

Are We Selling the Right Life Products?



Steve Shorrock

Death Benefit Becomes Secondary to Living Benefits as the Insured Ages.

By Steve Shorrock, ChFC, CLTC, FLMI

Over the last few years, life insurance sales have been down, with most sales in term products. Guaranteed Death Benefit Universal Life products have also been active, but slowly we are seeing more companies either pull or re-price these no-lapse guarantee products. Not only are the sales of life products on the decline but also the termination of existing life policies is alarming. Items:

- 9.3 million life insurance policies were either lapsed or surrendered in 2008. This activity represents 7.2% of all life policies.
- 88% of all Universal Life and 83% of all term policies never pay a death claim. For seniors age 65+, only 25% of all UL policies are held long enough for a death benefit to be paid.
- \$11.7 billion of Death Benefit was sold to a third party investor as a life settlement for unwanted or unneeded life policies in 2008.

We then must ask: *Are we selling the right life products?* Are the life products being designed today meeting the current and long-term needs of policy holders? The above statistics say no!

Other factors must also be looked at as the population ages and the need for living benefits explodes:

- The life expectancy of a 70-year-old male in good health is 18.5 years and 20.5 years for a healthy 70-year-old female.
- The US population continues to age as individuals over age 65 will more than double and those 85 and over more than triple by mid-century.
- One out of two seniors will require some form of long-term care in their lifetime.

Life product designs today must incorporate more than just providing death benefit. There is a reason that it's not called death insurance. The need for a death benefit becomes secondary to the need for living benefits as the insured ages, plus many people tend to value policies with living benefits over death benefit policies only. Providing the ability to access the death benefit as living benefits for critical, chronic and terminal illness is needed in all life insurance products.

The good news is that some recent product designs are beginning to understand these product trends and are bringing innovation to the marketplace. One of these new and innovative designs is the **Life for the Living™** concept being marketed by the LifeVentures Producers Group. This concept provides both a death benefit and the ability to accelerate the death benefit as living benefits all in one policy.

Continuing to evolve will be new life product innovation that provides multi-dimensional lifetime coverage and pays the benefit when the insured needs it most.

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