



The Mortality Protection Gap...Your Opportunity to Better Serve Your Clients and Significantly Improve Agency Profitability

By: F. Scott Addis, CPCU, CRA, CBWA

During my 35 years in the business of insurance and risk management, I have had a number of clients die prematurely or become disabled. In each case, the family and/or business was ill-equipped to handle the emotional stress, complexities and financial hardship that resulted. As each tragedy unfolded, I comforted myself with the false belief that my professional responsibility did not extend to the perils of death or disability -- with the exception of group employee benefit programs.

Yet as I care deeply for the welfare of my clients and pride myself in helping them think strategically about risk, I found myself in a quandary. How could I serve as a strategic risk advisor, yet not address mortality and disability protection?

The Mortality Protection Gap

After the premature death of a client in late 2010, I began a self-reflection process and became a student of life and disability insurance products, services and distribution. And, in June, 2011, I authored a white paper entitled "The Integration of Financial Services into Property & Casualty Insurance Agencies." My research encompassed interviews with dozens of property/casualty and employee benefit agents and brokers, industry consultants, life insurance specialists and clients of The Addis Group. I also benefited greatly from the wisdom and experience of Agency

Solutions Group, Highland Capital Brokerage, The Principal and Selling Technologies -- organizations whose business is the distribution of financial services products.

As I have made life insurance and financial planning a priority for my family and business, I was shocked by a 2010 Life Insurance Marketing and Research Association (LIMRA) study which uncovered the following:

- The percentage of U.S. households with life insurance coverage is at its lowest point in 50 years, leaving millions of families without a safety net. Only 44% of households have an individual policy and 30% have no individual or employer provided life insurance.
- Some 11 million households with children younger than 18 -- families with the greatest need for coverage -- have no life insurance.
- Nearly seven in ten American households with children under 18 will be in jeopardy if the primary bread winner died or became disabled.

The American College conducted a study to determine how prepared business owners are for retirement. Surprisingly, over 70% of the respondents had no written retirement plan. And, less than 20% had a succession plan in place to transition the business upon retirement.

The failure to plan for retirement and the drop in insurance coverage comes at a time when premiums for life insurance, especially simple term life, are cheaper than ever. What then is the reason for the decline?

1. **Economic Downturn:** More than 40% of families said they have not purchased life insurance because they have other financial priorities.
2. **Procrastination:** Unlike auto and mortgage insurance, life and disability insurance are voluntary purchases. That causes people to put off buying it. Procrastination can backfire as people often desire life and disability insurance when they have a health condition, and the premiums are often out of reach.
3. **Fewer insurance agents:** Nearly 80% of families today don't have a personal life insurance agent or broker. According to LIMRA, the number of "affiliated agents" -- insurance agents who primarily or exclusively sell one insurance company's products -- is down over 25% from two decades ago. Deloitte's "The Voice of the Life Insurance Consumer" study found that 62% of people who have no life insurance had not received an unsolicited offer to secure coverage within the past year.
4. **Lack of understanding:** Besides being cash strapped and procrastinating, another reason people don't buy life insurance is because they don't know much about it according to the survey. People are confused about their choices, and from behavioral economics, we know that if someone is not certain that they are doing the right thing they will tend to do nothing.

In the April, 2013 issue of *Rough Notes* Magazine, Mike Moody introduced us to Milka Kirova, a senior economist at Swiss Re and co-author of *The Mortality Protection Gap in the U.S.*, a report which offers insights as to the severity of the problem. In the report, Kirova remarks “This inadequate mortality protection is causing a genuine financial hardship. In fact, many people are driven into poverty after the loss of a bread winner because of the lack of adequate life insurance.” Kirova adds that agents and brokers have an opportunity to play a vital role in raising consumer awareness of the life insurance protection gap and, in turn, profit by offering products and services to close the gap. “It is critical for agents and brokers to actively help consumers understand the value of protection products and work out how life insurance can fit into their budgets,” comments Kirova. The facts and figures cited in the Swiss Re report uncover that there is not only a desperate need, but the opportunity of a lifetime for agents and brokers to deliver an essential product and service.

Why Agents & Brokers Fail in Delivering Life and Related Products

After conducting numerous discussions with agency principals, producers and account managers, my research suggests that there are three primary reasons why property/casualty and employee benefits agents and brokers have not had success in delivering life and related products.

