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As I contemplate the challenges and opportunities for brokers this new year, I'm reminded of John F. Kennedy's words: "Change is the law of life. And those who look only to the past or present are certain to miss the future."<sup>1</sup>

Change isn't just the law of life; it's the law of business. Change has wrought colossal challenges for the traditional agency model, but I believe 2015 holds abundant potential for brokers who embrace change and implement strategies to transform their operations into an optimally balanced mix of service and business development activity, while leveraging innovative products from deeply experienced, strong and committed carriers to meet client needs.

Consider the changes that demand response, whether resulting from regulatory adjustments and related costs, flux in the general economic climate, evolving consumer and company needs, or contraction in the pool of professionals who primarily sell life insurance. Regarding the latter challenge, an October 2014 LIMRA report relays that life products made up only 43 percent of first-year agent commissions in 2012, a dramatic shift from 1990, when life sales represented 80 percent of first-year commissions.<sup>2</sup>

As our industry centers on meeting client needs for retirement as well as protection, it's understandable that many traditional life insurance brokers are morphing into financial advisory roles and offering more products as well as integrated services.

I believe the diversification of broker capabilities has the potential to benefit consumers as well as agents, yet the need for life insurance solutions remains critical. I also understand that it's easier for some professionals to talk to people about investments than about life insurance. However, if the call to action from carriers sounds like "We don't care what you sell; just sell!" it's no surprise that life insurance ownership remains low. Total policy count for 2014, through September, was down 3 percent year-to-date compared to the same period in 2013, according to LIMRA's most recent U.S. Retail Individual Life Insurance Sales report.<sup>3</sup>

In a challenging environment, it's easy to become reactive rather than proactive, but some agency groups are taking steps to redefine themselves. They are reorienting their businesses in various ways, including how they market, and some have been able to broaden their reach. Sadly, other brokers may relay that they are just trying to do what they have always done, but more of it.

Doing the same things repeatedly, expecting different results, doesn't bode well for success. From what I've witnessed, the agencies transforming most successfully are the ones retooling from a primarily "service agency" role to a more balanced mix of service and business development activity.

Further, delivering the right product mix is key to effective marketing. Brokers today tell us they appreciate having access to a broad, competitive product portfolio, with the innovation, flexibility and value that can meet the evolving needs of American families and businesses.

To that end, one-dimensional products don't have to be go-to tools

anymore. For example, the modern breed of universal life insurance, an "asset protector" solution, incorporates a death benefit with *both* a longevity rider and a chronic illness accelerated benefit rider, and is designed to meet clients' needs whether they die too soon, live too long (outlive income), or become seriously ill along the way. Be sure, of course, to inform clients at the outset of planning to seek independent tax or legal advice when considering their own circumstances.

In an era when consumers need their dollars to multi-task, bundled products like the asset protector solution have the potential to meet clients' varying needs. Furthermore, these products also meet broker needs when it comes to business transformation, as the industry and consumers alike grasp a stronger understanding of "life insurance you don't have to die to use."

Product innovation, however, is not reflected solely in solutions designed to address more types of contingencies than other contracts for a specific price. Brokers might also be well served by reviewing emerging solutions that offer lower cost than traditional life products and yet have similar features.

Consider indexed universal life (IUL) insurance. This product, I believe, represents another opportunity for brokers intent on meeting business goals as well as customer needs. Industry stats indicate consumers are gravitating toward IUL's combination of affordable cost, death benefit protection and potential for cash accumulation.

Indeed, IUL premium grew 20 percent from January through September 2014, compared to the same period in 2013, according to the preliminary results from LIMRA. As the organization's president and CEO, Bob Kerzner, shared, "For the first time IUL now represents the majority of UL premium, at 51 percent, and in fact now represents 20 percent of all individual life premium."<sup>4</sup>

Brokers who can offer innovation in the form of low-cost IUL and affordable multi-purpose solutions may find themselves positioned favorably with the vastly underserved middle market. The ability to deliver value to people who have fewer discretionary dollars has the potential to translate to a powerful business advantage.

I believe compelling opportunities also exist in the millennial, multicultural and women's markets. To position for business development, it's key to research the unique needs of each niche and the solutions that may resonate most clearly. For example, America's burgeoning population of Asians has indicated an affinity for cash-value products—solutions that offer utility beyond that of a traditional death benefit.<sup>5</sup> That's another reason why, from my perspective, fully reviewing newer life insurance concepts and offerings is so crucial.

It's also vital to align with a carrier dedicated to supporting brokers who seek to balance their approach to clients and carve out niches as trusted protection and retirement advisors. Through change and challenge, this year and beyond, AIG is committed to leveraging its size, scope, innovation and expertise to help distribution partners thrive and be their—and their clients'—most valued provider of life insurance and retirement products. [JD]

**Footnotes:**

1. John F. Kennedy: "Address in the Assembly Hall at the Paulskirche in Frankfurt," June 25, 1963. Online by Gerhard Peters and John T. Woolley, The American Presidency Project, <http://www.presidency.ucsb.edu/ws/?pid=9303>
2. Kathleen Krozel: "Executive Summary—U.S.

Agency-Building Distribution System Costs Study," LIMRA, Oct. 2014. (Note: URL not supplied, as it is accessible only to registered users of the LIMRA website.)

3. "LIMRA's U.S. Retail Individual Life Insurance Sales (2014, 3rd Quarter)"
4. "LIMRA's Fourth Quarter 2014 Industry

Briefing with Bob Kerzner," LIMRA, Nov. 18, 2014, <http://av.limra.com/teleconferences/kerzner-2014-4>

5. Bob Kerzner: "Connecting to Today's Consumers Requires Innovation and New Approaches," LIMRA Annual Conference Speech, Oct. 27, 2014, <http://www.limra.com>

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channels, including brokerage general agencies, national insurance marketing organizations, financial institutions and independent broker/dealers to help them meet business objectives and provide solutions for the needs of American families and businesses. Previously, Deremo served with Protective Life Corporation in a number of roles,

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