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Their Next Big Sale*



*Discover Why Almost 60 Percent
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Challenging Times, Changing Strategies

The brokerage industry can be one of the most difficult aspects of the insurance industry to understand. Each BGA thinks of themselves differently in terms of what's important to them, and as a result, every brokerage has a diverse set of challenges. Although every company operates in its own way, brokerages can still learn quite a bit from other BGAs. Knowing what problems your competitors are facing can help you better identify your own challenges and start coming up with solutions. For this month's Readers' Forum, we asked several BGAs just one question:

Q What is the biggest challenge your brokerage is currently facing?



Andrew Unkefer, president and CEO, Unkefer & Associates: First, the rising cost of agent recruitment. Independent agents are, in general, an aging and shrinking sales force. Without new blood and advanced training, fewer producers will be available to capitalize on some of the most significant

emerging opportunities we have ever seen. Companies and marketing firms will find it more expensive and more difficult to recruit, develop, and retain high-quality producers. Second, the distribution of fixed index annuities may radically change if the SEC successfully adopts its proposed Rule 151A to make these products a registered security. This would change the landscape of a \$25 billion industry. As a result, certain insurers are poised to fight this proposal in court if necessary. The outcome at this time, however, is uncertain.



Michael Tessler, president, Brokerage Unlimited Inc.: Of the many challenges facing brokerages today, one seems to stand out. This particular challenge impacts not only brokerage participants, but everyone involved with the manufacturing, distribution, and sale of life insurance: keeping the negative media

attention about insurance carriers from hurting our business. Concerns about the stability and safety of enormous, age-old institutions provide a high hurdle for all to clear, as some members of the press continue to paint with a broad brush. Going forward, it will be incumbent upon the industry to provide buyers with the necessary information to know that their policies are safe. It is not enough to guarantee term rates for 20 or 30 years or to guarantee UL death benefits and premium amounts for life; the public must have the confidence that the carriers will be there to pay claims. A related challenge will come from the unscrupulous acts of some (hopefully very few), who will use the current headlines as a way to encourage consumers

to make bad choices. As an industry, we must all encourage appropriate behavior and remember the importance of a consumer-friendly environment.



Chris Conklin, principal, Insurance Insight Group: One of the biggest long-term challenges facing the independent brokerage industry is the question of where we will get new agents. Throughout our history, there have been many large insurers actively growing their captive agency forces. As these captive agents progressed in their careers, or

as these carriers divested their agency forces to cut expenses, they gave the brokerage industry a steady supply of new agents. Now, however, there are very few organizations actively working to bring new agents into the industry. As a result, you now see very few young agents. Without young people entering our industry, our businesses will inevitably decline. Attracting young agents poses unique challenges for established agencies. Young people have many choices and interact with each other and the world differently than many of us do. Client agencies are asking BGAs to help them attract young, new agents, train them, and make them productive. As a result, BGAs have to develop a complete service to accomplish this and bridge the agent generation gap. The agencies that make a concerted effort to attract young, new agents to the industry will be the success stories of tomorrow.



Dexter Umekubo, managing partner, Producers XL: There are two challenges our organization faces in the brokerage industry. First, the shrinking agent/broker population poses a real problem. Life producers are getting older, with fewer "traditional" life producers coming into the business via the career

agency system. Older agents are having a harder time with adapting to the rapidity of changes within our industry,

including regulatory issues, product design, technology demands, and shrinking margins. To compensate for this, we are looking toward non-traditional producers such as independent financial planners, producers within major broker-dealers or "wirehouses," and regional banks. We are also networking within other disciplines in the financial industry such as CPAs, trust officers, and tax planning attorneys.

Our second major challenge is helping producers build their practice as a business. Most producers need a lot of assistance in prospecting and practice building. We don't sell leads or give leads away. Instead, we train producers how to be better marketers of their own unique services and abilities and become better businessmen and businesswomen. Our firm spends as much time on practice enhancement as we do on product distribution. There are a lot of similar products with very little difference between them, so in the end, what we bring to the table for our producers are the non-product intangibles. Most BGAs have the same products, pay the same compensation, and provide reasonably good service, so the challenge is making sure that

our producers really understand our value-added proposition.



Douglas Mishkin, managing director, Algren Park Avenue Brokerage LLC: One of the main challenges for BGAs today is the commoditization of insurance products, especially term insurance. Products are no longer sold by the "traditional"

agent but through banks, wirehouses, CPAs, attorneys, the Internet, etc. It is essential for a BGA to develop processes that differentiate themselves from the competition and allow them to compete in numerous areas of distribution. You cannot compete on service and underwriting alone anymore. Both traditional and non-traditional insurance producers are looking for more than just case design and underwriting, they are looking for tools that help them

make the sale. I constantly try to identify services or ideas that can be easily packaged into tools our producers can use with little training. BGAs that are successful in packaging their services and making the process turnkey will be the ones that differentiate themselves and excel in the future.



Susan L. Combs, president, Combs & Company:

The biggest challenge we are facing is that our producers' clients are seeing an increase in pricing and a decrease of benefits and service from the carriers, and this makes them hesitant to meet with agents. A few years ago, standard annual increases in the

marketplace were 5 percent; for 2008 they have been — on average — 15 percent, if not greater. The rates keep increasing, yet the benefits decrease, as does the knowledge of carrier reps. This makes it difficult for agents to "sell" the carrier to their client. Customers are also frustrated about high prices on "rich" out-of-network benefits, and then end up paying so much out of pocket because the usual and customary rates of the carrier are so low. Being the bearer of bad news to tell a consumer that has just paid \$250 for a therapy session that they will only be getting a reimbursement of \$50 can be very upsetting, especially in the current economy. This puts agents in a really tough position to have to explain to their clients why their policies are changing. As a result, more and more consumers think that insurance salespeople are not trustworthy. This means that we have to find a way to help agents overcome new objections.

Next month's Readers' Forum topic is long term care insurance. If you work in the long term care field and would like to participate, email HStrickland@AgentMediaCorp.com with "Readers' Forum" in the subject line.



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