1. **Lack of a Client Discovery Process** – Property/casualty and employee benefit professionals are experts at gathering data (i.e., driver information, payroll, sales, census, claim history, etc.) While the P&C and employee benefit professional knows how to get the facts, financial services professionals, on the other hand, are schooled in the art of discovery – a process focused on uncovering the goals, dreams and aspirations of the consumer – personally and professionally. It is this lack of knowledge of a person’s goals, passions and struggles that hinders the P&C and Benefits agent and broker to discover the impact of mortality and disability risks and the need for life insurance.
2. **Inadequate Knowledge of Financial Services Products** – The P&C and employee benefits agent and broker is often not confident, comfortable or credible in introducing life insurance and related products because he or she lacks basic knowledge.
3. **Inability to Recognize Opportunities:** While some level of knowledge about life insurance and related products will position the agent or broker for success, it is also essential they learn how to recognize opportunities in areas such as:
 - Key person protection
 - Business succession planning
 - Retirement planning
 - Buy/sell fundamentals
 - Long term care planning
 - Insurance policy review

It is a stated fact that the perils of death and disability create significant risks for families and businesses. The ability to recognize the impact of these perils is paramount.

The Solution -- Dream Catcher™ 100

With the support and guidance of Agency Solutions Group, Highland Capital Brokerage, The Principal and Selling Technologies, Beyond Insurance will officially introduce Dream Catcher™ 100 in June, 2014. Dream Catcher™ 100 is a “plug and play” financial services platform specifically designed for 100 enlightened property & casualty and employee benefits agencies throughout the United States. Dream Catcher™ 100 will be one of the most sought after organic growth agency programs as it enables P&C and benefit agencies to better serve their clients while significantly improving the profitability and value of the firm.

Dream Catcher™ is supported by a robust platform of education, processes, resources, disciplines and a lucrative compensation system for the agent or broker. Dream Catcher University consists of online training and coaching, situational videos, webinars as well as the Dream Catcher Knowledge Center -- a repository of support materials including scripts, surveys and reference tools to give each agent and broker confidence, comfort and credibility to delve into the impact of the perils of death and disability on a family and business.

While Dream Catcher™ prepares the producer and account management team to distinguish themselves through the creation of deep, meaningful relationships, the P&C agency and benefits firm has the option of having a subject matter expert from Highland Capital Brokerage support the process including being involved at the point of sale. The Dream Catcher™ course outline is as follows:

- Course 101 – The Fundamentals of Life Insurance
- Course 102 – Business Strategies including buy/sell, key person, deferred compensation and business succession
- Course 103 – Estate and Wealth Planning
- Course 104 – Sample Life Insurance Sales Strategies
- Course 105 – Long Term Care Planning

Each course is only 45 minutes long and arms the P&C and benefits agent or broker with the fundamentals to feel comfortable, confident and credible in opening up a dialogue in the subject matters listed above.

Those agencies who are selected to participate in Dream Catcher 100 will benefit from the experience and wisdom of Beyond Insurance, Agency Solutions Group, Highland Capital Brokerage, The Principal and Selling Technologies. While geographical exclusivity will not be offered, we will be ever mindful of the importance of the Dream Catcher™ brand.

A Dream Catcher™ “pilot program” is underway with the Tedrick Group (Mt. Vernon, IL) -- the *Rough Notes* April, 2013 Marketing Agency of the month. Utilizing key components of Dream Catcher™, the Tedrick Group has gained significant traction in the sale of life and related products. In 2013, in excess of 15% of the firm’s revenues were derived from these lines of business. Dream Catcher™ is the key ingredient in Tedrick’s 20% plus organic growth rate.

Death will impact you and each and every one of your clients. Is there a better time than now to become better educated about mortality and disability protection? The evaluation of the perils of death and disability and delivery of life and related products is the opportunity of a lifetime for you and your treasured clients.

About the Author

Scott Addis, CPCU, CRA, CBWA is the CEO of Beyond Insurance and is recognized as an industry leader having been named a Philadelphia finalist for *Inc. Magazine’s* “Entrepreneur of the Year” award as well as one of the “25 Most Innovative Agents in America.” Beyond Insurance is a consulting firm that offers leadership training, cultural transformation, and talent and tactical development for enlightened professionals who are looking to take their practice to the next level. Since 2007, the proven and repeatable processes of Beyond Insurance have transformed individuals and organizations as measured by enhanced organic growth, productivity, profitability, and value in the marketplace.