officials or they must make phone calls during the workday that distract from job tasks. One-third of employees already spend almost

two hours at work each week dealing with personal finance issues.

Legal and identity theft protection plans are not only useful benefits to employees, but they are easy-to-administer, low-noise benefits for employers. LegalShield provides plans for legal needs and for identity theft protection. Our plans provide direct, easy access to licensed professionals who can quickly assist to resolve common personal legal matters and provide identity theft restoration services. Implementing a legal or identity theft protection plan is a forward-thinking way for employers to further round out their existing wellness programs and provide the financial protection their employees not only need, but also deserve. ★



Emily Rose is vice president, broker & partnership sales for LegalShield, one of North America's leading providers of legal and protection against identity theft voluntary benefits programs.

LINKS TO MORE INFO

Want to know more? Here is some of the research used in this article:

<https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2016-Employee-Job-Satisfaction-and-Engagement-Report.pdf>

<https://www.forbes.com/sites/zack-friedman/2018/06/13/student-loan-debt-statistics-2018/#42ccf51a7310>

<https://www.federalreserve.gov/publications/files/2016-report-economic-well-being-us-households-201705.pdf4> <https://www.apartmentlist.com/rentonomics/cost-burdened-renters-2017/>

<https://www.apartmentlist.com/rentonomics/cost-burdened-renters-2017/>

<https://jolt.law.harvard.edu/digest/people-of-the-state-of-california-v-equifax-san-francisco-becomes-the-first-city-to-sue-equifax-over-the-massive-data-breach-earlier-this-year>

<https://www.purchasingpower.com/about/news/five-signs-indicate-financial-stress-employees>

LONG-TERM CARE INSURANCE OH, MY, HOW LTC HAS CHANGED!

By LOUIS H. BROWNSTONE



You say, what has changed? The traditional long-term care insurance product is basically the same as it was twenty years ago? The definition of chronically ill is the same...assistance in two activities of daily living or severe cognitive impairment. The payments are almost all the same...reimbursement of expenses after an elimination period. Underwriters are using new tools but the process is basically the same. The claims process is also basically the same. The tax laws haven't changed in years except for longer look-back periods in shielding assets.

However, there has been a fundamental change in the way the product is sold. In the vast majority of cases, agents and brokers are no longer selling catastrophic protection. They are selling partial protection, often representing that policyholders are fully protected against the costs of care when indeed they are not. Let's examine the causes of this shift.

First, the insurance carriers don't want to sell catastrophic coverage. They are rightly scared to death of policies with lifetime benefits or huge daily benefits. Therefore, policies with lifetime benefits, formally

upwards of 40 percent of all policies sold, have virtually disappeared.

Second, carriers also are discouraging 5 percent compound inflation clauses by increasing their premiums, and they have marketed a number of alternatives with lesser amounts of inflation. Three percent compound inflation has become the standard, and according to the 2018 Milliman LTCI Survey, half of all policies sold in 2017 either had deferred compound inflation options or no inflation at all.

Third, premiums have risen far faster than the average sale. Policies 20 years ago were priced under assumptions which have proven to be inaccurate. Premiums are two to three times higher than they were 20 years ago, but the average sale has only risen by about 40 percent. Therefore, the monthly maximum benefits have remained fairly constant. This shows that there is a great deal of price resistance, that prospects are generally unwilling to pay \$ 4,000 and \$ 5,000 plus annual premiums. Agents and brokers are compelled to seek a price at which prospects are willing to pay for the protection.

Fourth, the costs of care have risen faster than the rise in inflation generally. Twenty years ago, a daily benefit of \$ 100 would cover the costs of a nursing home in many states, but now, those costs are \$ 200 to \$ 300 per day. The costs of home health care aides have remained relatively constant, but those days may be over. There is an increasing shortage of caregivers, and the laws of supply and demand may lead to a sharp rise in future caregiver costs.

The result: \$ 4,500 maximum monthly benefits which may be half to two-thirds the costs of a nursing home. Two or three year benefit limits instead of four or five year or lifetime benefit limits. Three percent compound inflation or less instead of 5 percent compound inflation. And \$150,000 pools of money doubling in 24 years instead of \$ 250,000 pools of money doubling in 14 years. Partial protection instead of catastrophic protection.

