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Finding a Good Agent

Looking for a good life insurance agent is like looking for a good doctor or car mechanic. Plenty of good agents are out there, but so are an even larger number of unethical or incompetent ones. As a conscious and careful consumer, it's your job—through careful questioning and a little trial and error—to locate an agent who is knowledgeable and reliable. If you are truly serious about getting the right life insurance, it is essential that you not skip or take a shortcut through this process.

ALL THE BASICS

Searching for the right agent may take a little time. But the benefits of working with a skilled and caring professional—and the savings in money, headaches and heartache that can result—will ultimately far outweigh the effort and minor aggravation of the search.

The biggest mistake consumers make today when buying life insurance is that they focus only on policies, not on whom they buy their policies from. This is much like choosing doctors based on how close to home their offices are or what office hours they keep, rather than how caring and competent they are.

It's important to remember that, like medical care and car repairs, life insurance is essentially a service rather than a product. This means that you need an agent who is genuinely willing to serve you—one who can search for (and even design) the best policies for you and your family (or your business) and who will be ready, willing and available to help you change your coverage whenever your needs change. Only an agent who is completely willing and able to accept this role is an agent worth working with.

Remember, you will be building a long-term relationship with your life insurance agent—a relationship based on mutual trust. In order for your agent to serve you properly, you need to be able to discuss your and your family's finances, health, future plans and economic goals frankly with him or her. You will be using the agent's services not once but many times—whenever you have questions, your needs change or a claim is to be filed. You therefore need an agent you can trust and feel comfortable with.

A good life insurance agent

- has intimate knowledge of a wide variety of life insurance products, as well as of industry regulations, standards and procedures;
- is highly skilled in identifying and solving problems;
- can use his or her specialized knowledge and expertise to tailor a policy to your specifications;
- is an expert at linking solutions and needs; and
- does the usual unusually well.

In many respects, your relationship with your life insurance agent is much like your relationship with your doctor, dentist, mechanic or attorney. It is an ongoing relationship. You must feel free to call on any of them whenever you need to, and they must do their best to be helpful and available to you whenever you need them.

Like so many other aspects of modern life—for example, medicine, law or taxes—life insurance isn't simple anymore. To become a true expert in the field takes years of training and experience. As a consumer or business owner, you don't have the time—or, for that matter, the desire—to become an expert yourself. Fortunately, as with medicine and law, you don't *have* to become an expert; all you need to know is *how to find*

an expert who will do a first-rate job for you. That's exactly what this chapter is all about.

The biggest mistake that some consumer advocates and most books on insurance make is that they try to teach you how to do everything yourself. This is like teaching people to take out their own appendixes or build their own houses from scratch. *Rather than give you the impossible task of becoming a life insurance expert, this book shows you how to find a reliable, trustworthy, service-oriented expert—and how to make the best use of his or her knowledge and expertise.*

BEGINNING YOUR SEARCH

Finding the right agent is a multistep process. Let's go through the first three steps together, one by one.

• STEP #1 • Get Recommendations

If you need to find a good doctor, dentist or mechanic, you'll begin by asking friends, relatives, co-workers and other acquaintances about the people with whom they do business. Begin your search for a good life insurance agent in exactly the same way. Here are some of the questions to ask:

- How long have you been working with your life insurance agent?
 - Do they sell policies from a wide range of companies or from only one?
 - Do they specialize in life insurance (or life, health and disability), or do they sell all kinds of insurance (homeowner's, auto, malpractice, etc.)?
 - Are they knowledgeable about the policies they sell and the companies that issue those policies?
 - Did they take the time to help you analyze and understand your needs before offering you a policy?
 - Do you feel they have helped you save money?
 - Are they reasonably friendly?
 - When you have questions, do they answer them promptly, clearly and politely? If they don't know an answer immediately, do they find it out for you and get back to you?
 - When you need help, do they take the time to assist you? Is their help useful and thorough?
 - Are they reasonably easy to reach by phone? Do they return calls promptly?
 - Do you feel they have you and your family's best interests at heart?
- Do they help you reevaluate your needs on a regular basis? Do they stay in touch at least once a year?
 - Do you feel comfortable working with them?
 - To the best of your knowledge, is the agent continuing his or her professional education through seminars, study groups and so forth?

