



Andrew W. King

President,
Branch Office Marketing Division

We're not talking about the Hollywood version with Keanu Reeves. But the concept's the same. What you do in the quality of each decision you make each and every day has a profound effect, not only on your income, but on that of those around you.

Apply that concept to your individual sales production. Make a single adjustment in even one area of quality and that change will impact your entire projection of estimated compensation for this year - and those long afterward.

Managing quality presentations in your quantity of production has always been the key to generating income, but some Agents and managers really do miss the advantages of analyzing what they do in "working smart". In terms of production, you should always strive for a well-rounded mix of business: 40% Med-Supp, 40% Underage, and 20% Life. A quality balance in your mix of business not only stabilizes your persistency within a home, but also increases referred production in making you "THE" Agent who can address several coverage issues for their family and friends. Agents, who place several product lines in one home, soon find themselves referred to many others whenever their happy customers hear someone else mention the word "insurance". Make sense? Keeping customers happy who have several products will not only cause them to keep their coverage, but will also cause them to advertise for your services too. Excellence in service helps accomplish this, but in order to make your entire portfolio work best for you, customers must have knowledge of the range of products you offer. The best way for that to occur is to address multiple needs through offering multiple products in every home. Reviewing the range of products you offer in each sale will assist your customers in knowing what services they can advertise for you. So there is a two-fold benefit to presenting several products: making more direct sales while there, and making more sales indirectly through referrals.

Quality also adds tens of thousands of dollars directly to your paycheck. Growth of your business means growth of income through growth of production, but with an improvement in quality too. Quality manifests itself in managing five critical areas: **Production Growth, Cancellations/Declines, Lapses, Proper Modes of Business Written, and Mix of Business.** Let's use UA's new *Income Estimator* to demonstrate in almighty dollars how attending to these five areas of quality impact your paycheck.

1. Quality Income in Maximizing Production Growth:

Incrementally getting a little better at a time generates superb income growth over time. Using the well-rounded product mix example above with average persistency, Agent A starts with a monthly collected premium of \$500 (i.e. \$6,000 AP), plus a production increase of 2% per week. Agent B starts with the same

The "Matrix" of Quality and Quantity: Are You Starring in an "A" Movie or "B" Movie?

monthly premium of \$500, but remains level with no weekly production increase. All other factors, such as sales distribution, cancellation/declines, premium modes and lapse rates are equal for both Agents. At the end of one year, Agent A's monthly income is almost three times that of Agent B: estimated annualized 12th month earnings for Agent A is \$143,089; Agent B's estimated annualized earnings would only be \$52,718.

Even if Agent A's production increased by only \$20 per week, Agent A's 12th month annualized earnings would be \$107,392 higher than Agent B's income from level production by the end of a year! Even if the rate of weekly production increased by only \$10 per week of submitted collected monthly premium, Agent A's 12th month annualized earnings estimate would still be nearly 102% higher than Agent B's flat production income of \$52,718 – *that's right \$53,415 more, for a total of \$106,133.*

2. Quality Income in Minimizing Submitted Business:

Cancellations/Declines: Whether a decline due to incomplete information or a cancellation by the customer, they both mean the same thing to your paycheck – a chargeback. So, you must focus upon reducing both. Avoid declines by always submitting quality applications. Make sure all applications and accompanying forms are properly and completely filled in. Take a few minutes to review the form before you leave the customer's home; as examples, make sure the doctor's complete name and phone number is there; names and ages are correct; all signatures are completed; and all other information is fully recorded for successful underwriting. The other extremely important factor is physically reviewing the policy in detail with the customer after issue. This review is the most important function you can do to minimize cancellations; in so doing you are there to be sure they fully understand their coverage – reading the policy from front to back and answering questions while you are there overcomes the potential for misunderstandings since customers are not trained to read policies. Now, let's compare Agents A and B again. Each has \$500 monthly premium, both have a 2% weekly production increase, but A has a cancel/decline rate of 9% in all product lines and Agent B a cancel/decline rate of 23% in all lines. All their other quality and production factors are equal. *Just from reducing the cancellation/decline rate, at the end of twelve months Agent A's annualized 12th month estimate is \$35,224 more in income than Agent B, with all other factors remaining constant.*

Continued on page 13

3. Quality Income in Minimizing 4th and 13th month Lapses:

The best way to avoid lapses is to provide outstanding customer service. Provide reassurance to your policyholders; let them know you're always there for them, and they won't have second thoughts or look elsewhere. Make those "just because I care" calls once per quarter. Again, consider Agents A and B. Both have the same monthly premium of \$500, 2% weekly production increase, same sales distributions, but in addition to the better decline/cancellation rate, Agent A has an 8% overall 4th month lapse rate with a 13th month lapse of 19%. Agent B has a 23% overall 4th month lapse and 13th month lapse of 35%. Agent A comes out on top again with \$48,660 more in 12th month annualized income at the end of one year, at \$201,118.

