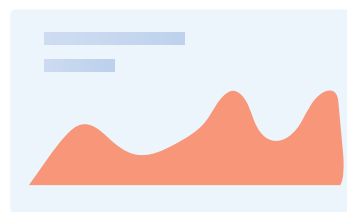
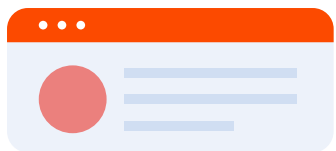


# Change or Become Obsolete: The Evolution of the BGA World



WRITTEN BY

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# It's a different world in 2020.

Social distancing. Zoom calls with clients. Trying to build new relationships digitally. Regulation Best Interest. CFP® Fiduciary Duty. New York Reg 187. Annuity Model Regulation. Carriers exiting the life insurance business. Distribution consolidation. Feds holding interest rates near zero. Countless businesses shut down. The old BGA model has quickly become a relic. What worked in the past isn't what's going to bring your business security and success in the future. Your business will either change to prosper in the new normal, or it will become obsolete...a dying dinosaur in a digital age.

## Distribution is changing. Are you?

### Carrier Partnerships

Carriers are under tremendous economic strain today and have to be more selective than ever in how they deploy limited capital. They're restructuring for efficiencies, dropping unprofitable product lines and inforce blocks, and rethinking distribution. They're also facing new regulatory threats and economic headwinds that can't be brushed aside. These challenges are forcing carriers to be more selective about distribution partners who can help manage risks and help drive efficiencies. They need distribution partners with systems and processes that can implement and execute a set of high, prescribed standards at a low unit cost. They need a distribution partner who is in

tune with the products they are selling and servicing. New carrier analytical initiatives will delve into every business unit, product line, and distribution outlet to measure acquisition costs, administration costs, and capital requirements. Carriers will align new initiatives with distribution partners who are part of their top performing segment as measured under these new standards...not just first year production. If you don't measure up as an efficient partner, you may lose access to carrier products or see compensation adjusted to reflect the higher cost of doing business with you.



## Broker-Dealer Partnerships

Carriers aren't the only entities reexamining their partners. The measuring stick is no longer new sales processes. If you have a distribution relationship with a broker-dealer, it's very likely you may find your post-sale capabilities being questioned as they grapple with their new requirements under Regulation Best Interest, New York Reg 187, and other standards. Many BDs are streamlining compliance processes regardless of whether it's a fixed product or a variable product as it's unwieldy

to navigate client conversations and compliance processes in a fragmented world. You will likely be asked about your service and tracking capabilities by your BD partners if you haven't already. There is a growing expectation of service capabilities in the BD world. Will you have an answer? Proformex gives you a demonstrable, scalable solution that puts the information you need at your fingertips to satisfy these new expectations.

## BGA Consolidation

Consolidation of BGAs is happening more and more to achieve production scale. It's already expensive and difficult to stand out from other BGAs, but consolidation actually exacerbates commoditization of the value proposition across the assembled BGAs. If every BGA has the same tools to issue and place the same products, how do you stand out? Astute BGAs will recognize this creates an opportunity for differentiation if they're willing to invest in processes and systems...the exact areas most consolidations seem to ignore.

Policy management and monitoring can be a key differentiator. Not every BGA has the resources to build in-house systems that try to accommodate a world in constant flux. Careful selection of existing systems that accentuate the qualities and focus of your staff while delivering efficiency and value to you and your stakeholders is critical. You need strong systems to stand out, to survive, and to attract new agents. Many of the best BGAs – likely your competitors – have already embraced Proformex. It is a differentiator now, but it will quickly become table stakes.

