

The Large Case Design

Memorandum

Policy Service - Really?

Last time I looked we were in a service business. Our clients spend huge sums to protect their families and plan for the inevitability of death. In return they receive a policy from an insurance company that sets out (in language that's difficult to understand at best) the responsibilities of both parties to the contract.

One of the insurance company's responsibilities is to provide policy owner service so that the owner's rights to make changes to and/or surrender the policy are enforced. The carrier acknowledges their role as custodian of the funds and sets forth the circumstances under which the policy may be managed. As insurance contracts are extremely complex financial instruments it is always necessary to make changes as a client's financial, family, or tax considerations dictate.

Policy service is one of the most important things we do as agents and general agents. Many times it's the key to retaining important clients and could just as easily be the reason clients leave us. Even more importantly, proper handling of policy service shows our clients how we as an industry feel about their having entrusted us with their money. And right now none of us is feeling the love.

POS at most carriers we deal with has become an extreme embarrassment. In a world where money changes custody in a matter of seconds, where clients switch mutual funds at the click of a mouse, where banks transfer money to other banks via wire or ACH, insurance companies are making the process of moving client money as difficult as humanly possible.

To my knowledge there is no language in any insurance contract that specifically imparts to the carrier the right to obfuscate, delay or deny the client access to his or her funds. Transactions such as 1035 exchanges should be as simple as changing mutual funds. Changes in ownership should take minutes not months. Accuracy should be of paramount importance and quick turnaround should be every insurance company employee's implicit

obligation. And insurance companies should not have the right to drag their feet on changes just because they don't like them. All clients, regardless of what they want to do with their policy, should receive the same timely and respectful service.

Instead our staff spends innumerable hours fighting with obdurate, ignorant company employees who do everything possible to prevent clients from changing ownership, correctly recording beneficiary changes, obtaining important in-force policy information or surrendering their policies. This industry does a positively disgraceful job of servicing its clients and as General Agents we can tell you, this does nothing to improve the value of our franchise. Just as important, it does nothing to help connect clients to our industry.

As a result of the banking industry's arrogant mismanagement of risk the American consumer now holds the entire financial services business in low regard. Whether or not it's justified, the insurance industry gets painted with the same negative brush as investment banks. Let's face it, AIG did not help us.

It's bad enough that our clients have to concern themselves with the financial health of the carriers without compounding the problem by treating their requests to educate them about the workings of their policies, make beneficiary changes, or exchanges as pleasant as a trip to the proctologist.

Policy owner service has become the homeland security division of insurance carriers. Every employee is on orange alert for clients that might want to actually manage their assets in the way they see fit. Want to exchange your policy to another carrier? Get ready to present your ID, show your liquids in a plastic bag and bend over for closer inspection.

Since when do the companies have the right to treat policy owners this way? Some of our carriers take 21 days or more just to produce an in-force ledger. This is the most basic service a company can provide. All of them are capable of providing internet

based software to GA's for in-force re-illustration, but very few of them do. Most relegate in-force requests to a small group of overworked, under-motivated and probably underpaid employees who couldn't care less about the client's needs. These are time sensitive requests that speak to the very validity of the intangible products we sell. Why aren't we angrier about this?

Without exception we have made this point to our company representatives who tell us that policy service does not increase their bottom line or stock price. Therefore, it is the lowest priority and it shows. This ignorant attitude towards customer's needs speaks volumes about the industry as a whole and serves to validate all of the negative feelings clients have towards financial services companies.

What the carriers are saying, implicitly, is that they will gladly sell you the Bentley at full retail but they won't service it.

As an MGA we are appalled by this lack of interest in servicing our customers. When you purchase an expensive product, regardless of the type, you expect the manufacturer to stand behind it and provide top notch service. If you don't receive the level of service you feel is commensurate with the value of the product you should not reward that manufacturer by buying from them again.

When we owned a Mercedes and the local dealer refused to service it in a timely manner because we hadn't purchased it from him, we stopped buying Mercedes. We will never go back.

That's how we feel about policy service. Many of our clients pay exponentially more than the cost of a Mercedes and we can't get them simple in-force ledgers in a timely or accurate manner. Client's who choose to switch to another carrier and are tortured by the incumbent company's 1035 unit should choose never to do business with that carrier again.

As agents we have a responsibility to provide support for the products we sell, often for decades to come. We are not properly compensated for the level of aggravation we will endure over the years due to policy service obfuscation and ignorance. In any other industry a company that treated clients this poorly would be dust.

We at CPI intend to make this an issue with all the carriers we represent. It's about time these companies acknowledge their responsibility to act professionally, ethically and responsibly towards our clients.

- Ron Sussman, CEO

The opinions expressed in this memorandum are those of the author and are intended to provoke discussion and positive change within the industry.

At CPI Companies we understand the complexities and demanding nature of the large case life market.

**Allow us to assist you with your next important case.
Contact us at 800-732-8062 or 856-874-1250**

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