

Critical Questions for Clients to Ask

In these unprecedented economic times, much has been said about assessing the status of investment portfolios and adjusting accordingly. Life insurance portfolios, which have received less attention, are no less important.

As nice as it would be to think that a client could buy a life insurance policy and simply forget about it for the next several decades, this simply is not a reality. The illustration presented when a life insurance policy is purchased represents a projection based on assumptions. What really matters is how the policy performs over time – in good economic times and in bad.

Life insurance advisors continue to play an integral role in the assessment process, and in light of the challenges of the current cycle, it is critical to work with advisors who understand the dynamic marketplace, have a track record of successfully advocating on behalf of their clients and can deliver meaningful differentiation for families.

The following is a set of questions designed to help families evaluate life insurance advisors and find the right fit for their specific needs and objectives.

How does the advisor represent the clients' interest?

An advisor should be an advocate for clients – not an insurance carrier – with interests aligned appropriately. Advisors should have the demonstrated experience and ability to proactively work with various insurance carriers to present solutions that are in the best interests of clients.

For example, if an advisor only has access to one carrier's products, it is impractical that this one carrier will always offer the best product for the client's plan – and difficult for the advisor to truly advocate on the client's behalf.

Does the advisor have a solid business structure?

A life insurance advisory firm should welcome the opportunity for potential clients and their attorneys and other advisors to examine its business model, including an onsite evaluation.

A visit will allow for an assessment of the depth and breadth of services provided by the firm. Clients should be presented with the opportunity to meet with the manager of each department, including underwriting, planning and client service. Clients should feel secure that the insurance advisory firm has considered its own long-term viability by developing a formal and sound continuity plan.

What is the advisor's market focus?

It is important to choose an advisor that has extensive experience providing solutions for situations similar to those of other affluent families.

Ultra-high net worth families have unique challenges, and family offices present unique circumstances for planning. Typically, a number of professionals will be involved in the effective placement of life insurance plans. The advisor/advisory firm should have a successful history of dealing with multiple client advisors, including attorneys, accountants and the family's representatives.

Does the firm have advanced planning capabilities?

Life insurance planning for ultra-high net worth families requires both expertise and time from professionals with appropriate experience in both the insurance industry and the estate planning arena. It is important for these professionals to have a comprehensive understanding of the client's objectives. It also is important for the firm to have a depth of internal resources to allocate to client needs – well beyond the client relationship contact.

Many of the techniques used in the estate planning process are very sophisticated, and it is imperative for families to be serviced by professionals with advanced degrees, industry designations, relevant experience and a history of success.

Is the advisor able to offer propriety products that are focused on the ultra-affluent community?

When it comes to statistical experience, ultra-high net worth families who purchase life insurance generally share some common characteristics, including superior mortality and persistency. Stated differently, family members tend to live, and have the means to maintain their life insurance policies, longer than the general population.

Through strong carrier relationships and an ability to segregate this superior experience, carriers can create proprietary products with better pricing and in-force management, which can significantly improve a policy's performance over time.

Can the advisor influence insurance carriers?

It is a misperception that life insurance is a commodity. Insurance carriers do have guidelines to follow when placing a large insurance policy; however, when issuing a policy, carriers also have some flexibility on many decisions.

An experienced and well-respected advisor can influence the carriers on behalf of clients. This influence is supported by the firm's history of quality business, strength of client and advisor relationships, and ability to service the business after it is placed. To effectively advocate on behalf of clients – and achieve favorable outcomes – the advisor should have access to the executive management teams of multiple carriers.

How can the advisor's policy management philosophy favorably benefit the client?

The placement of an insurance policy should not end the representation by the advisor. In fact, it should be the beginning of a long-standing relationship. Advisors should provide periodic in-force illustration reviews.

If a sophisticated planning technique was utilized, analysis should be performed on a regular basis to ensure the original design continues to be viable. And if changes are appropriate, the advisor should be able to make adjustments that preserve the ability of the client to meet objectives going forward.

What is the advisor's representation in the estate and business planning community?

Advocacy extends beyond the work an advisor does directly with a client. Top advisors should represent their firm and the industry through active participation in both local and national associations committed to preserving clients' ability to plan with certainty. The Association of Advanced Life Underwriting, for example, is an organization of select insurance advisors. Its mission is to promote, preserve and protect advanced life insurance planning for the benefit of its members, their clients, the industry and the general public.

Leading insurance advisors also influence tax legislation by cultivating strong relationships with leaders in Washington D.C, serving on committees and testifying before Congress on the potential consequences of proposed legislation for life insurance, and proactively providing ideas and insight to shape legislation that affects clients.

If you have any questions or comments, please contact Peter Fleming at 770.956.1800 or pflaming@nlec.com.