

LIFE INSURANCE ESSENTIALS 2006

INSIDE: LIMRA SUMS UP FIRST QUARTER SALES, INSURANCE EXECS TALK ABOUT LIAM AND ITS IMPORTANCE, CONSUMER TIPS ADVISORS SHOULD KNOW, AND 10 REASONS LIFE INSURANCE IS GOOD FOR SENIORS

LIFE INSURANCE SALES UP IN 2006

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First quarter
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The following are highlights from the Executive Summary for LIMRA International's "U.S. Individual Life Insurance Sales — First Quarter 2006" report.

Individual life sales were off to a tremendous start in the first quarter of 2006. While universal life continued to lead the pack, all products gained momentum. Even variable products (variable life and variable universal life) were up. Overall, variable products earned a 15 percent increase over first quarter 2005.

Similarly, total annualized premium was up 15 percent for the first three months of 2006. As a whole, the larger companies experienced the biggest increases. Nine of the top 10 improved their sales over the first quarter of 2005, with eight of those increases in the double digits. Many outside the top 10 also fared well. All in all, two-thirds of the participants enjoyed increases, and a majority were in the double digits.

First quarter UL sales shot up another 26 percent above first quarter 2005. As a whole, the larger companies contributed most to the increase. Altogether, the top 10 and top 20 writers increased their annualized premium by 34 and 33 percent. Those outside the top 20 experienced a 9 percent drop.

When considering this quarter's robust growth, it's important to keep in mind that individual life sales in the first quarter of 2005 were relatively sluggish.

While more modest, first quarter annualized premium for fixed-premium products was also up over first quarter 2005, by 5 percent. Sixty percent of term writers were up, and more than 40 percent experienced increases in the double digits. Once again, it was the larger writers with the greatest

INDIVIDUAL LIFE STATS

At year-end 2004, individual life insurance was the most popular form of life insurance protection in the United States, accounting for 56 percent of all life insurance in force.

The average new individual life policy purchased in the United States grew 14 percent in 2004, to \$147,000.

Source: American Council of Life Insurers



improvements in sales. In fact, the top five increased sales over the first quarter of 2005 by 14 percent, while sales were even for those outside the top five.

More than half of the whole life writers reported declines in the first quarter, and nearly three-quarters of those companies experienced drops in the double digits. Still, with only two of the top 10 down (one with a very modest drop), total WL annualized premium was 3 percent higher than it was during the same period of 2005.

For more information, go to www.limra.com. 

LIAM GAINS INDUSTRY STATURE



BOB ELLWANGER,
CORPORATE VICE
PRESIDENT OF
AGENCY FIELD
SALES SUPPORT,
NEW YORK LIFE
INSURANCE CO.

SMA: Do you have a way of measuring the success of LIAM or are you still just trying to build awareness?

BE: We're a large career agency operation with a large population of agents, but we can point to Life Insurance Awareness Month as a means — a very effective means — of driving agents' prospecting activity, of increasing consumer awareness and also driving some additional interest among our employee population. They are one of the audiences we message to — we don't want to forget them — as part of this month-long promotional effort. We do have ways of discreetly measuring the impact our messaging is having on all three of those groups. On the consumer side, we did print advertising last year. We plan to be in print again this year. We will capitalize on the campaign, incorporating the Life Insurance Awareness Month logo. We were really pleased with that. On the employee side, we are pleased with how last September we beefed up our intranet for our employees.

On the agent side, we mobilize our field sales force in September because the timing is so perfect for this campaign. It gives us, and all the carriers, a great opportunity to be back in front of consumers. Vacations are over, people are thinking about back to school, they are thinking about family obligations and there is enough time to have an impact on the company's performance by year-end. We definitely see that it drives agents' prospecting activity. We

can actually track it to activity on the agent level and see that translate into additional life insurance sales. It probably would not have happened were it not for the sustained, industry-wide, focused effort to get to the consumer and hopefully make them a little more amenable to the approach by an agent.

SMA: Do you increase your advertising efforts in September?

