| LIFE INSURANCE |

Who Do You Love?

Buying a mattress and buying life insurance – Are they the same?

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Martin Levy, CLU/RHU, is President and Founder of Corporate Strategies, Inc., located in Encino, California. The firm's proprietary process, The Life Insurance Audit, helps professionals and business owners review, benchmark, and manage life insurance policies. The firm is comprised of professionals in human resource, executive leadership, insurance, employee benefit design, compensation, and tax and financial planning. The firm is also a leading agency in employee benefits, serving hundreds of companies in Southern California. Corporate Strategies is one of the largest insurance brokers in the Greater Los Angeles area.

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When entering a mattress store to purchase a mattress, most people possess little knowledge about the differences between the hundreds of mattresses – your guard is up because you're about to be "sold." You begin your analysis with the help of your "sales advisor," and common sense tells you the more expensive, the better, but you're not really sure if that's true. You walk the store, flop onto several beds, and hear the nuances and benefits of each mattress. Some names sound familiar. You listen, hear about the features, and ultimately settle on a bed. Frame and box spring delivery are thrown in. (You're killing me, Larry!)

This isn't not too dissimilar from the way that most will buy life insurance: relying on the guidance of an advisor, knowing some basic terms and possessing a limited understanding of how the products actually work. Ultimately making a purchasing decision, without the ability to really look "under the hood."

The striking difference between buying a mattresses and buying life insurance is that it takes only one night on a mattress to determine if you made a good or bad decision. For a life insurance policy, it might be 15 to 20 years before you realize and discover what was sold as "quality" may be strikingly different.

Unlike the mattress, the life insurance policy requires annual maintenance and monitoring and comes with a host of contractual rights, opportunities, and options that were appropriate only if you had someone actively managing it for you.

Both purchases preclude buyers' knowing what's really "under the hood" and yet the stakes of buying a life insurance policy are so much higher, because of the changes that occur *after the policy is issued.*

When left unmonitored, a life insurance policy can truly crumble, or worse, lapse at exactly the time it is needed.

In spite of this, few life insurance companies have adapted a "Google" or "Apple" mentality with respect to developing a policyholder relationship with their clients. This is disappointing, in a world where people should be championing the billions of dollars that are paid annually, by major life insurance companies, to people who suffer sickness, critical illnesses, permanent disabilities, and ultimately death. This is in addition to the billions of dollars preserved and paid through the use of annuity instruments.

While companies like Apple are championed by creating new products and consumer loyalty, few USA life insurance companies have any type of brand loyalty. (To be exact, LIMRA reported USA life insurers paid $64B in death benefits in 2013 and $76B in Annuity benefits.)

In fact, the life insurance industry is regarded as very much a "gotcha" industry, more specifically, the elusive way of communicating with policyholders seems to be through the use of terse notices about major events, or very complex annual reports that are nearly impossible for the layman to understand. They require the policyholder to annually obtain in-force illustrations, reports that they are ill-prepared to analyze, or understand.

There are many reasons the life insurance industry has not adapted to a "consumer-oriented" model. Most carriers are centered on preservation of their existing distribution models, and carry legacies of policies (some issued 50 to 75 years ago); promises now compromised by low long-term interest rates. Policy lapses also play into this mix, as they contribute to profitability.

This model has long undermined consumer confidence, and precluded these companies from being a "products to trust" industry. In spite of new technology and opportunities to better communicate with policyholders, most life insurance companies have continued to maintain similar philosophies for over 30 years.

Recent studies have determined that more than 50% of policies are failing to achieve their stated objectives. More important, most people do not have a basic understanding of their policies and how their policy will perform for the long run.

While there are many reasons to avoid life insurance as a discussion, there is little question that life insurance represents one of the most important financial planning instruments for professionals: it assures lifestyles, educations, retirements, and ultimately provides families with financial stability when an individual dies prematurely.

One of the reasons for the lack of attention these instruments get, is a perception that they are static and do not need management. There is also a sense that the analysis has remained outside of the "commoditized" world of the internet, where virtually every other product could be benchmarked and compared. What should be a rather "simple" analysis or transaction has remained extremely complex.

Unfortunately, a life insurance policy left unattended may be subject to premature lapse, diminished performance, or loss of coverage when it is most needed.

While life insurance is not an easy discussion in any circumstance, it is very much a product bought by people "of character" – those who care about someone. It's a product that touches an emotional nerve for buyers and those they care most about, and the promises and hope of those from whom they buy it.

If you own any type of life insurance policy, seek out the guidance and advice of a skilled agent to review your policy and benchmark the future projections to determine if the policy continues to serve your needs.

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