

# Stop Inviting Lawsuits & Regulatory Actions



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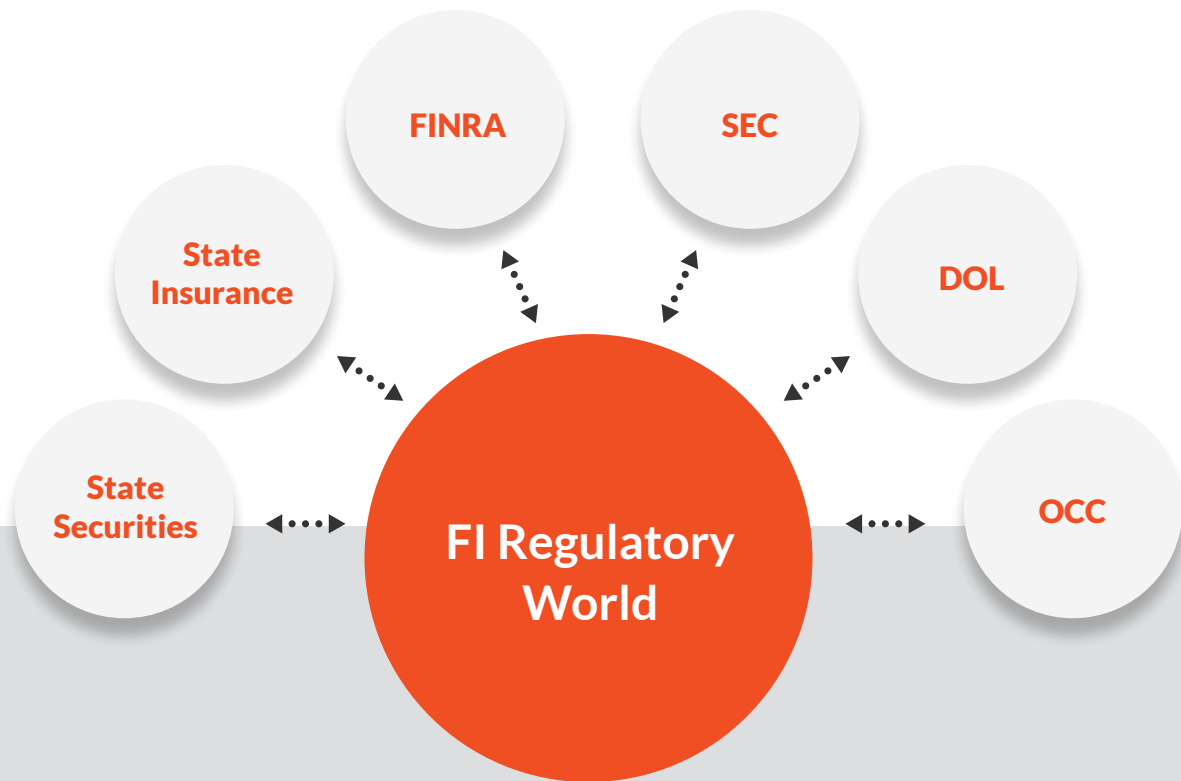


# Stop Inviting Lawsuits and Regulatory Actions

## Introduction

The world of life insurance distribution through Financial Institutions (FIs) is infinitely more complex and challenging than distribution through a typical insurance agency who is merely subject to state insurance laws. FIs are held to much higher standards...often a fiduciary standard. The client experience isn't once and done, but rather it requires periodic updates of client information. Carriers may delegate certain oversight elements to FIs as well. Complicating matters is the fact that clients have contractual rights under a policy that may allow direct conflict with the regular procedures and practices of FIs. This creates real challenges managing sales and service of life insurance policies. It also generates significant litigation risk exposure and elicits unwanted regulatory scrutiny. Inforce policy management, or the lack thereof, can even put long standing client relationships at risk.

Regulation in this world is on the upswing as evidenced by the piecemeal adoption of new model annuity regulations. State laws vary dramatically including the challenging New York Regulation 187 standard. The new Biden administration brings a pro-consumer stance that could fan the flames of regulatory change. New rules bring new risks and new ambiguities making managing to a lowest common denominator approach insufficient. The policies and procedures of FIs must be flexible and adaptable as the world changes.