BE: We bought a full page in *Time's* special section last year. I know we've committed to the back page of it this year. That will go out early in September. We've got the back cover of *Child* magazine this year. We're expanding our print

They'll do things in the community that are driven by them and not so much from us in corporate. They've kind of taken the ball and run with it. The feedback we hear from them is that [LIAM] just makes it easier for them to do that. It gives the agency a reason to rally and hold these kinds of events.

SMA: Do you provide marketing materials and ideas around Life Insurance Awareness Month for your agents?

BE: We have a lot of collateral materials. We have hundreds of different collateral materials that agents can use at no cost. We apply the Life Insurance Awareness Month logo on a good percentage of

We can point to LIAM as a means of driving prospecting activity.

this year because we like the results we saw in terms of impressions. We're going to be one of the main sponsors of that. We're very pleased by that.

SMA: What kinds of feedback have you been getting from your agents about LIAM?

BE: The agents love it. They'd like us to do more. They really love the fact that they can piggyback. Locally, we've heard from some of our field managers, our agents. They will do things like have additional signage in their offices. They will have a table in the lobby of the building that we have rented office space in for an agency. They'll hold customer-appreciation events.

those. The agents are using them starting in August. They use them until the supply runs out, probably in November. They're using it beyond September, but it's giving them another reason to take something current and capitalize on something the consumer is seeing. We like to brand and co-brand our pieces — many of our life insurance pieces — with the LIAM logo just as we do on our company mailings. We do the same with many of our collateral materials for a three-month period. From August through October, we'll put those out there and they'll just take what they need and use them as part of their approach or interview or as part of closing the sale.

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 Many times,
 the initial
 purchase
 of life
 insurance is
 a life event.
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STEVEN
 HOLSTEIN,
 SENIOR VICE
 PRESIDENT
 OF LIFE
 MARKETING,
 MASSMUTUAL

SMA: Tell me about MassMutual's approach to Life Insurance Awareness Month.

SH: First of all, we think it is a wonderful program that the Life Foundation has put together. It seems to get bigger and better every single year as different outside publications and different media sources get engaged, but also as the different life insurance companies understand how to best fulfill the mission, which is really about education. It is all about educating the general population on what life insurance and other types of insurance can really do for them. Similar to the mission of the Life Foundation, that's really our focus, as well. We work not only with the general population, but with our agents, our association, and our employees to make sure they understand the value of the different types of products that are out there that the general population needs.

SMA: Does MassMutual have a way of measuring the success of its LIAM programs?

SH: We are about greater awareness and the benefits of life insurance as our Life Insurance Awareness Month focus. However, what we are able to do — not only with LIAM — is we are able to measure things that we put out there that are educational tools. So we know, for example, if in fact someone has gone to our online calculators on our Web site to get a feel for whether they've got the right amount of life insurance coverage, or disability, or income coverage, or whatever it is that Life Insurance

Awareness Month has piqued as far as an interest goes. We have full tracking on our entire Web site. We have full tracking on the number of calls that come into our call centers.

So even though the focus is absolutely on education, we — probably similar to other companies out there — track the different touch points, so we will know the success we get and what is accessible in getting our message out there.

SMA: Is there a tendency for people, once their children are out of the house and out of college, to think they don't need life insurance coverage anymore. If so, how is that wrong thinking?

SH: I think it is wrong thinking if they are thinking of it just as death benefits vs. if they are working with an advisor or life insurance agent and that person is keeping the education and insight on all the different ways of using a life insurance policy to transition a business, to work through their pre-retirement years. There's a whole host of different ways that permanent life insurance can be used in a much more strategic way, rather than just life insurance death benefit fashion.

Many times, the initial purchase of life insurance is a life event, sometimes just having a kid, which is great and very much needed. What happens is that, over time, you recognize, if you are educated, there are other reasons and purposes for which you can use life insurance. You can take permanent insurance, in particular whole life, whereby life insurance becomes a strategic vehicle and an integral part of your financial life. The protection aspects, as well as the asset accumulation aspects as well as the strategic aspects, especially if you are a small-business owner or a high-net-worth individual, are important.



GREG LINDE,
VICE PRESIDENT
OF PRODUCT
MANAGEMENT
AND SERVICE,
PRINCIPAL
FINANCIAL GROUP

SMA: Tell me about The Principal's approach to Life Insurance Awareness Month.