The answers to most of these questions should, of course, be yes. As for the first three questions, which do not have yes or no answers, there are certain things to keep in mind. You want an agent who specializes in life insurance or life, health and disability—not someone who sells a little bit of many different kinds of insurance. Only a life insurance or life/health/disability specialist will have the knowledge, experience and expertise to truly serve you well. *Even if you already have a good relationship with a multipurpose agent for your home, auto and/or other insurance coverage, be very cautious about buying life insurance from that agent.* He or she may be honest, and may even have your best interests at heart, but the agent won't be sufficiently familiar with the full range of life insurance options, products and regulations that exist in today's marketplace.

On the other hand, you probably *don't* want an agent who sells insurance policies from only one company. Only a multicompany agent—one who sells and services policies from a wide range of insurance companies—has the contacts and resources to locate the best policy for you and your family.

It's not that there aren't any good single-company agents out there. In fact, there are some very skilled agents who sell only one company's policies. The problem is that they have a very limited array of insurance products from which they must choose or design a policy to suit you. A one-company agent can, at best, offer you the closest match he or she can find from the company's offerings. A multicompany agent, on the other hand, can choose the very best match from among the offerings of several competing companies.

Think of it this way: If you needed a new pair of dress shoes, new tires for your car or wallpaper for your kitchen, would you rather shop around at many different stores, or would you rather investigate only one store and buy whatever it has at whatever price it asks?

As for the issue of experience, an agent with years of experience will usually have more insurance knowledge and savvy than one who's new to the business. On the other hand, there are some very skilled new agents out there—and even the most experienced agents had to start out at the beginning. So while experience does often matter, a new agent who otherwise gets high marks is well worth investigating.

Feel free to talk with many different people about their life insurance agents. In addition to friends, relatives and co-workers, ask for a recommendation from your attorney, your CPA or any executive you may

know; these professionals can often make excellent recommendations. (Sometimes they'll simply recommend their nephew or son-in-law, but overall it's worth asking them for referrals.) If you have a close relationship with a banker, he or she is also worth asking for a recommendation—*provided that his or her bank is not in the business of selling insurance*. If a banker refers you to someone else at their bank, ignore the recommendation; the banker is simply trying to make an insurance sale for their employer. (I should say here that very few of the people who sell life insurance through banks have the knowledge, expertise or time to serve their customers adequately, let alone well.)

In general, avoid getting life insurance advice and recommendations from people calling themselves financial planners or CFPs (certified financial planners) for three reasons. First, most financial planners are not very well informed about life insurance products or the life insurance industry. In fact, it's possible to call yourself a financial planner after taking a single two-week training course. Second, the entire financial planning industry remains completely unregulated by both federal and state government. Third, most financial planners make their money by selling investments (stocks, bonds, etc.), insurance and other financial products—not by charging a fee for their time or advice. Thus, financial planners have a powerful incentive to recommend themselves or their associates as insurance agents.

Although people who call themselves financial planners are generally to be avoided when shopping for life insurance, there is one exception to this principle. Fee-only financial planners, who charge by the hour for their advice and who do not make their money by selling financial products, *may* give sound advice and recommendations, particularly if they work as part of a team that includes a CPA, a life insurance agent and an attorney.

Not that there is anything wrong with financial planning; many life insurance agents do excellent financial planning for their clients and consider this planning a central part of their jobs. But avoid buying life insurance—or taking recommendations—from people who present themselves as financial planners first and insurance agents second.

Write down the names and phone numbers of those agents who receive high recommendations. If you wish to supplement this list, or if you are unable to get many (or any) recommendations, you may wish to first locate some potentially strong and stable insurance companies by following the advice in Chapter 5. Then call the marketing department at each of the companies and ask for the name and phone number of their most reliable, knowledgeable, service-oriented agent in your area.

GETTING IN TOUCH

Ideally, you'll be able to get recommendations for several agents who are located near your home. However, location is a far less important consideration than expertise, helpfulness and quality of service. You are far better off with a good agent 50 miles away, or even halfway across the state, than you are with a poor or mediocre one around the corner. If you live in a rural area or small town and are having trouble finding a good agent locally, try calling some agents in the nearest big city. While large metropolitan areas are by no means the only places where excellent agents can be found, most of the best agents operate in or near big cities, simply because the majority of *all* agents are located in major metropolitan areas.