The good news is that most long-term care scenarios resolve within two or three years. Those scenarios

may be adequately protected. The other piece of good news is that less and less percentage of sick people are going into nursing homes. They are either staying at home or going into assisted living facilities, where the costs are generally lower. Home health care costs can be very expensive, but the average cost is similar to that of an assisted living facility. The use of robotics and sensors could reduce future costs of home health care, so that 24-hour personal care services will often not be needed.

But the 15 percent to 20 percent of nursing home scenarios which last

"...the solution is to push Partnership policies, which can essentially give lifetime benefits to those with moderate income and assets. But let's be honest with ourselves. We are selling what our prospects are willing to buy, and this is less than what we believe they should buy."

longer are increasingly not covered. Many policyholders could freak out, worried that they will outlive their long-term care coverage. Is the agent or broker exposed to lawsuits here? I doubt it, so long as records are kept and the prospect is truly informed as to his or her options. Is Medi-Cal exposed to future costs as citizen's assets run out? Absolutely.

Is the situation any different for hybrid and linked products? In fact, the coverage may be more partial than is the case with traditional long-term care insurance. Hybrid products can provide a great deal of coverage, but the life insurance benefit is normally only \$ 75,000 to \$ 150,000, and the long-term care riders often only double the life insurance benefit. Inflation riders are usually not sold with these products. Linked products normally do not contain an increase in the death benefit and therefore the ac-

celerated death benefit for long-term care also does not increase over time.

Most life insurance sold is term insurance, but the average death benefit is under \$ 150,000. Term insurance with accelerated death benefits can often be converted into permanent life insurance products, but this is rare, and if not converted, the term insurance will in all likelihood lapse before long-term care is needed.

What about single payer? The steeply rising costs in our present health care system will eventually become unsustainable, and the savings from a single payer system may in time overcome the tremendous future costs the government would have to bear. These costs would become huge with the inclusion of long-term care benefits, and it is doubtful that long-term care would be included in a single payer system. Or, the long-term care benefit could again be partial.

There are obviously exceptions here, but in general, the long-term care protection is partial, no matter which product is sold. Maybe the solution is to sell both a traditional long-term care product and a hybrid or linked product to the same person if he or she can afford both. Maybe the solution is to push Partnership policies, which can essentially give lifetime benefits to those with moderate income and assets. But let's be honest with ourselves. We are selling what our prospects are willing to buy, and this is less than what we believe they should buy. ★

Louis H. Brownstone, a Cal Broker regular contributor who writes about long-term care, is Chairman of California Long Term Care Insurance Services, Inc. located in Burlingame, California. California Long Term Care is the largest independent specialist long term care insurance agency in California, and is broker for a group of high-producing long term care specialist agents. Brownstone is also very active in NAIFA, the National Association of Insurance and Financial Advisors. One of his goals is to revive the California Partnership for Long Term Care in order to insure more Californians and save the State of California billions of dollars in future Medi-Cal expense.



MENTAL WELLNESS: A GROWING TREND IN THE WORKPLACE

By HUMBERTO CHACON



While mental health continues to be a stigma in the workplace, companies are beginning to recognize the importance of mental wellness as part of overall workforce fitness. And it is no surprise why. Stress results in \$300 billion dollars in absenteeism, turnover, diminished productivity, and medical, legal and insurance costs each year; and roughly 217 million days of work are lost annually to productivity declines related to mental conditions and substance abuse, at a cost to employers of \$17 billion annually, according to the American Institute of Stress.

The impact isn't just financial. Overstressed employees and those dealing with mental health issues and life events impact their coworkers as well, contributing to low morale and a negative working environment.

Today, one in five adults in the U.S. has a diagnosable mental, emotional or behavioral issue such as stress, depression and anxiety; one in 10 is

dealing with substance abuse. Yet, all too often, people with behavioral health needs avoid or delay seeking help due to the stigma associated with it—and the fear it may negatively impact their careers, education, or other life goals. In fact, only 41 percent of those who need treatment get the help they need. Recent studies suggest that the personal toll

on employees—and the financial cost to companies—could be eased if a greater number of workers who need help were motivated to seek care.