GL: We strongly support LIAM's efforts across our individual and group life insurance business. It's important for our employees and the financial advisor community to understand the importance of life insurance protection. We recognize that declining savings combined with increased debt has left few families adequately protected. LIAM is an important time to recommit ourselves and the financial services industry to the importance and value of life insurance. Accumulation goals and income management are critically important, particularly to seniors preparing for and in the midst of retirement. But the role of life insurance for survivor needs, estate planning and charitable giving must be a priority in the event savings goals are not met due to premature death.

SMA: Do you have any revenue expectations around LIAM?

GL: We don't set separate revenue expectations during LIAM for several reasons. First, the importance of life insurance protection shouldn't peak in September because of a LIAM campaign. We want our employees and financial professionals to objectively address the needs of consumers throughout the year. Second, we don't feel the focus of this effort should be on our own rewards. Rather, we give extra attention to the message of helping people feel the added security in their

lives that adequate life insurance protection can provide.

SMA: What is the biggest misunderstanding consumers, especially seniors, have about life insurance?

What can advisors do to fill in the gaps in knowledge?

GL: I think that seniors often don't understand the multiple benefits that

different. Helping seniors understand the value of life insurance starts when advisors first understand what each client is trying to achieve in his own life. Then the teaching process continues, this time with the advisor becoming the teacher. And this continues once the sale is made, because we all need to be reminded of

“Advisors need to ...
make sure the protection
grows as needed.”

can come from the life insurance they own. Many bought policies in earlier years to protect spouses, young children and other dependents in the event of premature death, but they don't realize in their 50s, 60s and 70s, life insurance can offer many benefits. A first is providing assets that a spouse or dependent may need for health care related expenses at older ages. Another is using cash values to supplement needed income during retirement. Life insurance can also bring power to estate planning and charitable bequests. Comparatively, people can leave a legacy that can have a tremendous impact on the lives of others through the use of life insurance.

Advisors can help this situation by understanding what unique wants and needs are driving each senior. Just like each of us has individual hopes and dreams, advisors need to listen and understand that each consumer is

the important goals that life insurance supports each year.

SMA: What can individual advisors do to advance the message of life insurance and its importance?

GL: Advisors play the most critical role in the process. They are the voice of the industry regarding the message about life insurance. It means working with consumers every day, being consistent, honest and objective about the importance of protecting loved ones through adequate life insurance coverage. It's a difficult message to deliver, because all of us have competing interests for our dollars these days. But when we approach the topic with integrity and objectivity, we can find ways to help people start with some life insurance protection today. And as their budgets and needs change over time, advisors need to stay with their clients to make sure the protection grows as needed over time.

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A lot of people don't buy a lot of life insurance because they can't find a relationship they need with the advisor they want.

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JEFF SUYEMATSU,
SENIOR VICE
PRESIDENT,
ALLIANZ LIFE
INSURANCE CO.
OF NORTH
AMERICA

SMA: Can you tell me a about your company's approach to Life Insurance Awareness Month?

JS: Allianz is fairly new to the life insurance marketplace in the United States, so we see this as a major initiative to brand the company as one of the major life insurance companies in North America. So when people think of life insurance, they may think of Prudential or MetLife or New York Life, but they are going to start thinking of Allianz in the same way.

SMA: How do seniors want to be approached about life insurance?

JS: I break the senior market into a couple of different markets. One is the evolving baby boomers. You could say someone who is 60 years old is now a senior. Well, if you are over 50, you get enrolled in AARP right away, so they kind of think you are a senior. Then there is the senior market that people say is the 65- or 70-and-up age bracket. So you really have two different marketplaces. I would say two things. One is, good advisors, agents and brokers build relationships with their clients. They build strong relationships as an advisor with their clients by being in constant contact with them throughout the year, and, ultimately, a lot of advisors don't even do annual reviews like they should. This is a business. Whether it be about life insurance or managing people's money, you are protecting people's financial security. Clients today want the relationship. One of the reasons a lot of people don't buy a lot of

life insurance is because they can't find a relationship they need with the advisor they want. There are plenty of LIMRA studies that demonstrate the need for life insurance across the broad range of age groups. One of the key areas is relationships with advisors over a period of time. Life insurance is one of those things that is particularly geared around that. Having been in the business a long time, the most successful agents I see — having done it myself — are those who continually build relationships, talk to their clients, are aware of what is going on in their lives. That, in and of itself, will help the clients deal with the issue of what their needs are for life insurance.

