……15 Years and still rolling…….

Open MIC is open for anyone.

9:00: AM Pacific Thursday 800 504-8071 Code is 2554567

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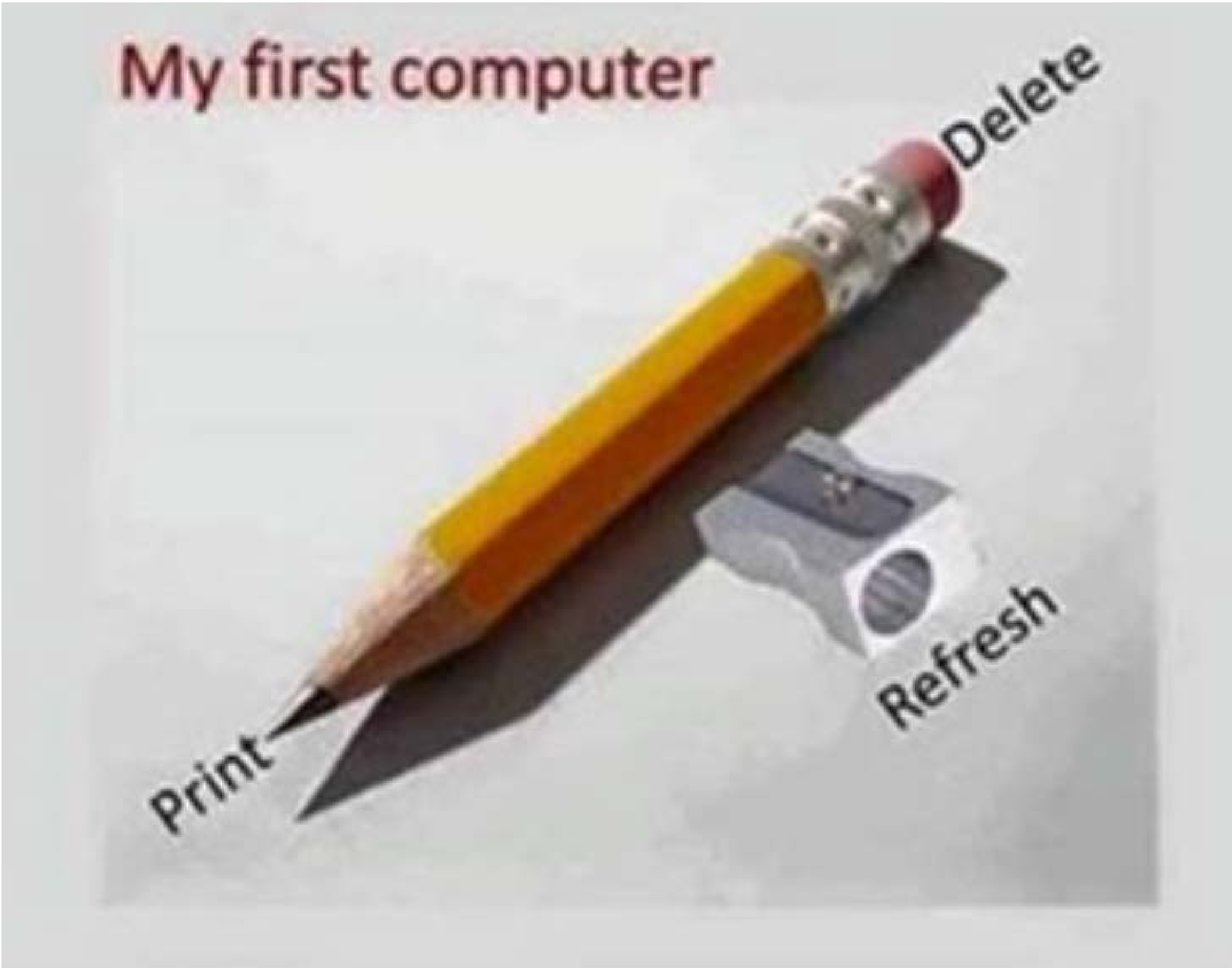


Editorial:

My editorials are my view of the world, some predictions have come true, others have not. <u>I assume all responsibility</u> for these editorial's, that being said, here is something no one else in the industry has mentioned or talked about. And yet, it could be massively damaging to us.

https://www.nytimes.com/2017/12/03/business/dealbook/cvs-is-said-to-agree-to-buy-aetna-reshaping-health-care-industry.html

CVS Pharmacy offers $69 Billion for Aetna.