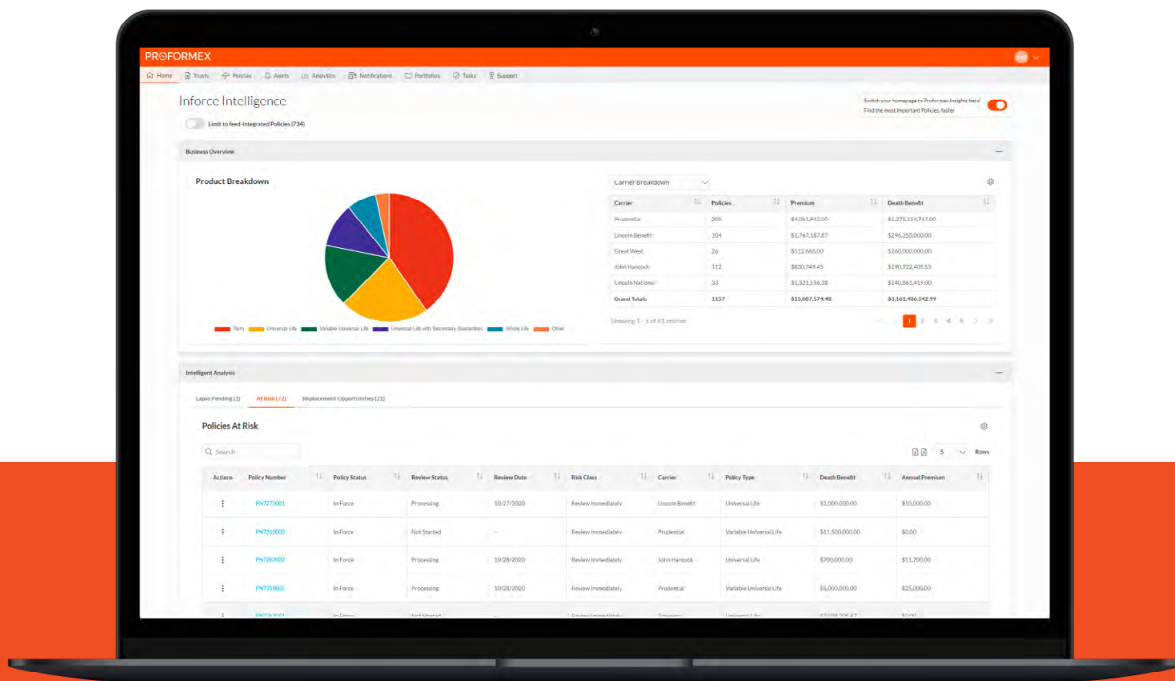
## Capital Deployment

If your business is going to remain successful, you'll need to carefully examine how your business will improve by the deployment of limited capital. How does capital deployment improve the economics of your distribution, the risk profile of your inforce book of business, or the organizational relationships you've built? These are the types of questions driving many carrier actions today, and it should be driving your actions as well. Five key areas to examine for capital deployment include:

- 1. Recruitment and Retention** – Ready or not, COVID-19 shoved the industry into a digital world. It's going to be hard to put the toothpaste back in that tube now. Clients expect a digital experience option, and many prefer the digital approach. Investing in systems that best position agents and financial advisers to thrive in a digital environment is critical. A digital infrastructure can help you attract agents who recognize that digital isn't a fad but a foundation for the future. It can help recruit agents and financial advisers that want to leverage technology for new opportunities. It can also help you retain agents. As your systems become deeply integrated within an agent's or adviser's day to day world, it will create real barriers and pain points for them to move to a competitor.
- 2. Revenue Generation** – Cross selling has long been discussed as a way to achieve more revenue, but past efforts have used rudimentary tools and limited data. Unlocking the data at your disposal, especially inforce policy information, with today's tools can yield significant revenue opportunities while improving the agent and customer experience. Carrier policy buy out campaigns, term buy up initiatives, carrier spin offs, and product dividend or expense actions can all create opportunities to connect with clients that may lead to new revenue. Yet, you need insights into your inforce book to identify and act on such opportunities.