4. Quality Income in Maximizing Monthly Bank Draft & Annual Modes vs. Monthly, Quarterly and Semi-Annual Direct Bills:

One of the surest ways to keep business of any type in force is to write monthly bank draft (MBD) and Annual modes, instead of Monthly, Quarterly and Semi-annual Direct Bills. MBD is a proven method which results in far fewer lapses in greater persistency for higher in force premium income. Automatic MBD does not require a customer to decide whether or not a check should be written, because with a MBD they don't have to think about it. Best of all, they don't forget to write a check that could leave them unprotected in the event of an illness or accident. Annual Premiums also have great persistency, especially if a request is made to renew the premium in the 13th month on a MBD; this guarantees the customer no rate increase for the first year, with more collected premium for the agent. As opposed to these, lapse rates on Monthly Direct, Quarterly Direct, and Semi-annual direct are much higher. To illustrate the differences in income from modal persistency, we will take Agent A, Agent B, and Agent C; all write \$500 in monthly collected premiums per week, and all write all product lines in the mix previously stated; in this case the only difference is that Agent A writes 100% Annual Mode; Agent B writes 100% MBD Mode; and Agent C writes 100% Monthly Direct, Quarterly Direct, and Semi-Annual Direct Bills.

12th Month Net Annualized Income Estimate by Modal Premium

	Mode(s) Written	Level Production	1% increase per week	2% increase per week
Agent C	100% MD, Q, SA	\$43,907	\$58,960	\$80,703
Agent B	100% MBD	\$53,174	\$88,064	\$144,272
Agent A	100% ANNUAL	\$53,255	\$94,912	\$164,227

Why would anyone cut their income by writing Semi-annual, Quarterly or Monthly Direct modes? With all other factors remaining constant, as seen above writing MBD and Annual Modes can increase an Agent's income by as much as double what it might be on less persistent modes.

5. Quality Income in Your Mix of Business: The percentage of production written within a particular line of products has a major impact on earnings for any Agent, Unit Manager or Branch Manager. We will use the Income Estimator to demonstrate the potential differences. Let's show 12th month estimated annualized incomes if 100% of the production was in any one of three lines: Other Health, Medicare Supplement or Life, again using \$500 of monthly collected production per week, level production and production increasing at 1% or 2% per week, and using average company persistency within each product line. Remember, there are different commission rates too; however, dollars of submitted weekly production are identical.

12th Month Net Annualized Income Estimate by Line of Business

Agent's Business	Level Production	1% increase per week	2% increase per week
100% Other Health	\$36,052	\$59,529	\$97,466
100% Med-Supp	\$43,218	\$71,633	\$117,438
100% Life	\$105,053	\$174,144	\$285,634

Need I say more?

Shouldn't everyone have some mix of production from Med-Supp, Other Health and Life within their weekly product offerings? As one example, how much extra income would you add to your present earnings if only even 20% of your production came from Life insurance? Customers will purchase it from someone who actually presents it - why not you?

The numbers don't lie, so don't lie to yourself - why not work smart?

As you see, there are many important factors in your success as a United American Branch Office Division Agent. First, in increasing your weekly production, even by a small amount each week, it can produce fantastic income results over the next twelve months. As shown, you will yield optimum income results by keeping your Cancel/Decline rate under 10%, your 4th month Lapse rate under 10%, and your 13th month Lapse rate under 20%. Don't forget the value of collecting premiums via monthly bank drafts (MBD). And lastly, you have also seen that writing a mix of different business types yields much higher ultimate paychecks.

Ask your Branch Manager to review UA's new Income Estimator to help you estimate your income based on all of the factors above. Unit Managers and Branch Managers will also find that the Income Estimator makes a great recruiting tool for Agents and Unit Managers. Even plugging in conservative numbers helps prospective Agents realize this is a great way to make a living! You are missing the boat if you haven't yet taken the time to explore this exciting new tool. All Agents and Unit Managers should make an appointment to sit down individually with their Branch Manager and review various quality and production scenarios. Enter your own personal figures: your production pattern (flat or increasing), cancellations/decline percentages, percentage of MBD written, and percentage of business written by product line. You'll be amazed at what you'll discover. Agents desiring an appointment to Unit Manager will enjoy seeing the extra income potentials from overrides. Unit Managers who want to see estimated incomes for a Branch Manager's position will also be astonished at that position's excellent potential. This amazing experience is now available on UAOnline for you and your manager's interactive viewing pleasure! Just ask your Branch Manager to set aside a 30 minute appointment for a personal review of what direction your estimated income may be headed based on your own personal production and persistency figures. Any Agent or Unit Manager will find the Income Estimator to be an eye-popping surprise, depending upon what results you are presently generating, and what income goals you wish to achieve - all from simply working smarter. Be sure that your manager specifically shares your own personal decline/cancellation rate, 4th month lapse rate, and 13th month lapse rate, so you can accurately examine your future scenarios. You and your banker will surely be glad. We all get paid very well to pay attention to QUALITY.

Use your branch's Income Estimator weekly to focus on keeping your "Income Matrix" improving each week. That way, you can be a smart "A" Star Oscar-winning Agent.