

“At some point, your company will become your biggest competitor.” That’s a prediction I’ve been making for years while speaking to agent groups all across America.

After making the prediction, I see dumbfounded looks and blank stares on their faces, as if to say, “That can never happen.”

Well, it has happened, is happening, and will continue to happen with greater intensity in the future.

Direct marketing to the public by insurance companies is a rapidly emerging trend in our business.

The first, and most obvious direct marketing efforts by insurance companies, is that done in relation to policy conservation.

When a company receives a request to transfer policy values to another company, the original company has basically three options:

- Transfer the values as requested.
- Contact the client and try to conserve the business by making certain the client understands all facets of the transfer.
- Offer an internal exchange of the old policy to a new policy. The company normally mails an offer to the client and follows up with a phone call.

Under option 3, the original company either has an internal staff trying to convert the old policy to a new one or they have hired a “marketing” firm to handle the offer.

One trick used by those “marketing” firms is to tell the client that the old company can offer a better deal because “no

commissions” are paid to an agent.

What they fail to mention is that they work on an “incentive” arrangement, whereby if the client accepts the new offer, the “marketing” firm receives a payment in relation to the amount of the transferred funds.

(I’ve yet to have a company explain to me what the difference is between an incentive and a commission.)

One of my clients recently related this story to me: “The XYZ Company recently mailed me an offer to exchange my annuity for a new one with them.

Some lady then called and left a message on my answering machine to call her.

I tried to return her call on three occasions and heard the message; ‘We are temporarily experiencing a heavier than normal volume of phone calls. If you will remain on the line, one of our customer service representatives will be with you shortly.’

I tried back three times and was on hold each time for over 10 minutes.

So now I say, forget it. They don’t want my business. If they did, they would hire enough people to at least answer the phones.!”

He added: “If they have such a hot offer, why didn’t they tell me about it before I told them to move my money to another company?”

In that last statement lies the gist of this article. Insurance companies are beginning to do just that – i.e., tell their policyowners and the public about policies

which are now available directly from the company.

Although this is done in a dabbling sort of way for now, the companies are becoming more aggressive about it.

You’ve probably already seen some television, newspaper, and magazine ads by insurers trying to go direct. And you’ve probably noticed that some companies are experimenting with selling over the Internet on a company website.

In each instance, the companies are making it very clear that their intention is to offer a better deal to the client if they go direct, bypassing agents and the inherent commissions.

By the way, we aren’t talking about some sort of “off the wall” company, here.

We’re talking about some of the biggest names in the business, with thousands of career agents.

Does this mean that, in the future, there will no longer be a need for a professional field force of agents? Absolutely not!

What it does mean is that insurance companies are going to gain a lot of marketing savvy. When they do it will trickle down to agents, making their job easier.

Agents will become more particular in picking a company. More importantly, they will hone their marketing and service skills to a razor sharp edge in order to keep their clients coming back to them.

The question is, “Do most clients prefer to do business with someone they know and trust, rather than hearing the cold click of a mouse or some unknown voice in a city far away?”