Our entire FIA as an industry didn't write that much premium and $69 Billion is for just one health insurance company.

These are really big guys playing with really big money.

They have the power, the assets and the will to do about anything they wish. That would include PLUGGING up holes that reduce their bottom line, nothing is impossible with these guys. And...they are only one of about 8 large, powerful and capable health insurance companies.

For some time, I have been watching a segment of our industry that will impact all of us. The *Long-Term Care Insurance* (LTCI) industry. When we think of issues on the horizon that will have a direct affect on us as agents, naturally the *DOL Fiduciary Rule* is in first place, but I disagree.

To begin with, the *Fiduciary Rule* will go away, it has already done its damage. The word damage is an interesting explanation for what has happened to us, in fact it may well be a blessing.

Why?

Because of fear from our insurance product suppliers that large and long-lasting lawsuits will impact their bottom line, changes were made to be in readying for "compliance." The affect it really had was in a twisted way sort of beneficial, it made us better agents and it chased out the sub-quality agents. For the grief we went through, I think it will emerge with us being more professional, more in business for our clients and more successful, that being said, I hope the *DOL* and *SEC* keep their grimy hands off us, we are an insurance product not a security.

Let me move on.

Our industry has a far bigger and far more reaching issue that will affect us. The absolute and complete failure of the LTCI segment.

I well remember when LTCI came to the market, agents everywhere jumped on the bandwagon. A new product, fairly easy to sell and many companies to choose from. I wont bore you again with what has happened we all know the story. What I will focus on is how the ashes of that poorly conceived and poorly underwritten segment can and will impact us.

When the **State Guarantee Fund** system was conceived and implemented, the life insurance segment fought hard not to be included as a health insurance company. They were in fact, exempted. The life insurance industry will take care of its own just as the health insurance segment would also.

The system has worked well, each part has cared for its own, losses minimalized, exposure negligible and safety for all consumers.

Here is where it gets sticky. The LTCI was considered a health insurance product and so their guarantee fell under the health insurance companies side. Even though many life companies jumped into the business, the actual guarantee was from the health side. Many life companies had to create their own new LTCI company to set a curtain of separation. (NML was one of them)

The LTCI system has failed, premiums and claims have skyrocketed, and companies have failed. Not to worry, the *State Guarantee Fund System* is in place. Who do you think ahs to cover the losses for the LTCI industry?

Yes, the health insurance companies.

In fact, the losses are so large, they are beginning to impact the health insurance bottom line.

Remember *really big guys with really big money?*

GE Capital which issued the re-insurance for *Genworth* (once both were part of GE) is set to add **$15 Billion** aside for future reserves just to cover they exposure for future claims. And GE is not in the health insurance business, they are in the re-insurance business.

Since LTCI is classified as a health insurance product, health insurance companies (regardless if they produce LTCI or not) are assessed the cost of the guarantees.

I will stick to *Aetna*, in the first quarter last year, Aetna had set aside $254 million for *State Guarantee Fund* assessments.

These losses are astronomical. Recently, *Penn Treaty* asked for and received an increase in premiums for enforce LTCI of 68% in Connecticut. Where is *Aetna* located?

Health insurers have taken Pennsylvania insurance regulators to court to try to reduce their potential exposure to guaranty association assessments in connection with the *Penn Treaty* insolvency.

Health insurers and others have complained elsewhere that health insurers may be on the hook to cover about **75 percent** of the guaranty association assessments related to the *Penn Treaty* insolvency.

Note: Health insurers only sell **3%** of LTCI, life companies sell the balance.

The life side of the *State Guarantee Fund* is in great shape, the health side is not. The *State Guarantee Fund* is regulated as a group by each state department of insurance, the Insurance Commissioners. (NAIC) The health insurance industry is suing the NAIC for relief, they alone can change the rules with approval of each sate legislature. (some states)

Why would a legislature care who guarantees insurance products? They don't.

Why fight in court when the change is so obvious?

Here is why I know I am right, have you ever heard of *Solar City? Solar City* is owned by Elon Musk, doing business in many states including Nevada. *Nevada Power* is owned by Warren Buffett, *Solar City* no longer does business in Nevada. If you take the time to Google their fight, you will then understand why (and how) the *State Guarantee Fund* will change, and our industry is going to be sucked in and damaged.

Big boys rule, the rest of us.... well you know.