● STEP #2 ●

Make Some Telephone Contacts

Make up a list of agents worth contacting, with the ones that sound most promising at the top. Then give the agents a call, one by one, and say something like the following: "Hi, my name is _____, and I'm interested in buying life insurance. I'm in the process of selecting an agent, and you've been recommended to me as someone who's knowledgeable and helpful. May I ask you a few questions?"

Of course, just about every agent will say yes. But whether they show it or not, most agents will be a little shocked. It's extremely rare for someone to call and actually *ask* to buy life insurance. Ninety-nine percent of the time, agents have to go out and sell their products. So don't be concerned if some agents seem a bit flustered or surprised at first. Here are the initial questions to ask each agent:

- Do you handle policies from a wide range of companies or only one?
- Do you specialize in life insurance or life and disability, or do you sell many different types of insurance? (Remember, you want to work only with someone whose specialty is life insurance or life, health and disability.)
- I don't know exactly what my life insurance needs are. Are you willing to sit down with me, help me assess my financial goals and needs, work with me to develop an overall financial plan and find the most appropriate policy or policies for me?
- I consider life insurance a service as well as a product. Are you willing to service my policy over the years and provide guidance and suggestions as my needs and circumstances change?
- How long have you been a life insurance agent?

- Do you regularly add to your knowledge and expertise through professional education such as seminars, conferences and study groups?

If you don't get the kind of answers you want to these questions, thank the agent politely and hang up. But if you've gotten good answers so far—as you will most of the time—it's time to ask the really tough questions. These are the questions that will enable you to separate the very best insurance agents from the rest of the pack. Here is what you say: "I have a list of yes-or-no questions here that I'd like you to ask an actuary* at any insurance company before you offer me one of its products. They're called the O'Neill Questions, and they're from Terry O'Neill's book, *The Life Insurance Kit*. I'd like to mail them to you (or fax them, or read them to you over the phone); then please let me know if you're willing to get the answers from insurance companies for me. May I send (or read) them to you?"

Now, notice, you haven't even asked the O'Neill Questions yet. All you've done is ask the agent if it's okay for you to present those questions to him or her. If the agent won't let you send or read the questions, or if the agent insists on first making an appointment with you, he or she is not someone you want to deal with. Politely say goodbye and hang up.

However, if the agent tells you to go ahead, send or read them the O'Neill Questions in Figure 2.1. You'll probably find it easiest to photocopy the questions and mail or fax them to the agent; then call the agent again a couple of days later to get a response. (The questions have been printed on a separate page for easy photocopying.) But if you prefer to initially read the questions over the phone, that's fine. It's a good idea, though, to first tell the agent that there are 13 questions in all.

Don't worry for the moment about what the O'Neill Questions mean or how technical they may appear. Although they sound complex, each one can be answered with a simple yes or a no, and actuaries will be able to answer each question quickly and easily—usually in less than five minutes. This is in part because actuaries design insurance policies for a living; it's also because everything you're asking for is public information that insurance companies must regularly file with the state insurance commissioner's office.

Strange as it may sound, you don't actually need to know what these questions mean. Even the agent doesn't need to know what they mean (though most good agents will understand most or all of them). But if you're curious, see Appendix A, "About the O'Neill Questions," for a complete explanation. However, you

do *not* need to read Appendix A to find a good agent or buy an excellent life insurance policy. What you *do* need is an agent who is willing to ask actuaries these questions for you. I'll explain this in detail very shortly.

At first this may seem like a rather lengthy list of questions to expect a life insurance agent to ask an insurance company—and a long list of things for you to ask the agent. But asking these questions is really quite simple. All you have to do is mail or fax the photocopied list to your agent, and all the agent has to do is pass the list on to insurance company actuaries. Again, don't worry that these questions may seem like Greek to you. You don't need to know what they mean (though you may find it helpful to know that a carrier is simply an insurance company).

Eventually you will want the life insurance agent to bring you the answers to all of these questions from life insurance companies. (Ideally, the answers to the first seven questions should be no, and the answers to the last six should be yes. I'll deal with this thoroughly in Chapter 5.) But remember, you are *not* asking for answers to these questions now. You are simply asking insurance agents if they are *willing* to ask insurance companies these questions on your behalf.

