


How to Choose an Insurance Company

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By Kira Vermond

Yes, mergers and acquisitions in the insurance world mean there are fewer providers to choose from these days. But that doesn't mean choice is dead. So what should you (or your MGA) look for when deciding which insurance company to saddle up with? Everybody has a slightly different opinion, but there is one word that's got everybody talking. Kira Vermond finds out what it is – and why it matters to you.

Impress me.

According to Julie Newnham, FLMI, CFP, principal and owner of S3N Brokerage Management Inc. in Mississauga, that's what it takes if an insurance provider wants her business.

Not long ago, Newnham, whose company is also part of the managing general agency of Simon L. Jackson Insurance Broker Ltd., decided that a lucrative producer of theirs should start offering seminars. Her team approached the insurance companies their advisor did a great deal of business with and asked for financial support. One carrier gave them the money without question, even showing up at the seminar armed with educational material. Two other companies also gave Newnham money to fund the seminar.

But there was one company the advisor worked with extensively that didn't come to the table at all. "It was very interesting. It gave me food for thought," says Newnham before finishing. "There are different ways of supporting a broker."

Supporting financial advisors and their MGAs has never been so crucial. Many advisors will tell you that the majority of the insurance products on the market today are actually quite similar. So deciding between company A and company B is less like choosing between apples and oranges and more similar to closing your eyes, thinking of England, and picking a Macintosh over an Ida Red.

Added to this, there are still numerous insurance providers to deal with in Canada, even considering the mergers and acquisitions that continue to change the industry. So how should a financial advisor decide how to choose the right company for the right client at the right time? Of course there is no easy answer. But financial planners and even the manufacturers agree – it's never just one aspect that makes the decision a no-brainer. Specialized support. Approachable underwriters. A quick and painless claims process. Competitive products. Compensation and back office support.

"I've never heard an advisor say, 'You only have to be good at this one thing to be able to earn my business,'" says Paul Rooney, executive vice-president, individual insurance for Manulife and president and CEO of Manulife Canada in Kitchener.

But if there's a word out there that seems to make or break the deal, it's this: service. And oh yes – maybe there's one more: relationships.

Full service

Mark Halpern, CFP, of illnessPROTECTION.com in Markham, Ont., is a critical illness expert and offers an interesting way of describing what he does for his clients. "I crash-test their lives," he says. "I kill them, disable them or prematurely retire them – then we find out if they like what they see."

Because of his expertise in insurance, he spends his days working with a select few insurance manufacturers that he goes back to again and again. According to Halpern, these companies must meet some specific criteria. They've got to have left. He looks at earnings, capital and size. If it's a big company, he surmises, they'll be around in 30 years.

He also wants to see a diversity of products so he can move clients to other products later as needed. And the companies must offer competitively priced products. "Look, most brokers deal with one, two or three of their favourite companies. I'm busy. Brokers are busy helping clients. So they like to develop relationships with companies that care about them and their business," he says.

Caring about his business means offering him the customer service he needs to get from prospecting clients to being paid. And one of the best ways to pull it off is by being made to feel like a person, rather than a number. If he makes a phone call, says Halpern, he wants to work with someone who will deal with him quickly because he or she values his business. What doesn't he want? To get stuck in a toll-free wasteland.

"If you have a complaint, there's no greater pleasure than getting on the phone and being able to speak to a real person who knows your name and business – as opposed to a 1-800 customer service line. I don't want to deal with companies where I have to call a 1-800 number," he says.

Newnham agrees and says it's usually much easier to deal with companies that have regional representatives rather than all of their customer service people holed up in Toronto or another main location. She says she works with two or three suppliers that have terrific marketing people. When she calls them with a question, they do their due diligence, take the problem to a manager and that person contacts Newnham with the appropriate person to contact for an answer.

Phil Marsillo, senior vice-president, distribution for Canada Life in Toronto, says this is one of the reasons why his organization doesn't use the parachute approach with everyone working out of a main branch and sending support people out every six months.

Manufacturers that leave Newnham cold include those that simply offer a pool of general customer service people who really don't understand where advisors are coming from. "We like to deal with companies that understand the field," she says. "One of the brokers puts it this way, 'They don't understand that we have to hunt and kill what we eat.'"

We're here to support you

Customer service can only go so far. The better insurance providers also offer brokers specialized support to help them grow their business. If a client has a complex tax case, for example, some insurance companies offer tax experts to help them wade through the financial quagmire.

"Advisors don't have a big marketing staff," says Manulife's Rooney. "And they can't know everything going on in the marketplace."

For example, a broker might have a client who has just had a baby, says Neil Skelding, president and CEO of RBC Insurance. But what happens if the broker discovers that the client also inherited a vast amount of money and is looking for a tax-deferred investment vehicle. Then it's revealed the client has very limited coverage at work so the broker puts a disability rider on the policy. Finally, the broker finds out the client has a family history of heart disease or cancer. Hello critical illness insurance. Going from a simple term policy, an advisor could end up with a very different picture and might wonder how to handle all the implications.