SMA: How can brokers and agents sustain life insurance awareness throughout the year?

JS: With technology, brokers and agents have the ability to quickly tailor messaging, newsletters, quick letters to their clients. I think just advertising in their communities, doing things like that, which allow them to reach very targeted segmented audiences, is effective. Including their clients on a regular basis is the one area where life insurance agents in the business can do a better job. I think at times we forget it is one of these things we forget. Life insurance is a product that tends to require an agent or a broker to be involved with an individual, to sit down and talk about their needs and understand what is going on. As a result, I think agents forget and they get busy. They don't reach out enough to their clients. The really good ones do that. I think they are very visible in their communities, they are very involved, whether it be volunteering or on boards, and certainly just promoting what they do to help people build financial security. ■



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CONSUMER TIPS TO HELP ADVISORS

Consumers know they need life insurance coverage, though that doesn't mean they will purchase the coverage they need. According to LIMRA International, "Forty-four percent of all U.S. households (48 million) either don't own life insurance and believe they should or own life insurance and believe they need more. Among those that already own some life insurance, 40 percent believe they don't have enough."

As they wade through life insurance purchase waters, consumers need help. There are plenty of organizations out there to help consumers, giving them tips about how to buy life insurance. Several of these tips are perfect lead-ins for an advisor to use with clients or prospects to stimulate a life insurance discussion.

Here are three tips the American Council of Life Insurers gives consumers, and how advisors can help:

1. Ask for outlines of coverage so you can compare the features of several policies. Advisors who can make those coverage outlines simple and informative have a leg up on the competition.
2. Make sure you fully understand any policy you are considering and that you are comfortable with the company, agent and product. This ties in with the educational process advisors should be walking through with clients already.
3. Do not keep life insurance policies in your safe deposit box. In most states, boxes are sealed temporarily on the death of the owner, delaying a settlement when funds may be needed most. This simple tip, given at policy purchase time, could save a

family more heartbreak at a time when that will be in abundance.

For more tips and life insurance information, visit www.acli.org.

These three consumer tips come from the Life Foundation, the creator of Life Insurance Awareness Month:

1. Be sure the insurance agent gives you choices and options before you make a final decision. Any successful advisor likely is already doing this, but sometimes we need to be reminded of the basics. Give consumers real choices, not just the most expensive policy.
2. Review your policy periodically or when changes occur, such as purchasing a home or having children. Good agents encourage this and follow-up with clients often to make sure there have been no life changes that warrant changes in coverage. A yearly review should take care of things.
3. If you have a concern or a complaint, start with your insurance agent, who can often troubleshoot problems for you. If you're still dissatisfied, most state insurance departments have a consumer affairs division that handles complaints, or you can contact your insurance company's customer service division. Providing the numbers to state insurance departments and insurance companies tells clients you are confident in your ability to serve them without complaint and that you are looking out for their best interests from the beginning.

For more information on life insurance, tips and Life Insurance Awareness Month, visit www.life-line.org.

LIFE COMPANY ASSETS

Total assets of life insurance companies grew 35.9 percent from 2001 to 2005. Assets held in municipal securities grew fastest, at 69.5 percent.


Source: Insurance Information Institute



70%

Percentage of Americans who say they couldn't afford to take more than one month of unpaid vacation before running out of money, illustrating the urgent need for life insurance coverage

Source: Life Foundation



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10 GREAT REASONS LIFE INSURANCE IS GOOD FOR SENIORS

All too often consumers harbor the misconception that life insurance is a younger person's product. People need life insurance if they're just starting a family. Once people's kids are gone and starting families of their own, the perceived need for insurance coverage goes away. That's not the case, and advisors should never let clients operate under that assumption. There are many reasons for seniors to have life insurance coverage. We've put together 10 of them. Let us know what others you can think of at feedback@seniormarketadvisor.com.