### ADDITIONAL FACTORS

CFP, HIPAA, AML Privacy, Elder Protection & Cybersecurity

## The Need for Life Insurance Policy Management in FIs

### KEY RISKS:

- ▶ Litigation
- ▶ Regulatory Scrutiny
- ▶ Client Relationship
- ▶ Reputation Damage
- ▶ Competition
- ▶ Elder Protection Status
- ▶ Cyber Security
- ▶ Compliance Violations

### LOST OPPORTUNITIES:

- ▶ Next Gen Relationship Building
- ▶ Deployment of Death Benefits
- ▶ Retention of Assets
- ▶ Product Improvement
- ▶ Client Goodwill Creation
- ▶ Referrals

## New Process vs. Best Practice

For many FIs, best practices for inforce policy management will be an entirely new business process to be integrated into existing infrastructure rather than mere adjustment of existing best practices. The more FIs delve into this issue, the greater the realization of the scope of the undertaking. Creating a solution from scratch is an imposing task: data feeds from carriers, system programming, user interface, communications module, document repository, performance standard tracking, dynamic reporting, compliance oversight, expansive analytics, exception reporting and more. A platform like Proformex jump starts the development of an inforce policy management process.

In addition to technology requirements, there are fundamental mindset shifts required for a successful process. First, FIs need to hold Brokerage General Agents (BGAs) accountable to their responsibilities. FIs may find better success using fewer BGAs who can meet required standards rather than the traditional platform littered with BGAs selected in part on the buddy system. Second, FIs need to effect changes in advisor behavior to become proactive rather than reactive when it comes to policy management. With the complexities and nuances of modern life insurance, proactive service can reduce the cost of putting a policy back on track and help manage client expectations of policy performance over time. Success in changing the mindset on these two items coupled with a powerful systems platform will go a long way towards successful implementation of a policy management process.

## THE PERKS OF PROFORMEX

- **Automation of Review Process**
- **Data Feeds**
- **Documents Vault**
- **Customizable Communications**
- **Audit Trail**
- **Process Consistency**
- **Adjustable Client Goals**
- **Actionable Exception Reporting**
- **Insight into Agent Activities**
- **Extensive Analytics**
- **Scalable Solution**
- **Customizable Interaction with Other Interested Parties**
- **High Visibility, Professional Deliverables**

## Policy Management Things That Go Bump in the Night

### Some aspects of policy management likely keep FIs up at night

- How do you deal with the scope of hundreds of different products, dozens of carriers, and thousands of policies?
- Can you scale a solution effectively and in an affordable way?
- How can information be sourced, organized, stored, and retrieved?
- What about audit capability?
- How can various teams collaborate on policy management?

### Client documentation is a potential monster under the bed

- Did you document risk, rewards, and costs?
- Can you prove consideration of alternatives and mitigation of conflicts over time?
- What about implied buy, hold or sell recommendations that occur during policy reviews?
- How do you bring closure to a policy review and document recommendations made, implemented, and ignored?



**Challenging is an understatement. Fortunately, FIs don't need to fear the dark. Proformex can shed light on scalable solutions to help address these issues, and more.**



## Turn Obligations Into Opportunities

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FIs should embrace policy management fully and realize that, done properly, policy management has many ancillary benefits. The Cochran v. Key Bank decision in the trust owned life insurance world proved that even a bad process is better than no process. Well executed policy management improves client satisfaction as well as impressing referral sources internally or externally. Policy management also offers additional client touch points during a year to keep FIs top of mind with clients. Effective policy management also avoids the potential tainting a broader client relationship that can happen with poor policy management. Proper policy management can also help FIs engage across multiple generations of family and further cement the relationship. A strong policy management offering also helps separate FIs from other FIs or BGAs.

**Proformex can catapult FIs forward in their policy management processes. In the end, there's little downside to proactive, thoughtful policy management that is scalable and effectively executed. FIs will sleep better at night. Clients will be happier. Referral sources will feel better about sending clients over for insurance solutions. Let us show you how Proformex can turn obligations into opportunities and deliver peace of mind.**

## ***About the Author - Michael Pepe***

Michael 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 President, Michael started in the life insurance business with Mass Mutual and quickly became a leading agent. Soon after, he co-founded 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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