"Instead of just putting ^{Mr. Capor evaluation copy} ~~it~~ hoping it will sell, we need to help the advisor with her client and help create a broader relationship with that client," says Skelding.

Technology can also help make things easier for an advisor. If a manufacturer offers a high-quality Web site with useful information and quality illustrations, advisors are more able to understand the products and explain them to clients in a way everyone understands. It also makes finding information easier.

"We're really moving into an area of technology. You need information fast and you need to be able to go online and have good software to manage your client base," says Halpern.

You scratch my back ...

While brokers and MGAs might be looking for companies with a wide range of products and brand appeal, what really makes a difference is something that can't come out of a marketing rule book – personal relationships that develop between brokers and account managers.

"There comes a point where products are really very similar. We do try to recommend products that fill a certain need. But when it comes down to the final 'whose product will we deal with?' sometimes you are influenced by the relationship," says Newnham. "You can do all the corporate advertising you like, but it's the people whom you're involved with that make all the difference."

Stephen MacEachern, CFP, CLU, CH.F.C, RHU and owner of MacEachern Insurance and Financial Services in Halifax, agrees that having a long-standing relationship makes the difference when choosing an insurance company.

"If someone comes to your town and asks, 'Where do I get the best pizza and beer?', there might be other places in town with just as good pizza and beer, but you're going to take them to the place you know," he says, adding that when he works with someone he already knows, it's more likely he can get answers more quickly and the information to his clients faster.

But the trick is to be sure you don't overstep your boundaries and become too demanding. "You might call wanting something right away for your client, but that might be the 50th thing that has landed on that person's desk that morning. That's a hard perspective to keep on our side of things," says MacEachern.

That also goes for underwriters, says Newnham. While it's always good service to be able to contact an underwriter directly, as an MGA, Newnham knows that sometimes it's preferable to contact her first instead of going right to an underwriter.

"Some company's underwriters are terrific. If a broker calls them directly, they will talk and talk. But if an underwriter has a million calls from brokers, which we (as MGAs) can answer, it gives the underwriter the peace to carry on and do the underwriting as opposed to answering the phone calls," she says.

Claims: The moment of truth

Speaking of underwriters, how an insurance company handles a client's claim can either make an advisor look very good – or very bad. A death claim has the potential to introduce an advisor to a whole new generation of possible clients. And a critical illness client could be a centre of influence for many people. A badly handled claim could mean turning off many more potential clients. It pays to know which companies are known for prompt, professional claims service.

As RBC's Skelding says, "It's very important to do the claims process well. You can't approve every claim, but you absolutely have to make sure the file gets the attention that it needs."

Newnham recounts a story of one recent death claim. The woman she worked with allowed her to fax the death certificate so they could get started right away, knowing that the original document was coming by courier later. That flexibility meant the client had a cheque in hand within two days. "It was amazing. They bent over backwards," she says.

The money question

But what about compensation? Surely that influences which supplier gets chosen over another. Not so, says everyone interviewed for this story. Focusing on commission is a short-term strategy that would eventually take a bite out of your client base.

In fact, Halpern says he has no idea what insurance companies pay out. "If clients make up the bulk of his compensation, so insurance commission is an afterthought. 'His you were to ask me, 'Mark, what does Manulife or Canada Life pay out?' I'd have to send them an e-mail to ask them," he admits.

MacEachern also says he has no idea how much commission he's paid, but as a financial planner whose clients demand that he works in their best interest and is transparent, he doesn't even want to know. "The day you start worrying about your tips is the day you need to get out of the industry," he says. "If you worry, people will sense that."

So what if you don't have years of experience under your belt to determine the best insurance providers for your clients' needs? After all, relationships are built over time. Read trade publications, attend networking functions and ask around, says Skelding.

"Advisors do help each other a lot," he says. "They'll say, 'XYZ' company has a terrible claims service or terrible underwriting. Don't go there.' That word of mouth is a very important source."

Decisions, Decisions

Choosing an insurance company to do business with is no easy feat. To get started, here are six questions you should be asking.

1. Does the company provide specialized support at every stage of the insurance sales and service process? Do they help you uncover opportunities and assist in client presentations if needed?
2. Do they provide this service across Canada and for various types of insurance products including life, living benefits and group insurance? Or are they only focused on one area?
3. What kind of back-office support is available? Do you get efficient and effective underwriting decisions?
4. How competitive is the product offering? Will you be able to offer clients market-leading insurance solutions?
5. What kind of claims service does the company offer? How will your clients be treated if they need to file a claim?
6. How committed is the company to helping you grow your insurance business? Do they provide competitive compensation and incentive options?

Source: Neil Skelding, president and CEO of RBC Life Insurance Company