You have two purposes in giving agents this list of questions: (1) to find out how knowledgeable and on the ball they are and (2) to see if they are truly willing to find the best insurance policies and companies for you. To truly excellent life insurance agents—those who are knowledgeable about their profession and willing to provide their clients with the full service they deserve—the O'Neill Questions will be not only familiar but sensible. Such agents will recognize the questions as important ones, and they will understand immediately that you want to buy life insurance only from a financially strong and stable company that will continue to stay strong and stable and that will come close to, meet or beat its illustrations year after year.

Is it really necessary for agents to ask insurance companies all these questions, and is it truly just as necessary for you to ask agents to do it? Absolutely. Doing anything less could cost you thousands and thousands of dollars over the years. Remember, we're talking about buying a product that you may be keeping for the rest of your life—and one that you want to be worth what you pay for it throughout that time. We're also talking about establishing a relationship with a professional—a relationship that you want to be mutually beneficial for years or decades. The little bit of time and trouble it takes you now to present the O'Neill Questions will pay off enormously in the years to come.

The O'Neill Questions aren't new or original. *Most of them are the very same questions that corporations ask life insurance companies in order to decide which companies to buy policies from for their employees.* They are also the same questions that lawyers require life insurance

* An **actuary** is a mathematician at an insurance company who designs and prices insurance policies using industry statistics and the company's own previous experience. An actuary is therefore very familiar with all of the company's insurance products.

Figure 2.1 The O'Neill Questions (Questions To Ask Prospective Agents)

1. Are the illustrations that the carrier is selling based upon higher crediting rates than the company can afford?
2. Is the carrier projecting mortality improvements in the years to come?
3. Is the carrier pricing for lower expenses than it is currently incurring?
4. Is the carrier investing in high-risk assets such as junk bonds and projecting superior performance over the long term?
5. Is the carrier using bonus interest to enhance later-year cash values?
6. Did the carrier build into the pricing of the product noncontractual enhancements?
7. Is the carrier using lapse-supported pricing in the products it designs?
8. As a result of the Tax Reform Act of 1986, when setting up reserves, did the carrier take into consideration the tax that now has to be paid on the spread between the statutory reserves and the tax reserves?
9. Does the carrier reward all policyholders on an equal basis?
10. Has the carrier adjusted its pricing assumptions to reflect the DAC (deferred acquisition cost) tax?
11. Is the carrier currently rated A+ or A++ by A. M. Best?
12. Is the carrier willing to supply me and my client with its current ratings from all of the following agencies that have rated the company: Standard & Poor's, Moody's, and Duff & Phelps?
13. Is the carrier willing to supply me and my client with copies of its most recent interrogatories: the Schedule M Supplement *and* the Exhibit 8 Supplement?

agents to ask insurance companies before purchasing million-dollar (or larger) life insurance policies on behalf of their wealthy clients.

For years, rich Americans and corporations have insisted that insurance agents ask life insurance companies these questions, and they have purchased life insurance only from those companies that have given the right answers to the questions. The process of asking and getting answers to these questions is sometimes called *due concern*, *due care* or *due diligence*. Taken together, the answers to the questions paint a clear picture (to agents and attorneys) of both how financially stable an insurance company is and how realistic the illustrations in its policies are.

You want an agent who is willing to ask insurance companies the O'Neill Questions because you want and deserve the same kind of service that rich people and corporations have enjoyed for many years. Can you realistically expect to get this same kind of service? Yes. It's true that only the best and most competent agents are willing and able to provide this high level of service. But why not get the best, especially since the best agents will almost invariably get you the most for your money?

You may be wondering if it's worth an agent's while to do all of this for you, especially if you don't have a lot of money and probably will only buy a small amount of life insurance—or none at all. *You bet* it's worth the agent's time. A good agent knows that a client who makes a small purchase today—or even no purchase at all—could make a large one 5, 10 or 20 years from now, when his or her needs, goals and/or financial situation have changed. A good agent also knows that serving people well can result in referrals to other potential clients.

Some first-rate agents won't even need to see or hear the O'Neill Questions. As soon as they hear you say the words "the O'Neill Questions," they'll know exactly what you're talking about, and they'll say something like "Sure, I know what those are; I'd be happy to ask them" or "Oh, yes, the due concern questions—I've *already* asked them of quite a few carriers."

