

NIDA News

Serving the National Agent Community for 47 Years!
August 2004

Hrd This...

Crisis in the Insurance Industry



Michael Hrdlicka - President

A true crisis is brewing in our industry. A crisis brought on by low crediting rates on in-force universal life policies. The situation is also fueled by the minimum premiums that have been sold so consistently over the past twenty years.

Conceptually, original UL was fine for its time and for the needs, and age, of consumers. It promised protection and cash build up that was competitive with other financial products. Now, though, as policyholders grow older, and their UL policies march toward their lapse dates, policyholders have virtually no choice but to search for other vehicles. Ironically, they are in search of products that last their “whole life.”

Original UL suffered when interest rates dropped beginning in the early 90s. Because ULs were tied to the marketplace two things happened. One, the product began to fall painfully short of the lavish and often outrageous illustrations of future earnings that buyers had been shown. Two, UL sales plummeted. Between the peak of sales in 1986 and 1995, the number of UL policies sold dropped by 40 percent.

Internal mortality charges have been raised in many cases, because earnings have dropped and companies are trying anything to make a profit.

The promised “corridor of cash value” that would have paid the premiums itself has not materialized (it was sold as “vanishing premium,” for those who remember those days).

Many policyholders now face a situation where continuing to pay their current premiums will result in exactly the opposite. Rather than the policy paying the premiums out of its growth and thereby effectively extending itself, the policy will lapse itself out of existence in a few years. It isn’t earning the internal return that was illustrated, and not creating enough cash value to pay the premiums. They must now pay above target to keep it alive. This is NOT what they bargained for.

Today’s marketplace needs a product with a robust financial structure, a realistic rate schedule and shelf life that extends past current mortality tables.

Voilà! The new UL, Guaranteed UL, “guaranteed to age 100.” Built on an efficient universal life superstructure, these guaranteed products could reduce annual premiums up to 60 percent, when compared to traditional whole life. We all have seen the illustrations featuring low guaranteed premiums with extended guaranteed death benefits to age 100. This comes as a result of new mortality pricing breakthroughs based on advances in biotechnology, behavior modification and applied sciences.

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Crisis in the Insurance Industry

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The old mortality designs of traditional whole life and interest sensitive whole life were, according to one expert, “so antiquated in comparison to the new mortality technology of guaranteed universal life that they should have been mothballed for the mortality museum by year 2000.”

In the fourth quarter of 2002 alone, individualized annualized UL premium grew by 46 percent compared to the previous year’s fourth quarter. Many of the new ULs look a lot like original ULs with one key difference: they have been built and are being marketed to put the emphasis on guarantees and predictability, not flex premiums or liquidity.

Many of the policies have been constructed to attract rollover business from older ULs that may be close to blowing up, or from 1035 exchanges.

These policies aim to meet market demand for life

insurance that will not lapse, but that is significantly cheaper than traditional whole life.

Many of today’s consumers want death protection at older ages, not forced cash savings. This is especially so in estate planning scenarios. Term insurance won’t work for that, not even a 30-year level premium, because after the period is up the coverage goes away, or it costs so much the owner can’t afford it.

There are a number of life insurance needs that require lifetime guarantees: Estate Planning (proceeds pay for expenses that occur at death), Estate Redistribution (death benefit helps estate to more evenly distribute a business owner’s death benefit), Debt Repayment (debt must be paid at death), Pension Maximization (death benefit helps protect the surviving spouse’s income from the pensioner’s untimely death), Charitable Giving (charity receives death benefit when donor dies), Wealth Replacement (death benefit replaces value of donated assets when donor dies).

Sales Tip –

Ben J., Aurora, CO.

Remember to ask for referrals

Ask for referrals? What’s new there? Isn’t that “back to the beginning”? Yes, we suppose it is. But even the most veteran agents among us will say that slumping sales can sometimes be attributed to getting away from the basics that brought us success in the first place.

