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Dawn Of A New Era

Solutions For The Individual Health Market

Every day we hear about the millions of Americans without health insurance, nearly all of whom are medically eligible for health plans but cannot afford coverage. Companies and agents are clamoring to penetrate this huge market.

But rarely do we read about an equally large, often ignored class of Americans—the millions who *are* paying for their own health plans. Many of them have done so for years. They are self-employed, early retirees, or workers at small companies that no longer offer plans.

As health insurance for individuals becomes more of a commodity—similar plans with similar benefits—does the need for insurance agents serving as consultative advisors in this market diminish? Should agents retreat and wave the white flag of surrender to online competitors?

I believe the answer to both questions is a resounding “no.” There is new opportunity for agents to re-engineer their role as advisors providing customers with a total package of benefits—and it's time for carriers to begin packaging these products as an integrated solution.

How Big Is This Opportunity?

According to the Small Business Administration, there were 15.8 million self-employed individuals in the United States in 2005, up 200,000 from 2004.¹

Each year, fewer and fewer small businesses provide health benefits. As these

numbers decline, employees of these small businesses either go without coverage or must shop for health coverage as well as life, disability, dental and critical illness insurance. Four in ten of these people believe they are underinsured, and half plan to buy insurance in the next 12 months—yet available data shows they are not doing so.²

LIMRA studies indicate the number of full-time workers with group life plans dropped from 56 percent to 48 percent from 1999 to 2005. The number of Americans in the family formative years with individual life declined from 59 percent to 46 percent in the same time period.³

These statistics confirm a need for agents to assist clients by offering both health and life insurance solutions. A key factor to consider when sitting across the kitchen table and advising a client is: *How prepared is that person to absorb the financial impact of the death, disability or illness of one of the primary wage earners?* Most purchasers of life coverage are aware of the financial implications of an untimely death, but they are tragically unaware of those associated with a critical illness or a disability.

In a consultative sale, an agent needs to be able to explain to his prospect the need to have coverage for major medical, life, critical illness and disability, but to also provide a solution that takes into account his prospect's willingness to investigate single-source solutions as well as those that cross multiple carriers.

There are certainly pros and cons of using multiple companies, or a single carrier, to meet a customer's needs. In some instances, coverage is less expensive if it is shopped among multiple carriers. However, too often the complexity of purchasing four types of coverage from different sources creates a purchasing paralysis that keeps the buyer from filling any of the needs.

What should the next generation of coverage options for this market look like? It should include a high-deductible health plan (HDHP) with comprehensive medical coverage, which will drive the market back to having the insured pay routine expenses and reduce the health insurance portion of the premium by covering more significant expenses.

Second, critical illness protection should be bundled into the overall package. After all, the biggest reason consumers hit their high deductible is due to a dread disease.

Next, the plan should include enough life insurance protection to continue to pay the health premiums for years to come if the principal earner is gone, and enough to continue to fund a health savings account (HSA) or other "rainy day" funds for health emergencies.

Finally, the plan should be topped off by disability protection that provides at least enough after-tax income to pay for the cost of the total financial package. Ideally, the plan would have mix-and-match features that could be tailored to changing circumstances, have a common billing date, and one integrated customer service number to call to make a change to one, or all, of the plans.

As sales professionals, we need to work with insurance carriers to make it easier for our customers to purchase and understand why they need to have all of these products—not too much of one, while diminishing or excluding another, but an integrated

balance that is tailored to their needs. What is the advantage for customers? They will have all of their basic financial protection needs in one application, with one company and one agent.

Agents who fail to embrace the consultative role of a professional agent and continue to act as a transactor in a commodity business run the risk of being replaced by a more efficient on-line sales process.

*Is the role of the agent diminishing? **No, it's the dawn of a new era.*** 🌍

1. U.S. Small Business Administration, Office of Advocacy, 2005 Small Business Report and data provided by the Department of Commerce, Bureau of the census; the U.S. Department of Labor; and the Administrative Office of the U.S. Courts.

2. The Kaiser Family Foundation and Health Research and Educational Trust, "Employer Health Benefits 2006: Summary of Findings."

3. LIMRA International, Trillion Dollar Baby—The Sales Potential of the Underinsured Life Market, 2005.