



Andrew W. King
President,
Branch Office Marketing Division

Adding the “Perfect” Market

Great News! More HMO plans will withdraw from Medicare+Choice in 2003, affecting thousands of Seniors. Disenrollees will receive a letter from their withdrawing plans sometime in September. This letter will outline remaining coverage options for Seniors, including Medigap insurance. This is the perfect “in” for UA Agents to present our Medicare Supplement plans!

If you were going to design the “perfect market”, what would its description entail? Would it be one where demand for your product was tremendous, but the product itself was difficult to find? Would it be one where your products were by far among the most affordable options? Would it be a market where your product was uniquely suited to the customer, had the potential for a long-term retention rate, and provided a consistent revenue stream? Well, you are in for some good news because at UA it's possible the perfect market exists! UA's best underage prospects are those who are uninsured and want coverage, but can't find it. Even when they do, they can't afford it through competitors – now or later.

Tremendously desired, difficult to find. It is no secret that individuals who work for small employers struggle to find health coverage. Even if they do manage to find a company offering individual or small business health insurance, often the premiums are exorbitant and/or the benefits thread-bare. In fact, the National Association for the Self-Employed (NASE) reported in June of 2002 that nearly 70 percent of America's smallest employers (those with five employees or less) do not offer health coverage to their employees. A Kaiser/HET survey reported that in 2001 almost 65 percent of firms with less than 200 employees did not offer health coverage. While UA is not a group insurer, a huge, certifiable vacuum exists amongst these small business workers, and the demand is real. These hard-working uninsured Americans desperately want affordable, individual coverage.

By far one of the most affordable options. In the same report mentioned above, the NASE stated that most small

businesses do not offer health coverage primarily because of cost. According to the Health Insurance Association of America (HIAA), the number one concern among working Americans is the high cost of medical care. Closely following is their concern of losing health insurance and other benefits due to a job change. UA's individual underage health policies offer basic and supplemental protection at an affordable price to individuals with these concerns. What enables UA to offer individual coverage at an affordable premium is our “scheduled benefit” series of plans. The customer can choose from a smorgasbord of policy plans and benefits which tailor coverage and price to the customers' needs and financial suitability. By allowing the flexibility to choose benefits, policyholders pay for only the benefits they need or want, which allows an affordable price. If our customers find it necessary to lower benefits or reduce their number of plans to adjust costs, that is an option too. This flexibility in allowing a customer to manage benefits may not be an option in other plans that respond “all or none” to a customers' cost concerns. Enrolling in Partners is also a cost-efficient way customers can save even more!

Guaranteed Renewable coverage is extremely important, and its importance is rapidly increasing. Our policies are guaranteed renewable, meaning they will never be canceled so long as premiums are paid on time. With so many plans reducing benefits or canceling plans, it is now more important than ever for prospects to carry one or more of UA's guaranteed renewable plans in addition to their present coverage. As always, our policyholders enjoy the freedom to choose their own doctors and providers. We all realize that having a plan to present to a hospital can help speed available treatment. According to the Commonwealth Fund Task Force, an uninsured person has nearly twice the difficulty in accessing medical treatment as does the general population. **Everyone should carry at least one guaranteed renewable plan, even if they already have coverage provided through their employer.**

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Adding the Perfect Market (cont.)

Long-term return, consistent revenue stream. There are a lot of incentives for the Agent in terms of commission. For example, if an Agent sold a GSP, SMXC, SSXC, RT85, Cancer and Accident plan to a typical 42-year-old male, the monthly premium would only be \$214, but the Agent advance would be \$475.50 up front! Now, let's look at total first year commissions, which average well more than 30% annually, on the five individual health plans in this six-product mix: $\$174 \times 12 \text{ months} = \$2,088 \times 30\%$ 1st year commission = \$626.40. Now add in the RT-85 premium: $\$40 \times 12 \text{ months} = \$480 \times 75\%$ 1st year commission = \$360, which brings the total first year commissions up to \$986.40. Not bad so far, but there's more! What if this applicant had a spouse and children to cover as well? The annual commissions could then well exceed \$2,000 per individual family! If an Agent sold to only four families of varying ages each week, the first year commissions alone could exceed \$8,000 to \$10,000 per week. A consistent producer who takes the "lid" off of his thinking could literally add \$350,000 to \$500,000 of income annually — figures which are mind-blowing for some Agents, but not for those who take off their lid and expand their dreams.

Realizing the Long Term Care Advantage. But wait...what about adding individual Long Term Care policies to the underage product mix? Those who confine themselves to selling LTC policies only to Seniors are really missing the boat. As an analogy, if a person selling fire insurance were to wait outside the fire station for the bell to ring and if he could get to the burning houses first, he would sell virtually every one of these unfortunate souls a fire insurance policy. But, how many would be accepted by underwriting? The same is true of limiting yourself to selling only Seniors LTC policies — to some degree, the fire has already begun here too so heavier underwriting is justifiable. However, you can take advantage of trends in the underage LTC market. The cost of Long Term Care is the fourth leading concern among 66% of working Americans, according to HIAA. The Boomer generation is well-aware of LTC costs due to dealing with their elderly parents. While working Boomers may not want to burden their children with the cost of LTC, they know the financial devastation for the spouse of a confined person. Boomers themselves are at risk of abject poverty in retirement and know it! Besides that, we all know that a large number of people who are confined in nursing homes are under 65 years of age, due to accidents and sickness. Due to the relative health of people under 65 to Seniors, nearly

all of these inexpensive, lower-age LTC policies will fly through the issue process very quickly. Add these to the product portfolios that you and your customers design. The customers receive valuable coverage, and your potential commissions rise dramatically.

Set up annual benefit reviews to add sales each year. Adding the Cancer, RT85 and LTC policies to the portfolio of individual product presentations also creates additional selling opportunities in the future. Let's say that you initially sold a \$30,000 CANB, a RT85 with a \$17,037 face amount, and a small LTC policy. Some Agents would be little motivated to devoting a sales call to increasing coverage on any single policy, but an annual review could generate additional coverage on all three of these policies. The resulting commissions from adding benefits on all three policies would be significant.

Superior persistency can be engineered in focusing on the uninsured. Underage Health is the perfect market to add to your Med-Supp sales. Both Underage and Med-Supp prospects can be seen in your daily activity. The best advantage however in adding Underage Health sales to current Med-Supp sales is that these products not only offer great commissions, but can also offer high rates of persistency. In order to accomplish this, you must focus on the right part of the underage market. **If the uninsured customer could not afford more expensive healthcare, they will be very unlikely to replace our policies later.** Clients tend to hang on to UA policies because they are getting excellent coverage at affordable prices.

This huge opportunity is getting bigger. What's very exciting is, according to the Urban Institute and Kaiser Commission, the current number of 46 million uninsured prospects is expected to grow to 75 million uninsured individuals nationally by 2008 — that's in just the next 5 years! These are people who want coverage, can't find it, and even if they do can't afford it. Don't hesitate! Get started today on expanding your sales opportunities, commissions, and renewals by leaving less business on the tables of the tens of millions of UA's Senior and Underage prospects who want UA's coverage! The growing millions of uninsured and Underage Prospects truly is a "Perfect Market" to add to our senior sales!