MENTAL WELLBEING MATTERS

We know that a healthy workplace is good for both employees and employers. Wellness, however, is more than just physical health. The definition

has been expanded to include mental, emotional and social wellbeing – essentially what people think and feel about the quality of their relationships, their positive emotions and resilience, the realization of their potential, or their overall satisfaction with life. Hands down, physical and mental wellbeing are inextricably linked – one simply does not exist without the other.

Many factors impact mental wellbeing, including work, finances, relationships, life events and change. When one or more of these factors proves overwhelming, anxiety, depression or chronic stress may result. Numerous studies show that job stress is a major issue for American adults: 80 percent of workers feel stress on the job, nearly half say they need help in learning how to manage stress, and 42 percent say their coworkers need help.

"Mental wellness is the ability to maintain healthy levels of mental, emotional and physical functioning, enabling us to make positive life choices, have healthy relationships, be productive at work and handle the natural ups and downs of life."

The good news is that forward-looking companies are starting to take notice. Recognizing the link between the mental wellness of their workforce and the company's bottom line, many are stepping up efforts to change how mental health issues are being viewed and supported. According to a 2017 Willis Towers Watson Behavioral Health Survey, most U.S. employers say behavioral health programs aimed at reducing anxiety, depression and substance abuse are an important priority, and many are taking action to improve their effectiveness.

Employers that make mental wellbeing as much a priority as physical

wellbeing send a powerful message that getting help is okay. By establishing a culture of health, that workplace increases morale, reduces absenteeism, improves productivity, increases job satisfaction and has fewer workplace accidents.

WHAT CAN BE DONE

Even with increasing public awareness and growing support for mental wellness in the workplace, there's still room for improvement. Here are a few tips:

- Employees with behavioral health issues should become actively involved in their own physical and mental wellbeing. There are simple, everyday things they can do in accordance with their individual needs and preferences to help them feel better.
- Employees should learn as much as possible about their concerns. Many companies enable access to practical self-help tools, apps, confidential assessments, and other evidence-based strategies that build resilience and improve or maintain mental wellness. While not a substitute for professional advice, becoming informed can be an empowering first step on the road to wellbeing.
- Employers can play a key role by fostering a culture of openness that lets employees know that mental wellness will be handled in the same way as physical wellness.
- Integrate mental health strategies into benefit plans and health and safety policies.
- Build a culture of acceptance that makes it safe for employees to discuss the issues that matter in their lives and for others to offer support.
- Coach supervisors how to recognize, intervene and refer an employee in need, and teach them how to manage their own mental wellbeing.
- Establish a work-life strategy with policies that protect work-life balance. When workers are balanced and happy, they are more productive, take fewer sick days, and are more likely to stay in their jobs.
- Tackle demands and pressures at work that lead to chronic stress, and encourage employees to build life skills to help them better adapt in

the office environment and outside of work.

- Get the word out about programs the company offers, such as an Employee Assistance Program (EAP). While many companies offer an EAP to support mental health and other issues, the utilization of these services is often low compared to the potential need. In fact, 52 percent of workers say their company does not do enough to promote employee health. Step up communication about these services and emphasize that they can be used confidentially with no impact on an employee's work status – just like any other health care benefit.
- Endorse the use of mental health days where employees can use a day off to practice self-care, see a therapist, and get themselves back on track.

Here's the thing – getting help works. In an environment where seeking help is supported, employees are more likely to get help sooner and improve more quickly. And when they start to feel better mentally and emotionally, they feel better about their jobs. More than 80 percent of employees who seek support report improvement in their job satisfaction and productivity.

While we've a long way to go, the trend is moving in the right direction. There are observable changes in the way we think about mental wellness today, and stigma is slowly but surely being replaced with acceptance and support.