It's also worth noting the challenge of creating new relationships in a digital world. Finding ways to get new revenue from existing clients will become increasingly more important as agents struggle to find new prospects or develop new relationships with centers of influence who might refer business. Even your orphan block of business can turn into a potential revenue stream by reviewing their policies. Proformex has the systems and expertise to help identify new revenue opportunities and keep your name top of mind with clients.

3. **Compensation Alignment** – Are you unwittingly deploying additional capital to support inefficient agents by allowing some agents who are unwilling to change to conduct business in old, outdated ways? If so, you're probably wasting capital. It may be prudent to consider aligning your compensation arrangements to reflect an efficiency score derived from adoption of a suite of digital solutions. Your bottom line shouldn't be hurt by an agent's choice to avoid change. Realignment could be a change in a compensation rate but also ticket charges or other event driven assessments that reinforce to the agent the cost of choosing an antiquated model. You may even go so far as to terminate inefficient relationships. Compensation alignment can even be used in recruiting...adopting certain digital standards for sales, service and compliance drives the compensation package. This avoids wasting capital on voluntary agent inefficiencies
4. **Automate to Facilitate** – Regardless of the digital world, salespeople excel at human-to-human interaction. When you look at capital deployment opportunities, you should seek to automate in order to facilitate their human-to-human interactions more. The same can be said for your employees that need to build and maintain relationships. Automate with an end goal in mind such as more face time with customers, maintaining top of mind visibility, mining an inforce book of business or achieving a core efficiency. Even standardized reporting like Proformex uses can optimize face time for salespeople.
5. **Complete Data** – Far too often the agent and BGA are working on a client situation without the same information. One party has incomplete or outdated information. This can result in bad advice, policy headaches, compliance issues, or even relationship challenges. Imagine if everyone had access to the same data set. Using a system like Proformex to simply get everybody on the same page with the same data can help address these issues while also improving efficiencies.
6. **Competition** – Deploying capital in ways that make your business stand out can give you competitive advantages too. For example, a service platform like Proformex can be positioned to help win a case in competition or to convince a center of influence to engage your services.



“Imagine if everyone had access to the same data set..”



## An eye on the future.

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### Identifying Opportunities in Your Relationships

Do you have any non-insurance focused relationships (i.e. a CFP®, RIA, or CPA)? Perhaps reviewing insurance holdings are part of their client value proposition. Are they equipped to handle a policy review in today's regulatory world? Are you prepared to support them in this effort, or will they be lured away to a competitor with a better solution? You can help solve this dilemma with a system like Proformex to track and report on insurance holdings. You could help non-insurance

partners execute reviews for the policies they write through you. You could even consider charging them a fee for a review. Regardless, you'll need a repeatable, scalable, understandable solution like Proformex to capitalize on this opportunity. Proformex has a standardized annual policy review process and automates requests for information to carriers. This reduces the manual aspects of creating a policy review tremendously.

### The Buyers of Today and Tomorrow

Digital quoting, underwriting, and delivery systems have exploded during COVID-19. It pushed digital interactions mainstream beyond millennials and sub-millennials. Prospects may not value face to face meetings especially when referred to an agent. Consumers want to research online and execute digitally. They expect digital service solutions as well. Older

demographic groups are trending this way too as they've learned to conduct business digitally during COVID-19. Do you risk losing your agent and consumer base because of your lack of technology? Your digital capabilities will either open doors or close them.

## Compliance

You're keenly aware of the wave of new and proposed insurance regulation. Your business needs to lay the foundation today to adapt to the changes on the horizon. The risks are real and require strong processes and systems to mitigate the risk. Compliance begins earlier in the sales process and now extends into the service world. You will need insights into client insurance holdings in order to know if you're compliant. You can't opine on the appropriateness of new recommended coverage if you don't know what they already have in place.

Record keeping is critical in any compliance process. Can you prove you did what you said? Can you prove you acted with adequate knowledge of the client's goals and resources? Can

you prove you brought issues to the attention of the owner? Proformex gives you a secure system of record for all relevant client and contract information.