1. It protects the surviving spouse from income loss and taxes. Even if the deceased wasn't working, he had Social Security income and maybe a pension. A life policy can provide the income to replace that.
2. Final expense coverage can pay for a funeral and other costs. Formerly considered burial insurance, final expense insurance covers more than just the costs associated with the funeral.
3. New and improved riders can help fund an incident of long term care. Seniors who are refused long term care insurance may still have the opportunity to gain some measure of coverage through life insurance policy riders. It's a viable option for many seniors.
4. It can leave a financial legacy for more than just one generation. The policyholder's children can use proceeds to pay off debt or a house, and grandchildren can afford to go to college or start a family with more money.
5. It provides an exit strategy for tax-deferred annuities. That tax-deferred accumulation provided by annuities is great, but eventually the tax bill comes due. Seniors don't have to leave a big tax bill to their beneficiaries if they have life insurance to cover taxes tied to the annuity.
6. Accelerated death benefits can cover unexpected medical expenses and allow the policyholder to get his finances in order before he dies. Such actions diminish the death benefit, but if paying bills ahead of time leaves someone's family in better shape, this option is legitimate.
7. Policies with significant cash accumulation can supplement retirement income.
8. As more seniors open small businesses after retiring from a full-time career, life insurance can cover business debts and other expenses in the event of the proprietor's death.
9. A senior business owner who brings a younger person on board to run the operation can purchase key-person coverage in the event the younger person dies prematurely. This helps the senior cover any lost earnings and train a suitable replacement.
10. Peace of mind. Seniors have lived a long, prosperous life. They should be able to enjoy the feeling life insurance coverage provides. 🍷

LACK OF A PLAN

One-fourth of Americans feel they do not have a plan in place to provide a decent standard of living for their family if they died tomorrow.

Source: LIMRA



40%

Percentage of those who already own life insurance who think they need more

Source: LIMRA

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EDUCATIONAL TRACKS TO CHOOSE FROM:

LIFE INSURANCE TRACK

SAMPLE SESSION:
Life Insurance Executives Share All-Panel Discussion

Thursday, September 28;
11:30 a.m. – 12:30 p.m.

Good salespeople know product and trends. This is your opportunity to get in front of insurance carriers, as four heavy-hitting carriers, all former brokers, take to the stage to field your questions about the latest trends. Chaired by president of NAIFA David Woods, this highly interactive session will give you the opportunity to ask questions — unscripted. This is your chance to get inside the minds of the carriers.

ANNUITIES TRACK

SAMPLE SESSION:
What your Annuity Prospects Want

Thursday, September 28;
2:15 p.m. – 3:15 p.m.

Jack Marrion is the author of the *Senior Market Advisor* column "Annuity Advisor." He will introduce you to the Safe Money Places concept, something conservative-minded retiree clients are interested in. Marrion also has a wealth of consumer research that has produced results every advisor should know. His updated information on EIAs is something else you won't want to miss.

LTCI TRACK

SAMPLE SESSION:
LTCI Panel Discussion: Master the Difficult Sale

Thursday, September 28;
2:15 p.m. – 3:15 p.m.

If your goal is to sell more LTCI, this is a can't-miss session. Lynn Devitt, the nation's No. 1 LTCI producer; Scott Boyd, a national marketer with 10,000 producers; and Honey Leveen, a leading sole practitioner will explain how to position LTCI as a must-have, overcome objections and establish a market presence for yourself—even if you are just starting out. Plus, Jesse Slome will share his top five tips for marketing LTCI in the year ahead.

SALES TRACK

SAMPLE SESSION:
Objection? What Objection?

Wednesday, September 27;
4:00 p.m. – 5:00 p.m.

Become a master at overcoming objections. As the president of her own company, Phillis Pilvinis attracts, retains and builds her book of business by knowing how to be proactive when it comes to client objections. Learn how to build trust, relationships and your book of business as Pilvinis gives you the right formula to turn that no into a yes.

MARKETING TRACK

SAMPLE SESSION:
Find Out How to Choose the Best FMO for You

Wednesday, September 27;
2:45 p.m. – 3:45 p.m.

Ever wonder how to choose the best FMO for your selling style? Ever wonder why advisors churn FMOs? In this must-attend roundtable, leaders from three different FMOs discuss the trends, the challenges, the importance and the future of the FMO-advisor relationship.

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