BB

http://www.thinkadvisor.com/2017/05/02/humana-breakup-penn-treaty-charge-hit-aetna-earnin

http://www.thinkadvisor.com/2016/11/25/health-insurers-may-pay-for-long-term-care-insurer?migration=1

http://www.thinkadvisor.com/2017/03/13/5-peeks-at-the-long-term-care-insurer-failure-busi?

Below are articles I found of interest, the links are live if you would like to do research.

DOL Fiduciary Rule:

https://www.looktowink.com/2018/01/watch-fiduciary-front-2018/

http://www.thinkadvisor.com/2018/01/08/bill-would-clear-way-for-more-annuities-in-retirem?

Tax Info:

http://www.thinkadvisor.com/2017/12/26/how-trumps-tax-act-could-affect-annuity-issuers

Annuity Info:

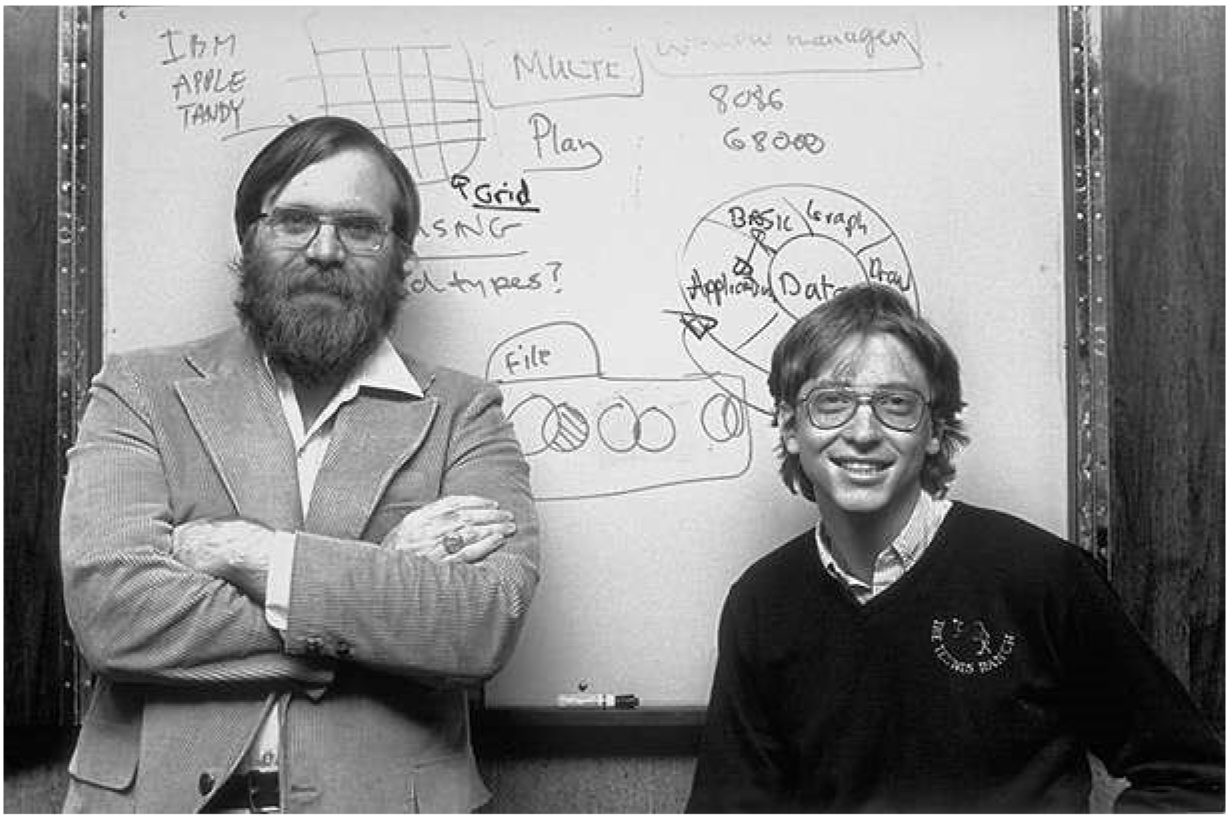
https://www.forbes.com/sites/forbesfinancecouncil/2018/01/04/annuities-explained-in-plain-english/#613ebcd25bd6

https://www.looktowink.com/2017/12/fia-marketing-tide-shifts-accumulation/

https://www.looktowink.com/2017/12/voya-financial-exit-individual-annuities-business/

Life Insurance Info:

http://www.thinkadvisor.com/2018/01/04/5-questions-to-boost-your-2018-life-insurance-sale?



