

Relying on Strong Values to Build Market Share
in your clients' best interest



Over the past several years, corporate scandals have placed the question of business ethics front and center in the public consciousness. The life insurance industry was not immune, and the effects of charges of bid rigging and other questionable practices continue to reverberate throughout the benefits and financial community.

In this installment of Get More, we'll identify the practices and values of companies poised to make an impact in the employer benefits landscape. We'll show how intermediaries and insurance carriers who have always adhered to the highest standards of conduct and continue to examine and improve their programs and processes will be the organizations with the best chance of gaining and retaining market share and, more importantly, their clients' trust.

Business ethics: an oxymoron?

A recent study by the General Accounting Office (GAO) shows that in the last five years at least 10 percent of all companies listed on the major stock exchanges have been obliged to restate their pre-2001 financial statements to correct for material overstatements. Another study, by the Huron Consulting Group, contends that the GAO study actually understates the problem and that the figure is closer to 15 percent¹.

What's worse, more than 71 percent of Americans believe that only some of the top 1,000 corporations in America operate in a fair and honest manner. This cynical perspective reveals serious erosion of the public's confidence in the marketplace's ability to regulate its own behavior¹.

As businesses strive to polish their tarnished image, many are turning to stricter compliance processes and classes in business ethics. Such formal programs do have an impact, according to the National Business Ethics Survey of 2005, but the most influential factor driving employee behavior is the organizational culture.

Cut from a different cloth

Honesty never goes out of style

The most successful companies have a common characteristic — they have built a set of core values and live by them. They understand that fair and consistent business practices build trust — and trust engenders more business, higher stock prices and greater client satisfaction. Today more than ever, in the glare of legal and public scrutiny, the “smoke and mirrors” approach is out. Transparency — in terms of business practices and relationships — is “in”².

The best organizations view ethics as a fundamental way of doing business, not an add-on or an afterthought, and build it right into their management and compensation systems. They reinforce corporate values by making adherence to them an integral part of how success is measured and rewarded. Performance reviews and bonuses tied to corporate values have proven to be very effective².

Corporate culture is built from the top down. Leaders model ethical behavior which is replicated throughout the corporation and becomes an integral part of the culture. This behavior, in turn, fosters confidence and support among investors and customers. Bottom line, companies dedicated to consistently acting in the best interests of their customers are more profitable.

Your chance to shine

A trusted advisor more important than ever

Keeping abreast of employee benefits law presents a challenge — and different rules apply depending on the terms of a plan. Human resources professionals have to be familiar with the law to be able to discern if the rules are being compromised. And, if benefits practitioners also serve as a fiduciary for the plan, they have a legal obligation to workers and retirees³.

Yet, HR departments are stretched thinner than ever before. A substantial majority — 73 percent — still maintain full responsibility for insurance and benefits administration. In a recent survey, forty-two percent of HR executives indicated their departments added new responsibilities in the past year³.

With more emphasis on business strategy and development of human capital — health and wellness programs, employee education and the like — HR professionals have even less time to dedicate to researching, choosing and administering employee benefit options.

That’s where you, the intermediary, have a chance to add value for your clients. They are relying on you to advise and assist them in selecting competent service providers and monitoring their performance.

Tackling the tough questions

Entrusted with employees' welfare and security, benefits practitioners and plan fiduciaries must live up to an ever higher standard of conduct. Offering help, a Department of Labor program, "Getting it Right: Know Your Fiduciary Responsibilities" focuses on five areas — all aspects of benefit plan administration that are key to complying with the law:

1. Understand your plan and your responsibilities.
2. Carefully select and monitor service providers for the plan.
3. Make 401(k) contributions to the plan on time.
4. Avoid prohibited transactions
5. Disclose plan information to workers and retirees and file reports with the government on time.

