

## Fighting Low Commissions

How packaging the right products can save your business

- By Nichole Morford

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Selling critical illness and accident coverage is about making good on that classic insurance promise, peace of mind. In today's market, it's also about helping your business thrive. Agents who have seen their commissions drop more than 50 percent in the past year know that selling traditional health insurance as a standalone product no longer makes for a viable business model. And clients who have seen premiums skyrocket into unaffordable territory know that they often can't pay for the amount of major medical coverage they need. The solution for both clients and agents? Learning to combine the right products.

### The perfect pair

Like all great duos, high deductible health plans and supplementary policies work better together than apart: the smaller plan's strengths support the larger plan's weaknesses, and vice versa. A high-deductible health plan offers broad protection and keeps premium costs low, but leaves the door open for potentially high out-of-pocket expenses if treatment is needed. In turn, a critical illness or accident policy provides additional cash for costs related to serious injury or illness, which can help offset a high deductible.

As obvious as this partnership seems, supplementary policies have not enjoyed the popular following in the U.S. that they have in other parts of the world. This means that savvy agents have an open opportunity to introduce prospects to the great benefit these products offer.

To take full advantage of this opportunity, however, agents should start cross-selling quickly. Sales of supplemental policies have spiked in recent months, and this niche market likely won't remain niche for long. J.R. Jordan, vice president of Colorado Bankers Services, has been selling supplementary policies alongside major medical for 12 years, and says his sales have reached new heights in the past few months.

"Our critical illness and accident policies are soaring because health insurance agents are realizing that if they do not cross-sell, they will end up broke — or another agent will replace their block of business with the lowered costs and increased coverage that cross-selling provides," he said.

## **The agent advantage**

Jordan alludes to the obvious benefit for agents: selling multiple products means gaining multiple commissions. Even better, these new commissions don't face the same restrictions as commissions for traditional health products.

Jay Drucker, vice president of accident and health insurance at American General Life Companies, says that this is a great motivation for agents to add supplementary products to their portfolios.

"It's a really big issue," Drucker said. "As a result of health care reform, major medical policies now have to come in at an 80 percent loss ratio, so insurance companies have had to significantly cut back their commissions in order to still be profitable. Supplementary products are not subject to health care reform, which means that you can still get full commissions by selling policies like critical illness."

So, for agents who've seen commissions slashed — some by more than 50 percent according to ASJ's 2011 Health Insurance Market Study — packaging CI or accident insurance with a traditional health plan can bring their income up to a much higher level.

But that's not the only reward, claims Jordan. By selling these products, which work so well together, agents can truly help their clients, retain greater customer loyalty over the long-term and avoid having clients jump ship if and when rate increases are issued.

"Selling your clients a high-deductible major medical plan, a critical illness plan and an accident plan not only increases your persistency; it keeps your clients close," he explained. With this approach, clients will be more likely to understand how and why they're saving money, especially if you explain each policy in detail.

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Armed with this knowledge, clients will find it easier to see the value in their packaged plans even if premiums do go up. And with three plans placed with three different insurers, you can better protect them from facing rate increases on all three policies at once.

### **Strategy No. 1: The personal appeal**

With so many benefits for client and agent, selling these products together should be a breeze. And it can be, so long as you have a well-designed action plan in place.

In Drucker's experience, the key is to make your sales pitch personal. Most people, he said, have seen a debilitating injury or illness impact a friend or family member on some level. If you can ask them about that experience, it will help them see the value in adding the extra protection of a critical illness or accident policy.

This emotional pull will likely continue to grow as people have fewer affordable health care options to choose from. High deductible health plans cover the basics, but they also create fear that, even with coverage in place, people won't be able to afford care in an emergency.

Drucker believes that this is a key reason why supplementary products will continue to sell well.

"I think for most people, the perception is that they're healthy, but that there are still events they feel like they can't control," he said. "So, maybe you don't worry about your overall health, but you do worry that you might get hit by a car and sustain an injury, or that you might get cancer."

By addressing these fears, agents can offer their clients both physical and psychological security, making a packaged CI, accident and major medical plan a very valuable sale.

"Our feedback is that customers see the value of it greatly," he said. "And we see it too, because we see the claims. Claims come in."

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### **Strategy No. 2: The price proposition**

Supplementary policies like critical illness and accident insurance have always been Jordan's bread and butter. He built his sales pitch around what he terms the "two constants" in the insurance industry: clients like to pay the least amount of money for the greatest amount of coverage, and agents like to boost their sales as much as possible while making sure that the coverage is affordable and fully meets their

clients' needs.

"Cross-selling is the only way to make all of this happen," Jordan said. "Instead of burying your client's money in a low-deductible, high-premium major medical plan, cross-sell a high-deductible major medical plan with critical illness insurance and accident insurance. This will help protect your clients from almost every angle when done right."

From the agent's perspective, another benefit of this type of sale is that you're able to offer something to every prospect.

"We know that not everyone will qualify for major medical insurance," Jordan explained. "With most accident plans being guaranteed-issue and the better critical illness plans being simplified-issue, you always have something to sell your client, and they always have coverage when they need it the most."

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### **Strategy No. 3: The practical pitch**

Having owned a cancer plan for more than a decade, Cindy Holtzman, director of Medical Refund Services in Marietta, Ga., became familiar with the benefits of supplementary policies long before she started selling them. During the 15 years her policy's been in place, her premium costs have increased by just \$6. Today, she pays \$21 per month for \$35,000 worth of coverage.

"Since accident and critical illness policies are inexpensive, they can compliment consumers that have high deductibles or even give some peace of mind to the uninsured," Holtzman said.

Some supplementary policies can even function like mini disability policies. Many accident plans pay out benefits to the insured for ER visits and x-rays, but they will also pay if you break your arm. Even more attractively, certain policies work on a lump-sum basis, which means you are paid the money up-front to use at your discretion, whether you need it to pay for medical care, prescriptions or transportation to the hospital.

Holtzman tells all of this to prospects, hoping to demonstrate that paying a minimal amount for this level of protection is truly a win/win situation. She also makes an important distinction between critical illness and accident policies.

"Accident-only plans do not require much underwriting, but that is not always the case with critical illness policies," she explained. "The underwriting limitations and exclusions for critical illness can be almost like an individual health insurance application. So, with CI, I suggest that people get a policy while they're still young, healthy and can qualify. Then they can lock in a low premium that should stay that way."

## **Remaining relevant**

In an industry that continues to change almost overnight, cross-selling may be the best security agents have against the combined threat of lowered commissions and insurance exchanges. Because these products are outside the traditional health domain, they must be sold through an agent. And because they can save clients a significant amount of money while boosting their protection, they also demonstrate just how valuable agents are.

So, here's to the cross-sale. May it make our industry invincible far into the future.  
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