Bill Gates and Paul Allen----Microsoft

Years ago, I had a wonderful experience of listening to Bill Gates at an open forum event in Seattle. He was one of 3 experts on the panel discussing current and future business affairs regarding the future of the digital world. I have wished many times that I had a recording of that event, it would be interesting to see how accurate their view of the future was.

Mr. Gates was in the middle of his career, he was mesmerizing, direct to the point and captivating. There was a short Q&A period after the talk and I will always remember his answer to a specific question regarding his success. He was asked if there was **one thing** that he could pinpoint as the reason for his success. His answer has guided me all these years.

His answer: “I chose my partners well.”

“I chose my partners well”

Think of the power of that when you consider your own business life, have you chosen your partners well? I have. When David and I started assembling our company, *Annuity.com*, we did the same thing, we chose our partners well. Anthony and Chad, Joe Rych, Sherilyn Orr at *Retire Village*, Darin, Carl, Tom and the wonderful crew at *First Annuity*, Kevin and Allison at *Financialize*, and all the partners in this crew.

How have you chosen your partners?

In our industry, there are many organizations that assist agents in their insurance business. They are called by the letters, IMO (or FMO) Insurance Marketing Organizations. There are good ones, there are some not so good, what has been your experience?

Beginning in January, my phone started ringing daily with cold calls from IMOs asking me if they could be of assistance, could they help me sell more, could they send me contracting. I hope I have at least been polite in my declining their help, you see, they want me to sign with them, so they can make money when I sell an annuity.

What do they offer?

Before I answer that, let me explain a little more about our approach to be an IMO.

As we began to build our company, we looked at what was being offered to agents by an IMO. Almost entirely (in 1992) the offering was **service**, we will provide you with service. What did I want as an agent?

Leads!

I figured if I needed leads so did every other agent in this industry.

Instead of pitching "service" as our entre, we focused on marketing and from that decision came:

Survival in the 21st Century
Open MIC
Open MIC News
Retire Village
Safe Money Radio
Income Illustrator
Annuity Agents Academy
Safe Money Book
Scrubbed Leads
Invited Authors
and Annuity.com

These systems are about marketing, how to present yourself, how to be better than your competition, how to make sales and most of all: **leads!**

Have we had failures? Yes, indeed we have. But from every failure comes more experience and with that experience comes a better view of the future and how to make things better and brighter.

What the competition calls you, what do you ask? Do you ask them about marketing or leads? Do you ask them about agent support such as "case prep?" Or do you listen to their pitch about product? The IMOs calling you is not any difference about how we sell annuities.

If the opening pitch from an IMO is product, what would happen if you did the same thing with a prospect, offer a product without even knowing anything about them?

How is it any different?

When we meet a prospect, what do we do first? A fact finder, we find out the prospects current situation, how they feel and to understand if an annuity makes sense. Why does our competition do it differently? Simple, they are **product pushers**, their product is themselves, they attempt to sell without even asking you about your business and your approach to obtaining clients.

If their approach to you is product pushing, how do you think their advice to you would be any different if you asked them for advice on a case?

Many IMOs have a bad reputation and they are easy to pick out. They are the ones who call constantly, send you emails about some "new" product and if you respond, the caller will ask you to wait and he/she will have their "partner' jump on the call. The initial line of marketing is a caller, they then connect with a marketer.

Have any of you ever received calls like that? I assure you that you have never had that experience with us.

You need to <u>earn</u> a good reputation, not only as an agent but as an IMO.

Bad IMOs are eventually sorted out and dismissed, but sometimes it can take a long time. In the meantime, how many agents failed because of their lack of knowledge, their lack of marketing, their lack of "real" agent support?

I call them "shiny" object sellers, the latest and greatest product, the new annuity that beats them all and PAYS the highest commission. When a marketer begins their pitch to me with anything about compensation, I hang up. When and email comes to me unsolicited and the opening line is about compensation, I delete them to "junk" and report them to Microsoft.

What do you do?
Do you listen just in case there might be more compensation?
What about loyalty?
Do you think you are "schooling" the system by dealing with several FMOs at once? Who loses with that approach?

You are being used by them as they fight to move your contracts with only shallow offers, never anything of substance. Maybe a trip? Here is an inside secret, trips are not offered any longer except when paid for by the IMO, Why? Fear of legislative regulations.