As brokers, you are uniquely positioned to help make an impact. As more companies take steps to improve the mental wellbeing of their workforce, encourage your clients to take a stance against stigma. Inform your clients about tools, programs and resources that enable employees to get access to the services they need – when they need them. ★

Humberto Chacon is director of business development for Concern, a global employee services and wellbeing firm based in Silicon Valley. For more than 30 years, Concern has been providing employers with high-touch, high-tech resources that help foster healthy, resilient employees. For more information: humberto_chacon@concern-eap.com.

AGENTS ARE THE ANSWER!

By NAAMA O. POZNIAK

The role of the agent in our healthcare industry has never been more crucial, growing and evolving. Our energy and input is an invaluable resource for anyone around. We the agents support our clients with the latest innovation, technology, tools, resources and so much more. We are the ones who inform our legislators and representatives on both the state and federal level on what healthcare looks like right now and what the future of our healthcare might become.

Only trained healthcare agents can efficiently guide the entire population to the right coverage. We have the vision and the know-how. We support the community in sickness and in health. We strive to make positive change and allow change to unfold in a way that won't hurt our economy. We work to minimize risk and prevent our clients from getting hurt.

As agents, we have supported so many clients on so many different levels. We walk our clients from decision to execution. We receive the first call when our clients marry or divorce, when fertility treatment is needed, and when that beautiful, new baby arrives. We are there when the first diagnosis comes in and we work to deliver the most efficient positive solution, and we are there to celebrate victory over a challenging disease.

For me, beyond just delivering the actual policy, I help reduce my client's personal healthcare costs as well as enhance the health of the employees by lowering their overall cost of healthcare. I am doing anything possible to maximize employer options to provide the lowest cost possible with the shortest and most positive path to healing, without unneeded medication or unnecessary procedures, and I do anything in my power to prepare them for a future of self-coverage, self-care and perfect health.

I personally meet with CEOs and CFOs of various industries across the U.S. on a regular basis. Far too often they don't truly consider the power they wield over their employees by

way of choosing which healthcare plan to implement. They don't seem to realize that this one vital decision has the potential to change the lives of their employees. Further, many of them are not aware of the ways to lower what is probably the second highest business expense after payroll. I share critical facts with these leaders of which they would never be aware of without access to my personal experiences in the field.

In many ways we are still bound by the old way of thinking and the old way of delivering healthcare. But not for long. There have been constant changes in the insurance market and more will come.



We the #agentsaretheanswer. We are the ones making a difference – the essential link between the carriers and providers, the hospitals and activists, science and the pharmaceutical industry, the spiritual minded, the food industry and the consumer. Through our work we can affect change and build an unbreakable bridge. We can create a symbiotic relationship between all the players. We are the real people that stand behind this colossal system called healthcare. We must tide our relationship with the providers, the hospitals, and the pharmaceutical industry, and we must make sure to continue bringing about innovations, solutions and enhancement for better healthcare.

Healthcare care is a journey not a destination. We all want to be healthy and feel good at the end of the day. But what are we willing to do in order to get there? As agents, we too are consumers of our healthcare system. We pay for our own healthcare and for that of our employees and families. We are in the system with both feet and we see and experience everything from our own perspective

and through that of our clients. We get it. We desire a better healthcare system for everyone, ourselves included. I suggest that we all gain understanding that each and every one of us should take our healthcare into our own hands.

This industry wouldn't survive without the agents – the agents of change, the agents that find real solutions. I have done everything in my power to change the face of healthcare, one client at a time. My mission is always to encourage clients to connect to their mind ~ body ~ spirit and heal themselves first. Achieving this end will heal the world. It's all about spreading the love and sharing this earth on which we live.

How lucky we are to have the power to create such positive change in our world! It is a profound honor to be an agent in our healthcare industry. We are indeed leaders paving the way to a successful healthcare system for everyone.

