MEETING COVERAGE

Cut Out The Confusion, And EIA Sales Should Rise, Experts Say

By Linda Koco
La Costa, Calif.

Do you want to know what to do to increase sales of equity index products?" asked Danny Fisher here at the annual meeting of National Association for Indexed Products in Maryland Heights, Mo.

"Make your policies easy to read, easy to understand, easy to buy, and easy to sell," said the Dallas brokerage agent and publisher of Fisher Annuity Index.

Furthermore, he said insurers should reduce the commissions on their equity index annuities and shorten the surrender charge periods.

"The way I look at it is, a commission of 5% is exorbitant, 4% is better, and 3% is a good healthy comp. I would even take 2%--and make more money than anyone else—if the insurance company would give a better rate to the customer."

Also, surrender penalties that run 11 or more years are "just too long," he added.

> ‘We’re not doing a good job of making it simple’

NAIP is a five-year-old trade group of insurers that market equity index products (annuities and life insurance). Though comprised mostly of home office executives, the organization includes agents among its annual meeting speakers to provide varying perspectives on the products the companies sell.

Most in the audience told *National Underwriter* that they agree with Fisher, that index products are complex and therefore need more educational and training support for agents.

But several also told *NU* that their companies haven’t been able to make a go of selling low-commission EIAs—because they say most agents will not sell the low comp products.

Some said they have tried promoting such products, only to find that sales floundered.

Fisher’s view on that is, EIAs don’t sell because they suffer from "mass confusion."

Lots of agents have read about EIAs and even gone to training seminars on the products, he allowed, but "few have ever sold one—because, for most, it’s confusion, pure and simple."

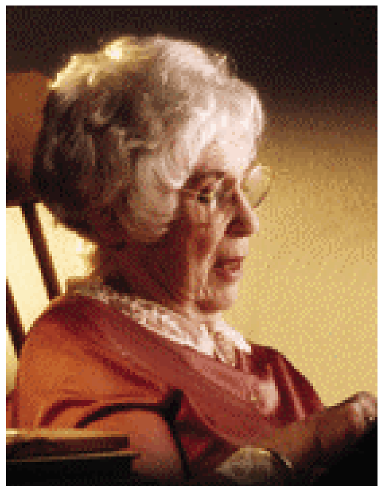
He urged EIA executives to consider whether their mothers could read the policy brochures and contracts. "It’s a bad brochure if your mother can’t read it. It’s a bad application if your mother can’t fill it out," he said.

Fisher added that he is not against the product. "I think the EIA is a good deal," he said, noting he bought one himself. "But if I can’t sell it, why should I fool with it?"

Steve Phillips, an agent trainer who has been working with EIAs exclusively for the past five-and-a-half years, said he agrees that "we’re not doing a good job of making it simple."

The product does have a place in the industry, and it does offer agents opportunities for sales, he stressed. It’s also an "outstanding" product for consumers, he said, explaining that "it offers upside potential with the safety and security the insurance industry has to offer. There is no downside risk."

In fact, in the product’s six years of sales, he said, EIAs have become the "fastest-growing new (insurance) product ever." Total in force sales are now over $21 billion, he pointed out.



Would your mom understand this product?

However, the industry is not getting the product to even more consumers, he suggested, because "we’re not doing a good job of getting it to the agent."

Specifically, in working with agents, Phillips said he has found agents don’t sell EIAs because: 1) they don’t get it; 2) they don’t know how to sell zero (i.e., a product that may, in some years, not credit equity-linked interest); and 3) they think they can’t find EIA clients.

He faulted the EIA’s specialized product language for much of the confusion. "We’ve taken a great idea—the best of what we do—and complicated it with all the terminology that agents can’t understand," he contended.

For instance, he said, "agents and clients don’t know what a `participation rate’ is. And, if your agents don’t get it, they can’t explain to the client why the participation rate can go down."

Furthermore, he said, "I think we goofed up by using the word `equity’ in the product name. That doesn’t set the table for your agents, philosophically…How about saying, `it’s a fixed annuity with a unique way of crediting interest’?"

Other suggestions from Phillips included:

--Focus on addressing the client’s expectations."Don’t sell off the Blue Mountain chart, for instance. Instead, say the policy will give a better than average chance of having a better than average return over the life of the contract, compared to a traditional fixed annuity."

--Agents *can* sell the concept of zero, by pointing out that once the policy’s interest exceeds the guaranteed return, "it can’t go back (down) to the guaranteed level."Also, he said, "at zero,you don’t risk principle or previous gains credited."

--Agents can find EIA clients by "profiling the client’s risk tolerance toward money." EIAs are for clients who want to be able to catch the upside of market growth, but with downside protection, he stressed. "They don’t want to sacrifice safety and security." Risk tolerance reviews will help agents find such clients, Phillips suggested. Then, ask the clients if they can stomach some years with a zero or 1% return for the chance of getting a greater return (than traditional fixed annuities) over the life of the contract. "If the answer is yes, the EIA may be for them," he said. NU