Our industry has changed, hopefully for the better. As much as I detest the *DOL Fiduciary Rule*, it has helped unify insurance companies and it has made us all more involved with making the correct decisions for our clients and for ourselves. It HAS cost us lots of sales but in the end, we will be better and those agents who fail to act as professionals will fade away.

Will IMOs be pushed out as well? Yes.

Choosing your partners is a very important decision. The IMO needs to provide to you what you need to provide to your prospect: **Value.** Does your IMO help you develop a case, help you present a case based on fact finding? Does your IMO suggest the right product for the right reason and none of those reasons are based on compensation? What value do you receive form your IMO?

Here is another secret: Almost all IMOs have access to the same product, the same compensation and the same benefits. There is not a secret organization that has product no one else has, we are all (basically) selling the same company, the same product.

So why would you choose to do business with us? It must be the value added, the marketing, the access to leads as well as building a personal relationship.

But, are we open to all? Can anyone join us?

No, we now can pick and choose our partners as well, we can decide if an agent fits into our approach, our ideals. It is no longer a "slam dunk" to join us, do the IMOs calling you ask questions about your business plan, your history, do they check you out prior to an offer to contract?

Think about it.

The following phone conversation is real, it was published on a competitors blog who was attempting to show how a bad IMO reaches out for new agents:

> *Hey Advisor, it's Marketer with Company ABC, and I hope all is well. I was giving you a shout because I wanted to get a couple minutes of your time and take a look at the exclusive index*

annuity with you, as we are seeing returns come back between 10 and 14% as well as having the most attractive income rider on the market today. Give me a call when you get this. Thanks. Talk to you soon.

Would you have responded?

A good IMO will help you plan your business, help you evaluate your marketing and ask where you want to be in a year, 5 years. What is your exit plan? The partnership must be beneficial, if not then it won't work long term. It must be a two-way street, it must be beneficial to all concerned.

Sometimes it is a matter of philosophy. Here is an example: Scrubbed leads. Our scrubbed leads are expensive simply because of the cost to acquire them. A huge part of the $250 our leads costs is a result of fees and charges paid to the internet search engine, normally Google and Bing. As more companies join in and the competition raises, the more it costs to play with the search engines.

The only way our scrubbed lead system works is if a large number of agents buy leads on a continual basis, so we have homes for all the leads, the leads we cannot sell will rot and drive up the COGS for leads we do sell.

Our leads are exclusive, do you know how rare that is? They are exclusive because we are agents also, we know how important leads are to a successful marketing campaign.

But, often leads sold by others are not exclusive, they are sold to many marketing sources and (best and fastest) wins.
Here is an example of a mistake I made with a mortgage lender. I have been considering changing my mortgage and very ignorantly filled out an online request. That was 25 days ago, today (Monday 1-16)I received my **93rd** call. I have been bombarded my calls from mortgage agents. How

would I have felt if I had let *Annuity.com* sell leads to as many agents as possible?

If you choose to do business with us, here are our guarantees. We will be the ones to talk to you, not a middle man. We are fact finder based and conduct the sales process as such. We are not product focused. We do not make decisions based on compensation (for us and for you). We value marketing and continually find ways to improve.

We value relationships more than money.

BB

P.S.

Insurance company products are designed for only one reason, to **maximize profit** to the insurance company. This is called free enterprise, embrace it and enjoy it, America was built on it.

The newest, latest and greatest annuity is just a new wrapper around the same old product. The insurance company buys bonds to guarantee the performance and no matter how you look at it, the yield and the annuities are all in the same arena. Just more sizzle. If you chase the new products, you will be just that "a chaser."

Chasers never build a practice; never have anything worthwhile to sell to their clients other than the newest wrapper on the same product.

Q: Bill, last week on Open MIC you talked about US Treasuries and the relationship to the stock market, I am confused, could you give us the Reader's Digest version?

A: Sure, US Treasuries are safe, they are so safe they do not even require a financial rating, they are the safest in the world. Our industry bases it's yields and forecasts on a US Treasury, the 10-year benchmark (10year Treasury). But, there is also a 2-year Treasury, a short-term place to rest money that has no risk. 2-year treasuries are sold at auction, generally the 2nd Monday of each month (can change). These are sold in huge volumes, such as Citi Bank who might buy $100 million and use them for their customers short term needs. A very common practice.

The 2 year Treasury is driven by supply and demand, when needed more, price goes up **BECAUSE** these are sold as an auction.