Blessings to you as we prepare for a peaceful, hopeful fourth quarter! We are all in this together. Indeed #agentsaretheanswer. ★



Naama O. Pozniak has been in the insurance industry for 30 years and is CEO of Paz Holding Inc. (dba A+ Insurance Service). Naama is a mother, a yogi, a speaker, a market disruptor and a Primordial Sound Meditation Instructor, certified by the Chopra Center. Together with her team, she has helped several thousands of people to enroll in Covered California since January 1, 2014. Naama was recognized as the "Most influential Woman" in benefit advising for 2016 and 2017. She is an MDRT Top of the Table producer and holds the prestigious lifetime "Soaring Eagle Award." Naama was also the recipient the NAHU Distinguished Service Award for 2018. She serves as the NAHU Region 8 Media chair and LAAHU Community Outreach chair. Naama has succeeded in having yoga and meditation approved by the California and Florida Departments of Insurance and as Healthcare CE (Continuing Education), currently teaching two classes: "Reducing Healthcare Costs with Yoga and Meditation" and "Meditation as a New Way to Wellness."

LIFE INSURANCE EVEN BETTER THAN EVER FOR RETIREMENT PLANNING

By ED SLOTT



Notice my title says for “retirement planning.” Yes, everyone knows about the tax-free death benefit for life insurance, but clients want to know what’s in it for them now. How can they get the most out of what they have now, during their retirement years?

Recent articles in The Wall Street Journal (Time Bomb Looms for Aging America, front page - June 23, 2018) and other major outlets have painted a doom and gloom scenario of retirees who are at high risk of running out of money in retirement, mainly due to the shift from traditional pensions to 401(k)s that began 40 years ago. This is the new generation of retirees and they are on their own. They need financial security, and guidance, now.

The three biggest risks to retirement savings are taxes, market risk and longevity risk. The first two (tax and market risk) impact the longevity concern. If taxes increase and the market declines, less money will be available for retirement.

ENTER LIFE INSURANCE...AS THE NEW RETIREMENT PLAN

I’m referring of course to permanent life insurance where the cash value can double as a tax-free retirement savings account, without the restrictions, tax rules and numerous other limitations that muck up traditional retirement savings accounts.

For example, permanent life insurance can be accessed tax free for lifetime needs in retirement. There are no required distributions or burdensome tax rules or restrictions for life insurance as other retirement vehicles have. With a life insurance savings plan, the tax and investment risk can be minimized. Life insurance

provides guarantees and certainty. Today's retirees are desperate for these features in an uncertain world.

As a financial advisor, you need to be proactive and address these issues now.

Contact your clients who are looking for solutions to these pressing retirement worries. While clients generally think of life insurance for the death benefit, the three new events listed above make life insurance more attractive as a retirement savings vehicle to begin funding now, so it will have time to build for the future. Clients need to use all the resources available and ignoring the tax-free lifetime benefits of life insurance puts them at a disadvantage.

For those readers who might think I'm from the life insurance industry, I'm not. So, you can show this article to your clients and those who are considering making life insurance as part of their upgraded retirement plan.

I'm a CPA and a retirement tax advisor. I do not sell life insurance, annuities or any other investments. As a tax advisor, I can tell you that the lifetime tax benefits for life insurance are some of the best the Tax Code has to offer, but they are often not used and ultimately wasted.

Here's why three new events provide a timely opportunity to help your clients beef up their retirement savings now.

1. THE NEW TAX LAW – THE TAX CUTS AND JOBS ACT (TCJA)

TCJA makes acquiring life insurance more valuable right now. More of your clients may be already benefiting from lower tax rates under the new law. But the strategy is to put those tax savings to work. Look at the combination of history and our trillion-dollar deficits. Without having to be an economist, this tells us that today's low tax rates mean tomorrow's higher taxes to pay for them. Don't wait until that happens. When tax rates increase, tax-deferred retirement savings like IRAs and 401(k)s won't be worth as much. They will be worth less due to the growing tax debt inside that IRA or plan. The account value will be worth less at the very time clients will need these funds for a secure retirement. That's a horrible combination. When tax rates

increase, tax-deferred vehicles lose value because the inside tax bill will have to be paid. On the other hand, tax-free-vehicles, like life insurance, become instantly worth more as tax rates increase.