There's a saying that an ounce of prevention beats a pound of cure. When it comes to compliance, that saying is so true. Record keeping is a form of prevention. Managing client expectations is a type of prevention. Regular communication is another part. Early identification of potential issues is yet another. With Proformex's documentation, tracking and reporting tools, you'll be able to embrace the ounce of prevention strategy and avoid a pound of cure at the hands of plaintiff's lawyers, carrier auditors, or regulatory auditors.

## Resource Strain

Low interest rates are putting tremendous pressure on insurance companies. There are many ways this is manifesting to impact you. Some carriers are selling inforce blocks of policies to special entities who focus on optimizing value on an inforce book of business. These transitions don't always go smoothly. You'll need a way to track information on the policies written through your organization. You'll need a way to identify what new entity to contact on the subset of policies sold off. You'll want as much information as possible to determine if the new entity is taking actions harmful to a policy owner. You'll need a way to identify policy buyout options being pushed by carriers to get business off the books. And, you'll need a system to document every communication to an agent or policy owner on these issues. In short, to be efficient, you'll need both a control tower view offering macro insights into your business and client level details of a specific policy.

These events can create resource strain for you if you don't have the right systems, but these events can also create new opportunities. Perhaps these changes offer new replacement opportunities. Perhaps it drives reallocation of future premiums from an underperforming product to a new product. Proformex can help you quickly identify policies needing attention and determine if new opportunities exist. Your agents will love having these opportunities served up to them on a silver platter.

Even new policies are going to feel the strain. Carriers may roll out new compensation structures that aren't front loaded in order to make it possible to offer some product types. Carriers may limit distribution on certain products to partners that can write and service business efficiently. If your spreads get reduced, you will need powerful and efficient systems more than ever.

# You've Chosen to Change...Watch Your Competitors Become Obsolete

This is a time of upheaval in the world of life insurance distribution. If you're still reading, it's because you've at least mentally accepted the need for changes and are leaning into them rather than hoping they magically go away. You view technology like Proformex and other systems you will use as investments in your business and a key component of prudent expense management and capital deployment. The technology you implement will have a multiplier effect on your organization because you have the right mindset and vision. Systems like Proformex will be a foundational platform for your organization and help best position you for tomorrow. It will keep you relevant, elevate you above competitors, fend off regulatory threats, and open new revenue opportunities. All the while, you'll be watching your competitors languish and become obsolete as organizations like yours step ahead. All it takes is a little change.

## About the Author - Mike Pepe

Mike Pepe capitalized on his nearly 20 years of life insurance policy expertise by launching Proformex, an inforce policy management platform that helps fiduciaries, financial planners, insurance brokerages and agents monitor, manage and govern their life insurance policies. Its SaaS (Software as a Service) solutions are designed to proactively alert customers of potential problems with their life insurance policies and protect against degradation and asset erosion.

Prior to founding Proformex and serving as its Chief Strategy Officer, Mike started in the life insurance business with Mass Mutual and quickly became a leading agent. Soon after, he cofounded River Financial Group, a full service financial advisory firm. His focus was on building a highly successful financial planning practice which took into account the various parts of a holistic financial plan. As he focused on estate planning, he started The TOLI Group, a life insurance firm which was designed to fill the gap in the market for insurance consulting and the need for ongoing policy monitoring and management support, especially as it relates to trust owned life insurance.

## About Proformex

Proformex is the leading inforce management platform offering data aggregation, analytics, and portfolio monitoring for life insurance and annuities. The platform is purpose-built to help independent life insurance and advisory firms protect their clients' best interest and ensure regulatory compliance by monitoring individual policy performance, identifying at-risk policies, and uncovering new sales opportunities. Our automated solutions make inforce management more efficient, more profitable, and results in better experiences for policy owners.

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