Other excellent agents won't be familiar with the term "the O'Neill Questions," but once they hear them, they'll know exactly what they mean and what you're asking for. Some of these agents may say something like "What you're looking for is due concern" or "Sure, those are due concern questions." All of these responses are good signs.

If an agent understands the O'Neill Questions and agrees to ask them of insurance companies, this agent is very much worth meeting, so set up an appointment at your home or office.

However, some first-rate agents may go a step further: They may have *already* asked many insurance companies the O'Neill Questions. These agents may

tell you something like this: "I already have many carriers' responses to these questions on file; I'd be happy to show them to you" or "I've gotten many companies' answers to these questions already, and I'd be happy to show you only policy proposals from carriers that have provided good answers" or "I've already asked quite a few companies these questions, and I sell policies only from carriers that have given satisfactory answers to them." (This is the approach I take for my own clients. Each year I ask a range of insurance companies the O'Neill Questions. If an insurance company won't answer the questions or if any of the answers it gives demonstrates any sign of financial weakness or instability, I simply refuse to sell its policies.) An agent who responds in any of these ways is probably very, very good; set up an appointment with that agent.

Still other agents may lack the knowledge or experience to fully understand what all of the O'Neill Questions mean; but if they are, nevertheless, willing to ask them of insurance companies, they are still worth scheduling an initial appointment with. An agent who is willing to work hard to serve you and address your unique needs will quickly pick up any necessary knowledge he or she may lack. (In fact, it's possible that an agent may say to you, "I don't really know what all of these questions mean myself." Simply reply, "That's okay. The actuaries will, and they'll know the answers to each one.")

Many—perhaps even most—agents will not react so positively, however. Here are some responses that will tell you that an agent is not worth working with:

"I'm sorry, but doing all that just isn't worth my time and trouble." (You may wish to point out in response that all the agent has to do is pass on the photocopied list of questions to actuaries.)

"I'm an insurance agent, not a private investigator. I can't go asking all those questions for you."

"I'd be happy to give you the phone numbers of the actuaries at any insurance company you want, and you can ask them yourself directly."

"Oh, yeah, the O'Neill Questions. That O'Neill guy is a real crank (or weirdo or monkey's uncle, etc.)."

"I don't need to ask these questions. I deal only with the best insurance carriers." (This is nonsense; the agent is simply trying to sidestep your request. Work *only* with an agent who is willing to ask insurance companies the O'Neill Questions or who has already asked them of many carriers. There is no other truly reliable way to easily determine the soundness of a company's finances and illustrations.)

"I don't have to ask these questions. The only companies I sell products from are rated A or higher by A. M. Best." Another variation on this theme is, "Why ask these questions? If you really want to know about insurance companies, just check their ratings, and I have all of those right here." (This is another smoke

screen. Many agents now try to sell policies primarily by citing the ratings awarded to insurance companies from rating agencies, such as A. M. Best, Standard & Poor's, Moody's and/or Duff & Phelps Credit Rating Co. These ratings, which are similar to the letter grades used in schools, are intended to indicate life insurance companies' reliability and financial soundness [or lack thereof]. But ratings paint only a part of the picture, and to the uninformed they can be both unreliable and misleading. For example, an A rating from Standard & Poor's or Moody's may sound good, but in each case it actually indicates a *third-rate* company. Both rating agencies have two higher ratings for stronger companies: double-A and triple-A. Furthermore, several insurance companies with high or even top ratings have had major financial problems in recent years. I'll discuss ratings and rating agencies in detail in Chapter 5.)

Then there will be the agents who will be a bit stunned by your request. They may ask, "Where did you learn those questions?" or "Are you reading those questions from somewhere?" or "Have you worked in the insurance industry?" Go ahead and answer honestly, and explain that you're following the suggestions in my book. Then repeat your central question: "Are you willing to ask an insurance company these questions before offering me one of its policies?" If they answer yes, schedule a meeting with them; if they say no, regardless of the reason, thank them politely for their time and hang up.

Again, it is not necessary for you to understand what any of the O'Neill Questions mean. And at this stage you are not yet choosing an insurance company or a policy. You are only evaluating agents and looking for the one who will be your best advocate and representative.