Details of the program are available at the Department of Labor's web site, <http://www.dol.gov/ebsa/fiduciaryeducation.html>

Doing the right thing

Seek companies with a long history of ethical behavior

You want to work with providers who do the right thing for you and your clients in all situations. What specifically do these carriers do that sets them apart? Anthony O'Donnell, CMP Media, writing in *Insurance & Technology Magazine*, provided these answers:

- Provide direct and precise answers to questions in RFPs and throughout the proposal process.
- Use transparent pricing so you and your clients understand what's included.
- Pay only the compensation that you and your clients authorize.
- Apply advanced technologies to lighten your client's workload and improve communication.
- Maintain high average annual client retention rates.
- Consistently outperform the industry in terms of growth.
- Report high overall client satisfaction ratings.
- Carry very high financial ratings.
- Perform so well you want to recommend them to your clients.
- Clearly and consistently document all selling agreements and commissions⁴.

Get more business

What's in it for you?

Following ethical business practices is not only good for your peace-of-mind. It also can affect your financial success. A survey of successful salespeople in five different industries found that those who used a “serve-the-client’s-best-interests” approach significantly surpassed their goals. Research also shows a direct correlation between ethical behavior and high production. Beyond the monetary rewards, ethical conduct:

- Builds client trust, the foundation of all long-lasting relationships. Long-lasting relationships mean repeat business and referrals.
- Earns respect from other professionals and strengthens your business network.
- Helps maintain regulatory freedom. Irresponsible business practices are often a catalyst for additional regulation and red tape.
- Makes a positive contribution to the community by improving the lives of others.

What can you do?

As someone who has always been above-board in client dealings, the recent finger-pointing and questioning about business practices may have you wondering how to manage the possible fallout.

Here's a short list of things you're probably already doing to build client trust. If so, give yourself a pat on the back for scoring high on the "ethics checklist"⁵.

- **Identify** trends and see where your clients' plans are falling short — before their plan is ready for bidding. Stay current with what's new in coverage options and plan designs. Know which companies excel in each area.
- **Generate** new plan ideas: bid out coverage to various carriers, find pricing for new plans on the market, get details on how those new plans might function.
- **Devote** significant time to developing a benefits plan strategy well in advance of the renewal period.
- **Provide** benchmarking on what other companies are doing in the benefits arena and how your clients' plans measure up.
- **Recommend** expert, "best in class" vendors with customer-centric philosophies.
- **Help** your clients evaluate the risks and the benefits of all their options, as well as the costs. In the long run, helping your clients find the best solution is as important as saving them money.
- **Reveal** all compensation you'll earn. An intermediary who removes the mystery by revealing all fees up front during the benefits evaluation process is in position to show the client that his or her recommendations are based on suitability, not [his or her] earnings potential⁶.
- **Realize** that the relationship is a work in progress. As one benefits buyer said, "It sometimes takes years to get to know people. You may go through the bidding process [with the same intermediary] a number of times before you have that trust."

Conduct that excels

We have provided financial security for clients nationwide for more than a century. Today, we are one of the largest life insurance companies in America. Our ongoing success springs from the values that were established when we were founded:

- **Financial strength** — Our financial strength underscores our ability to keep the promises we make to clients and to invest for the future.
- **Client focus** — We have built a history of serving our clients' long-term interests.
- **Doing what is right** — In all activities, we adhere to a philosophy of mutual respect and conduct that excels.

Up Next

In the current climate of mistrust, benefits pricing must be completely above-board. Employers are under tremendous pressure to reduce costs, yet are still expected to offer competitive benefits packages. At the same time, demands are being placed on intermediaries to deliver higher levels of service, often with less incentive pay. In the next installment of Get More, we'll cover the basics of group life insurance pricing — myths, trends and options — and identify the differences between long-term and short-term pricing strategies.

For more information

To learn more, contact the group sales manager in your region or call our national sales office at 1-800-606-LIFE (5433) or visit www.lifebenefits.com.

Sources:

- ¹Dov Seidman, *Ethical Capitalism. Ethical Leaders*, www.lm.com/library/whitepapers/ethical_cap_leaders_print.php.
²Steven McCarty, "Nice People no longer finish last," *BenefitsSelling Magazine*, August 2005, p. 47.
³David Port, "Brokers point the way," *BenefitsSelling Magazine*, September 2005, p.80.
⁴Anthony O'Donnell, "Passing the Spitzer Test," *Insurance & Technology*, December 2004.
⁵Steven McCarty, "Do it right two letters at a time," *BenefitsSelling Magazine*, September 2005, p. 76.
⁶Port, p.80.

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