Selling

Twelve years ago, Ralph Weber was desperate for better health care than what was available to him and his family in Canada. So the NAIFA member and president and CEO of Route Three Benefits packed up his belongings and moved to the United States.

Supplemental Insurance

WITH CONSUMERS STILL WORRIED ABOUT THEIR FINANCES, IT IS NOT EASY TO GET THEM TO BUY YET ANOTHER INSURANCE POLICY.

READ THIS ARTICLE TO FIND OUT WHAT SOME ADVISORS ARE DOING TO SELL LOTS OF SUPPLEMENTAL INSURANCE TO THEIR PROSPECTS AND CLIENTS.

BY TINA OREM

"I had three immediate relatives who were adversely affected by waiting lists and restrictions on health care and almost killed because of it," he explains. "I just finally said that this isn't worth my health. I've got to go somewhere where I can pay for health care when I want it, because in Canada, you can't pay for private care. You have to wait for it."

Among other things, Weber says this experience highlighted what he saw as a big hole in the American insurance market for supplemental insurance coverage, which typically includes disability income, long-term-care, critical illness (CI) insurance, as well as Medicare supplemental and similar lines that are big business in Canada.

Supplemental policies, which compensate the owners for lost income, travel for treatment and other unreimbursed costs, can be a godsend, given that hospital and doctor fees make up only about 50 percent of the expenses associated with getting sick in the United States, according to a 2009 Kaiser Family Foundation study.

Weber was particularly drawn to CI coverage, which usually pays an immediate lump sum to the policyholder if he is diagnosed with a certain life-threatening condition. "CI is one of the best-selling products in Canada, the U.K. and Australia— all the countries that have socialized medicine already," explains Weber, an MDRT Court of the Table producer. "It's huge. As a matter of fact, in Canada, there's one bank that sells more CI policies than all licensed insurance producers combined."

That wasn't the case in the United States, he says, and that only made his decision to move here easier. "Nobody down here was selling CI insurance, so it was a wide-open market," Weber recalls.

Today, Weber is one of many producers who have joined the $5.2 billion supplemental-insurance market,

which has been a steady source of growth for the insurance industry. Sales of supplemental policies grew nearly 4 percent last year despite a recession, according to industry surveyor Eastbridge Consulting Group. In fact, during the 10 years that Eastbridge has tracked the sector, supplemental-insurance sales have never declined.

That growth is attracting a lot of new attention from producers, but figuring out how and where to capitalize on the opportunity can be daunting. Here's how a few forward-thinking producers are approaching this market—and thriving in it.

Knowledge is king

The biggest thing successful producers in the supplemental market have going for them is simply their knowledge of the subject. Most of the competition is in the dark, according to Shawn Sigler, CLTC, director of marketing for the Life, Long-Term-Care and Supplemental-Products divisions of the Financial Independence Group in Cornelius, N.C. In general, only about one in four producers know supplemental insurance well enough to sell it, he says.

Weber attributes part of this problem to career choice and specialization. "Producers in the U.S. are specialists," he explains. "There are many people who specialize in one or two products and they don't want to take the time to learn about a new product. They just say, 'Hey look, I'm making a ton of money selling long-term-care or universal life insurance or whatever the preferred product is."

It's hard to blame those uninformed producers; after all, every insurance product has its own set of rules and regulations, licenses, tax implications and intricacies. Supplemental insurance is no different. The underwriting for it can be trickier, the decline rates can be higher for some lines, and nuances within policies can make comparisons difficult, for example. But that only reinforces the notion that a little education goes a long way.

Where to get information

Producers have lots of opportunities to learn about supplemental insurance, and many of those opportunities come from the issuers themselves. For example, producers selling United Healthcare's Medicare supplemental products receive five hours of web-based and voice-based training each year, must pass an exam with a score of 85 percent or better, and then complete training on products specific to their markets, according to Adam Hjerpe, senior vice president of Operations at United Healthcare.

Blaze Fremin, Aflac's state sales coordinator for Louisiana west, says Aflac also offers flexible classroom and one-on-one field training to producers. "Everyone learns at different speeds," he explains, "so we don't have a set guideline that says, 'this is when you get this material.'"

Own the product

Being your own customer is also important in gaining confidence and learning about the product. "The one thing that I have found—and I have found this to be almost 100 percent accurate," notes Weber, is that "if you don't own CI on yourself as a producer, you will never be successful at selling it."

Team up to sell more

One way forward-thinking producers can leverage supplemental insurance is by using it to diversify their client bases. Weber suggests that producers consider a tag-team approach to prospecting within their existing markets. "Find a CI expert and say to him: 'Let's look at my existing client database. If you can identify any prospects, I'll let you sell to them and we'll split the commissions,'" he explains.