Here's the plan. It pays to draw some IRA funds down now, pay the tax at today's lower rates and have your clients begin building a more stable retirement fund, free of future tax rate risk, with permanent life insurance. Yes, some tax will be due now, but this is a tax bill that will only grow if no action is taken and taxes increase. Better to pay less now than risk a bigger tax tab later. Add to that, at 70 ½ years old, IRAs are subject to required minimum distributions (RMDs) which will generally be taxable at whatever the prevailing tax rates will be. Doing nothing

3 New Events That Make Life Better for Retirement Planning Now!

- 1 New tax law**
- 2 Long term care concerns**
- 3 Stock market volatility**

means losing control over these funds and subjecting them to potential loss through higher future taxes.

The life insurance fund will grow free of taxes and those funds can be used for your retirement if needed – tax free. Life insurance removes the uncertainty of what future higher taxes can do to your clients' retirement savings. IRAs are a tax problem waiting to happen. You can help clients defuse that now over time with a long-term plan to create true tax-free retirement security. Today's new lower tax rates provide the opportunity to act now, before the problem gets too large to tackle.

2- LONG-TERM CARE CONCERNS

This is the number one concern! No question this is the elephant in the room that every client is most afraid of. The costs are out of control and many existing long-term care policy

premiums have been jacked up or are ambiguous as to what is actually covered, or both.

Once again, the same permanent life insurance policy can provide peace of mind here. Many policies now include a long-term care rider (hybrid type policies). Again, this is a lifetime benefit that most clients don't know about. Tell them!

You're starting to see more financial articles promoting this. For example, again in The Wall Street Journal (Long-Term Care Without Handcuffs, June 8, 2018).

I got this for myself, because the last thing I want if I need home care or a nursing facility is to worry about using up my savings for this or to rely on my children to come up with the thousands of dollars every month to pay for my care. No parent wants that.

With the long-term care rider, if funds are needed they are paid for out of the policy. The easy way to explain this to clients is as an advance on the life insurance. Yes, beneficiaries may receive less. Big deal. If savings were emptied to pay for the care, they would receive nothing anyway, and might even be in debt paying bills when the money ran out.

Clients will less likely run out of money, so other savings can continue to grow, and the children will not have to reach into their own pockets if all other savings run out. Even if clients went through their entire savings, which is less likely if they have the long-term care rider, still, after death, all of those funds and maybe more can be replaced tax free to the beneficiaries through the policy death benefit. That's good planning. And if no long-term care is needed, then the beneficiaries receive the full tax-free windfall from the policy.

3- STOCK MARKET VOLATILITY

Volatility has always been around, but it seems worse than ever now. Plus, the market is hovering around all-time highs lately. At some point, the tide will turn. Yes, the stock market returns over time, but sometimes you run out of time waiting for a rebound. Clients nearing or in retirement may not have the luxury of waiting it out. The amount they'll need for basic living expenses

needs to be insured. Here's where you need a guarantee. Again, permanent life insurance (as well as lifetime income annuities) can fill the gap. That's because these products are not investments; they are contracts. That eliminates market risk. That's a big difference and clients need to know this.

No client wants to go into retirement exposing too much of their money to the market. The worst-case scenario will be when clients need funds for living expenses while the market is in a tailspin. That's the classic sequence of returns risk. This scenario begins a cycle of wealth erosion that is almost impossible to bounce

back from. That's why they need you to carve out tax-free funds to fill in the gaps when needed. This will keep the tax cost of these withdrawals at zero, while allowing the stock funds time to rebound. That's another lifetime benefit available with a permanent life insurance fund.

Clients are worried and anxious about their financial security in retirement. Help them see how the lifetime benefits of permanent life insurance can give them peace of mind in these uncertain economic times. That's why you are their financial advisor. Every client wants a safe and secure retirement. You can help them build it,

beginning right now. ★

Ed Slott, CPA, was named the best source for IRA advice by the Wall Street Journal. He is an accomplished author of many retirement focused books and has starred in nationally aired public television specials including his latest, Retire Safe & Secure! with Ed Slott - 2018.

Slott created the IRA Leadership Program™ and Ed Slott's Elite IRA Advisor GroupSM which were developed specifically to help financial professionals earn recognition as leaders in the IRA marketplace.

As a thought leader in the retirement industry, Slott is often quoted in the New York Times, Wall Street Journal, Forbes, Money, Kiplinger's and USA Today.

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