

Rediscovering the Middle Market: *There's No Place Like Home*

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There is a timeless tale of a young man who leaves his boyhood home and small plot of land to find his fortune. He searches the world over, never finding what he seeks. Finally, in old age, he returns and discovers before dying that beneath his humble land there are acres of diamonds.

Many insurance agents who made a nice living serving middle-aged, self-employed families have abandoned this market to instead cater to “the young invincibles”—those 20- and 30-somethings who are alarmingly uninsured, yet are desirable to insurance companies because they are low utilizers of medical care and are inexpensive to reach.

It is time to return home.

First, there is a great deal of competition for younger customers from online houses such as eHealthInsurance. In addition, agents tend to find themselves in competition with carriers that are increasingly building direct-to-consumer Internet quoting and enrollment tools. Finally, younger customers are often in and out of the individual medical market as they move from job to job, making it difficult to build a steady income stream from their policies.

Agents who are looking to compete with direct-to-consumer pitches from carriers and online houses should look toward potential customers between the ages of 35 and 55—a group that typically desires a more complete solution to their health care financing needs. Customers in this age bracket often respond well to a consultative sales approach to help them navigate the maze of available medical plans.

One of the most innovative plan designs to target this group is The 360 Plan from Madison National Life Insurance Company. The 360 Plan, which works well as part of a consultative approach, provides comprehensive medical coverage, critical illness, life insurance and an optional disability plan, all on one application with one initial check.

John Carlson, vice president of marketing for IHC Health Solutions, sees a trend of coverage imbalance in the market today:

“Many families need help realigning their premium outlay in a cost-effective, needs-based and risk-oriented

way. Most are struggling to afford a high level of health insurance coverage they don't need or use, while life insurance, disability income and critical illness protection needs are left unmet. This imbalance can be corrected while still providing families with a level of comprehensive health coverage that is appropriate to their financial risk at very little, if any, increase in total premiums.”

A November 2006 USA Today/Kaiser/Harvard survey of households affected by cancer showed that while 95% had medical coverage, 25% claimed to have used up all or most of their savings and 46% said that medical bills were a financial hardship.



By packaging critical illness and life insurance with major medical, agents help create a more comprehensive solution to their customers' health care financing needs. The basis of The 360 Plan is to sell the customer a somewhat leaner medical plan that eliminates copays for the relatively inexpensive daily health care interactions such as

office visits and prescription drugs. By funding these interactions with discretionary funds or through a tax-advantaged HSA account, customers can free up enough of their insurance budget to purchase a return-of-premium term life policy that includes an inherent \$10,000 critical illness rider.

The average out-of-pocket maximum for individual medical plans has increased more than 16% in the last decade, according to the National Coalition on Health Care. As cost-sharing between the carrier and the individual insured continues to rise, more customers are going to need help funding their increased expenses.

In addition to higher out-of-pockets, many families have limited financial resources to fall back on in the event they experience a medical-related setback. A 2006 Bankrate.com survey indicated that 40% of Americans do not have enough in savings to pay bills for three months in the event of lost income. A customer who misses a month of work recovering from a major cardiac condition will take little solace in the fact that the majority of his medical claim was paid when he is faced with coming up with the money to pay his mortgage or car payment.

The 360 Plan provides a solution when it comes to insuring against the financial impact of a serious injury or death. By applying for all of the coverage on one application, potential customers are not faced with completing multiple applications with multiple carriers. And because all the coverages are underwritten by Madison National Life, customers do not have to deal with multiple underwriters who might request the same information multiple times, or come back with decisions days or weeks apart.

When it comes to trying to sell individual medical based on price, agents and financial planners are at a huge disadvantage compared to online agencies. Large online agencies can provide spreadsheet capabilities that are nearly impossible to match. However, those who sell primarily by spreadsheets are equally disadvantaged when it comes to designing customized solutions to fit the needs of a particular customer.

By adding a product such as The 360 Plan to his or her portfolio, any agent can reach out to the attractive middle-market segment that is clamoring not only for affordable health insurance options, but also for disability income, critical illness coverage and life insurance. An innovative solution combined with a consultative approach will bring the sale home. ■

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