As you talk with each agent over the phone, also ask yourself these questions: Is the agent friendly? Responsive? Polite? Easy to understand? Remember, you will be working closely with your insurance agent for years, so you want someone with whom you feel comfortable. If an agent seems rude or confusing, or if you have a negative gut reaction to him or her, don't work with him or her. If anything an agent says seems unclear or confusing, ask for clarification. If the agent is unwilling or unable to explain things to your satisfaction, he or she is probably not the right agent for you.

SETTING UP A MEETING

You may have to make several calls before you find an agent who responds favorably to your questions. That's okay; be patient and keep calling. Don't get discouraged, and don't limit yourself to your immediate neighborhood, town or city. If you live in the coun-

try or a small town and aren't having any luck, try the nearest big city. Eventually you'll find the right agent. And when you do, you'll quickly realize that the weed-ing-out process was more than worth the investment of your time. Remember, it could end up saving you thousands of dollars over the years. Once an agent passes your telephone test, however, the task of selecting an agent isn't over.

• STEP #3 • Make an Appointment with the Agent

Set aside at least 90 minutes for this appointment; two hours is better still. If your finances and/or personal circumstances are very complicated, it is a good idea to allow even more time—say, 2½ to 3 hours. Better yet, set up an open-ended meeting so that you can spend as much time as necessary.

Most agents will be happy to meet with you in your home, your office or their office, as you prefer. However, some excellent agents insist on holding all meetings in their own office. This is fine (if, understandably, a bit inconvenient for you).

If you find more than one agent who seems worthwhile, feel free to make an appointment with each one. (Meet with agents one at a time, of course.) *It is perfectly fine to ask two or three different agents to recommend policies to you and then to pick the agent and policy you like best.* In fact, being able to choose from among two or more potentially excellent agents (as well as from among several different policies) is in many ways ideal. Many consumers like having this opportunity to comparison shop.

If you prefer, however, it is also fine to make an appointment with the first agent who passes your initial tests and to hold off on calling anyone else. You can then meet with the agent and, if all goes well, set up a second meeting at which he or she will offer you one or more life insurance plans. If you like the agent and a life insurance plan enough to make a purchase, you've saved yourself the trouble of sitting through appointments with several different people. If you're not satisfied with the agent or the plans you're offered, however, you'll need to return to the step of contacting agents by phone.

At your initial appointment, it will be the agent's job to help you ascertain your financial needs and goals. It will be *your* job to determine whether the agent appears willing and able to offer you the kind of service you need and deserve. This initial appointment is the time when a superior agent really gets the chance to shine—and where you have the chance to learn the most. In Chapter 3 we'll go step by step through the initial meeting.

RETHINKING YOUR EXISTING COVERAGE

What if you or your family already have one or more life insurance policies in force? And what if you already have a life insurance agent, perhaps someone with whom you've built up a relationship over the months or years? Should you stick with what you've got? Make a change? Do some kind of reevaluation?

It depends. The same criteria for finding a good life insurance agent should be applied to any agent you've worked with in the past. Is the agent friendly, helpful, willing to answer questions, interested in providing you with full and reliable service and committed to serving you? Is the agent knowledgeable about the many different life insurance policies, options and regulations that now exist? When selling you your policy, did he or she make sure it was from an insurance company on very sound financial footing?

As for any policy you may already own, did you purchase it only after carefully evaluating (with or without the help of your agent) your personal and financial goals and needs? Do you have a clear sense

today of what your goals and needs are? Have these remained unchanged since you first bought the policy? Have your life-style and financial situation stayed the same since you first purchased the policy? Has your policy performed as well as, close to or better than its illustrations predicted? If it's a term policy, have the premiums remained as low or lower than predicted? If it's a whole life, universal life or blended policy, have its earnings been as high, nearly as high or higher than illustrated?

If the answer to all of these questions is yes, then you've probably got a good policy and an excellent agent. But if the answer to any of the questions is no, then it's probably time for you to reexamine your coverage. It may also be time to consider getting a different life insurance agent.

Chapter 9, "Examining and Improving Your Life Insurance Coverage," will show you step by step how to evaluate your current life insurance agent and any life insurance policy you may already own. It will also tell you everything you need to know about making a new and better choice.