Often, it seems we’re timid about asking for referrals. If not timid, at least hesitant. Why? If we’ve done our job correctly, our clients, having just signed an app, should be thinking they’ve taken a wise and financially sound action. They should be justifiably proud of themselves. What’s more, they should be seeing us as thorough professionals, which says something about them. Why wouldn’t they want their friends, family and associates to know that they have surrounded themselves with professionals, like you!

So ask, already. Especially if the sale has involved Return of Premium. It’s about using the Four Magic Words we’ve all heard about for so long: “Will you help me?”

Once they say yes, you can move along, asking...“Do you know any friends like yourself, forward-thinking individuals? You know, people who want reasonably priced life insurance ... but would appreciate the idea of getting all their premium back in a given number of years?”

Typically, their response may involve that they are not aware of others’ insurance situation, what they own, how much they own, what kind of policies they own. At that point, rely on Return of Premium as an innovation.

“The concept of Return of Premium is very, very new...and is not in the hands of many people. How about your family...I’m sure there’s someone who’d be glad they learned how to get what they need at such a low net cost?”

If you believe the product works, they believe it works...and they’ll be more likely to help.

And, remember, don’t let those referrals go cold. Contact them within 48 hours or less. There is a reason--conscious or unconscious--that your client thought of those names. For some reason they sensed a need. So don’t forget to ask!

Judd England



Judd England - Marketing Director

His Space is a Popular Place

Need an indication of how rapidly NIDA Marketing is growing?

Marketing Director Judd England's office is one of the busiest and most visited places at NIDA.

It isn't simply that Judd is NIDA's veteran-in-residence, having entered the life insurance business after his stint in the U.S. Army at Ft. Hood, Texas in 1968...or that he was a general agent for several years before becoming a regional manager for a major carrier in the 70's.

It's not any of those things.

And it's not that in the late 70's this Minneapolis native became affiliated with NIDA Marketing through operating his own agency...even before President Mike Hrdlicka came on board with NIDA founder Dave Aronson.

It isn't that he became a Marketing Director at NIDA in the early 80's and now has approximately 600 active agents under contract, or that he is having, by his own admission, "the best year" of his career, "in terms of building something that will last."

It's not even to talk about hunting and fishing, though it could be because he loves them both. Neither is it to discuss his upcoming wedding in late September, nor to ask about the new home he's building in Zimmerman, a fast growing community on the far northern edge of the Twin Cities metro area.

And, despite what you might think, it isn't because his co-workers are hoping to score free lift tickets due to his being on the Board of Directors at Whitecap Ski Area in northern Wisconsin, where his family has had a family vacation home for decades.

Those all are good reasons - **GREAT** reasons - to make Judd's office so popular.

But because NIDA is growing so dramatically and so quickly, and because our expanded space isn't ready yet...it's that his office is where we've had to put the refrigerator.

New UHL State Approvals...

UHL products are now available in West Virginia. The products available are the Express Issue Term Plus, Premier 20, Express Issue Term 30, Terminal Illness Rider and the Child Rider.

Oklahoma and Georgia have also approved the Express Issue Term 30.

All product availability updates can be found on the UHL website by going to www.unitedhomelife.com

Got a Sales Tip?

This issue we begin a new feature, "Sales Tips." Yes, that may sound basic, maybe even corny, but the fact is that in this business we should always be looking for ideas to help drive sales. We think we can learn from each other. The idea for this feature—and this issue's Sales Tip—came as a result of a conversation with Ben J. of Aurora, Colorado. It appears on page 2.

If you have a tip, something that's worked for you, send it to us via mail or e-mail. If we use it in NIDA News, we'll send you a beautiful leather portfolio. Ben J. already has his.

Thanks to You, NIDA on Pace for Record Sales



During a 16-month period that ended earlier this year, NIDA Marketing Group's written premium was up just over 200 percent. Now it appears things are getting even *better*. In fact, if sales continue at their current rate, NIDA Marketing will break all previous sales records and may double in size in the year 2004.

That means we're doing something right, and that you—our agents—are doing something right, too. We believe we cannot thank you enough or thank you too many times. We appreciate that you value the products and companies we have found and the service that we provide you.

Keep up the good work. Together we will continue to provide the public with the finest in insurance solutions and together we will prosper. Thank you again!

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