Weber warns against giving up too much control, however. "If you don't target your own clients, then somebody else will. And they'll not only sell them CI, they'll take the client away from you, as well."

Sigler's Financial Independence Group, which wholesales a variety of supplemental policies to producers, is trying to help them avoid that fate. His company created a supplemental division about 18 months ago so that producers would have more options and support to offer to their clients.

"Just as we try to plant our agents to us by offering these products and being able to provide them with ideas on how to get these products to the client," Sigler notes, " we share that same story with the agents so that they can make sure that they get as much business from their clients, or they at least discuss an income-protection plan in regards to DI insurance with them or discuss their Medicare supplement or long-term-care plan."

Target the right market

Successful producers also make sure they target the right demographics, which vary by line. For instance, employees ages 30

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to 49 are some of the biggest buyers of supplemental insurance in the workplace, according to Unum's *2008 Buyers Study*. Women are also big buyers: They purchase 69 percent of all DI insurance policies and 61 percent of all CI policies, according to the study. The prospect's profession is of course important, too. "Business owners and professionals are two very big users," Weber notes, and says that he's had a lot of success with doctors as well.

Because the supplemental-insurance spectrum is so wide, many top producers choose to focus on the segments that excite them the most. "It does kind of depend on what the agent is comfortable with, what he does well," says United's Hjerpe. "You want to throw to people's strengths, if you will."

Choose the correct approach

Connie Framberger, LUTCF, president of Framberger Employee Benefits and Insurance Services in San Luis Obispo, Calif., has some useful advice on how to tailor the approach to your prospects.

"If they're still working, the disability side of supplemental insurance is a hot button for them," the NAIFA member explains. "In my opinion, everyone who is still working needs to have some sort of disability income insurance. For someone who is over 65, it's entirely different. If he is secure financially, I will introduce long-term care insurance to him.

"If I'm talking to an employer group," she continues, "I will mention long-term care and disability." The trick, she says, is not to oversell. "If I'm talking to an older couple who is struggling to make their Medicare part A, B, and supplemental payment, I am not going to approach them about long-term care. Even though they need it, it's a very sensitive thing. They see the cost of long-term care, and I know that I've lost them."

Not only can overselling kill a potential sale, it can also damage the entire client/agent relationship, Framberger says. "If I see a gap in their coverage that they absolutely positively need and they have a huge risk, I will pursue that," she explains, "but I try really hard not to wear out my welcome. My fear is that if I wear out my welcome, they're not going to be receptive to the basic coverage they need, let alone the supplemental."

Heads You Win, Tails You Win

The supplemental business isn't immune from the uncertainty of the current recession and looming health-care reform. But by and large, successful producers believe that supplemental insurance is positioned for another growth spurt.

Though the growth rate has slowed recently, it seems to be a reflection of lower employee head counts because of the recession instead of an intrinsic flaw in the products, according to Eastbridge Consulting, which suggests that the coming economic recovery may very well spark an explosion in the market, even if a public option is part of the health-care reform.

After all, such an option is likely to have coverage gaps, which could make supplemental insurance an attractive product for the newly insured. To boot, if health-care reform creates any perceived delays or difficulties in people obtaining health care, they may turn to supplemental insurance as they look for coverage that helps them effectively buy their way to the front of the line or receive care at alternative facilities. And having *no* public option means that employers will probably just continue to look for ways to reduce health-insurance costs—a move that usually results in fewer covered expenses and, you guessed it, more demand for supplemental policies.

It's up to you

Hjerpe says that United's partnership with AARP, which includes a national advertising campaign that promotes Medicare supplemental insurance plans, has been good for them. But Aflac's Fremin, whose company has about 30 percent of the supplemental market and its own national advertising campaign (involving one very famous talking duck), says the producer is the one who really sells the product.

"I would have to say that the duck puts a small opening in the door," says Fremin, "which allows our sales team to really go out and talk about Aflac to the public. I believe they both play a major part, but I also think that the salespeople are the driving force."

That puts more of the onus on the producer, but the commissions can make supplemental insurance worth the trouble. "Typically, first-year commission is significantly less than it is for life insurance and annuities," explains Sigler. "But life and annuity products typically don't have significant renewals, whereas the other products do. If you start developing a book of clients whom you've sold these products to, you have some things paid for at the beginning of the year so that you can really start seeing some nice income." ☐

Tina Orem is a freelance writer and a regular contributor to Advisor Today.