The relationship between the 2 year and the 10 year Treasury is tracked. Generally, there is about **1.25%** difference in yield. BUT when more and more money needs to rest, the yield difference shrinks. Last week the yield difference was only **.5%** which tells us more and more people are resting their money short term and may be getting out of the market for a while.

This is an indicator the market is overpriced, and a correction may be coming. Institutional investors may be on the sidelines watching, who is left? You, me, mutual funds etc.

Does that help?

View in Web Browser

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Annuity.com

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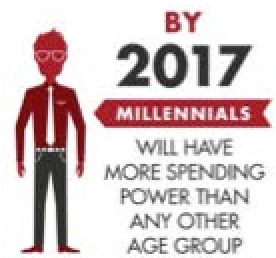
Podcast: Insights from 2017

AXA's Bruce Guillemette interviews three members from the AXA Advanced Markets team on trends seen in 2017 and what to expect in 2018. They are all experts in Business, Estate and Executive Benefits planning and consult with financial professionals and distribution partners on the use of life insurance in these areas. Podcast. Other resources.

New Year, New Millennial Sales Strategies

It's all digital and mostly social. Need content that works with a Millennial prospect? Get social and attract Millennial prospects by going where they are – online. With the prospecting tools on Generation Matters, you can deploy effective social media strategies with the click of a mouse. Plus, our client meeting prep tool called Generation Station provides a fast track to tailored sales strategies for Millennial's specific life stage needs, income and more.



January 2018 Edition of John Hancock Central Intelligence

Click here to view the latest edition of John Hancock's Central Intelligence for updates on the latest court cases that impact life insurance, a case study of a Trust Remainder purchase, and more.

LTCi Tax Advantages Flyer Updates

It's a new year and it's time to start thinking about taxes. Let your clients know buying a tax-qualified long-term care insurance policy may offer tax advantages. Also, if you have clients who are small business owners, there may be significant tax savings if they use business dollars to purchase long-term care insurance. For more information on the tax advantages of LTCi policies for business owners, click here. And for more info on how the tax advantages for consumers, click here.

Underwriting Insight: Pathology Reports

Pathology reports are often a key part of insurance applicant medical records and the underwriting offers these customers receive. Learn more about the basic components of pathology reports, and how they affect your customers, in the latest Underwriting Dialogue from Legal & General America.

January 15, 2018

Every week, First Annuity sends you an update with any recent, important carrier changes to help you prepare for your week ahead so you'll know exactly which carriers to be mindful of. Only those carriers that have changes are listed. Any interest rate adjustments, product changes and even new state product approvals are included with links to receive complete details.

THIS WEEK'S ANNUITY CARRIER NEWS

Global Atlantic

Global Atlantic has **increased** the rates on the SecureFore 3 and the Choice Accumulation 5 & 7. The rate increase is **effective January 16th.** Please see the attached rate sheet for changes.

ONGOING ANNUITY CARRIER NEWS

Allianz Life

Effective January 3rd, 2018 Allianz Life will decrease rates and caps on the Allianz 222. Applications received on or after Wednesday, January 3rd, receive the new lowered rates. Please refer to the following link for additional details.

Fidelity & Guaranty

The interest rate on the Fidelity & Guaranty FG Guarantee-Platinum 5 has **increased to 3.25% for 5 years.** The rate is for a limited time. Please see the attached brochure for more information,

Global Atlantic

Global Atlantic is offering a **commission bonus** up to 1% through February 28, 2018 on the Choice Accumulation, Choice Income and Income 150+. Please see the attached document.

***Please note that the date on the attached is incorrect, the promotion runs through 2/28/2018.

Sagicor

Rock the New Year **ANNUITY COMMISSION INCENTIVE!** December 15, 2017 through Wednesday, January 31, 2018. Please See the attached Highlight sheet for more details.

We are agents too!

You can get current annuity rates and other information at: www.annuity.com/agenttools

Like all agents, we also need leads. Our approach has always been building and developing marketing systems. We strive for new and better ways to get in front of "target" marketed prospects.

Our systems are tried and true, they work.

"Time Invested Marketing"

Disclaimer:

David Townsend and I own Annuity.com, but we have a lot of marketing friends, friends that you might be better off if you knew them. Sherilyn Orr at *Retire Village* and *Infofuel,* Chad Owen at *Eagle Shadow*, Anthony Owen at *Annuity Agents Alliance*, Carl, Darin, Tom and all the crew at *First Annuity*….and many more.

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Bill Broich