

Episode 16: Talking Term – Versatility and product updates

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John Grevas: Hello everyone. Welcome to the Momentum podcast. I am your host John Grevas and today we're going to be talking term life insurance. Now term life might be the simplest product in the life insurance catalog.

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John Grevas: But, just because it's simple, that doesn't mean that it can't add versatility to a client's financial plans and it can't help meet important needs that they have. So, we're going to be discussing Ohio National's term products, what they offer, where they can fit for a client, what clients they might be a good fit for, and talk about some things new that are going on in our portfolio of term products. And, for that conversation, I am joined today by Brittany Bell from Ohio National's product marketing team. So first off, welcome to the show and thank you very much for joining me today, Brittany.

Brittany Bell: Thanks for having me, John.

John Grevas: Absolutely. We love our guests on this show. So, let's start at the basic level for this conversation.

Brittany Bell: No pun intended.

John Grevas: Yeah, no pun intended, I mean. So what if we offer a basic product. But, a lot of people think of term life insurance as basically a commodity. You buy the cheapest product you can get for the level of death benefit and time frame that a client wants. Then you just pay the premiums until the policy pays out. So, for the clients who think of term life insurance that way, for our listeners who were thinking of it that way, what does Ohio National have to offer?

Brittany Bell: I mean that is our term Basic contract. So, I guess in this instance it would be pun intended. It's our least expensive term that we have and it does come in increments of 10-, 15-, and 20-year term. Like many of the term products in the category of basic term, it does have limited conversion options. Meaning that the company, Ohio National, gets to pick what it converts to which right now is the Virtus Basic universal life.

John Grevas: Gotcha. But, obviously that's not really the only way that clients can use term. That's not the only kind of client - or the kind of client who's looking for term insurance, that's not the only way that an agent might be convincing their client that this is the right product for them. So, what else are term products capable of?

Brittany Bell: The funny thing is term can be so much more than a need filler, or a hole filler, or a stopgap. We have, as we discussed, the Basic product. We also have the Plus products. So, for a little bit more money, you have the ability to have extra

conversion options and more riders available to the client, so you can customize what that product is. I used to joke that term was like chewing gum. It was good while it lasted, but eventually you were going to need something else. So, that Plus product allows you to get into that something else.

John Grevas: So, what client might be interested in the Plus product and what's it going to do for them? That something else that you're talking about, can you expand a little bit on that?

Brittany Bell: Our plus products have an expanded conversion option. So, I talked about the limited conversion of our Basic, which is just that one product. But, the Plus products are able to go to any of our permanent products that are available at their time of conversion. So, that could be whole life, universal life, indexed universal life. And, should we come out with new products, different products, whatever is available at the time they convert on the permanent side is what they're available to convert to with that expanded option.

John Grevas: So, correct me if I'm wrong. It seems like this might be really valuable for somebody who maybe doesn't have the same income that they're expecting to in the future. But, as their income increases, they would be able to, you know, it would really open up a lot of flexibility in their future plans. Am I understanding that correctly?

Brittany Bell: Definitely. I mean if you get younger clients in on it or even students who, I mean I can tell you I wasn't making a whole lot of money in college, but I'm making a lot more than I was then. Or residents, doctors residents aren't making what they're going to make as surgeons or doctors. Those types of people are going to be able to contribute and get the death benefit in that risk class when they're young and healthy, lock themselves in, convert with no proof of insurability to a permanent plan. And then they can put the higher premiums into that permanent plan that they might not have had available when they initially bought their term.

John Grevas: And, then I would think that you know because you mentioned that it's any of the permanent products we offer at that time, they've got the flexibility. If they want to go for more of the income focus and the accumulation focus of an IUL, or they want more of the protection focus, they've got the flexibility to do those kind of things. Correct?

Brittany Bell: Correct and they can do partial conversions. So, if you buy a million dollar term policy, you don't have to have a \$1,000,000 permanent plan. And you can also do partial conversions throughout the life of your term. So, if you want to convert at year five and have \$250,000 converted over to a permanent plan, you can do that. And then when more money comes to your name down the road, we convert a little bit more. So, you could have multiple policies just based on one term plan for conversion.

John Grevas: Even possibly like a backdoor kind of way to do some blending, potentially.

Brittany Bell: Definitely. Exactly. We have our Plus product, much like the Basic, has three lengths of term. So, we have the 10-, 15- and 20-year. And, obviously you can choose based on age or need what length you need. But like I was saying, that little bit of extra. We have those riders you can add like, Waiver of Premium for Total Disability. It allows the client to protect themselves should they become fully disabled. Those premiums will become waived. The beauty of it though, is if they become disabled under the terms of the rider and they're in that Plus contract when they get to the end of the convertible period, if they're still on that waiver, Ohio National will convert their policy and continue to waive the premiums. We'll get into that a little bit more when we talk about conversion options, but that's a big thing.

Another rider that I feel like gets lost in the mix is our Family Term Rider, which is only available on the Plus product, and that allows clients to insure their children on their own policy. A newer rider that we have on our term, which we've actually had on the permanent products for a little bit, is our Accelerated Benefit Rider. Now on the term, it's a Terminal Illness Rider, but again, talking about conversion, when you have that Terminal Illness Rider on, when you convert to a permanent plan, it converts to the Accelerated Benefit Rider on the permanent product, which is a Chronic and Terminal Illness Rider. And, that's something that a lot of the -our competitors in the market do not offer is that automatic conversion of the rider.

John Grevas: That could be really meaningful, it seems like you know, for somebody who if they run into those unforeseen things, which is the basis of what life insurance is there for, it's to, you know, take advantage of those needs that you don't necessarily know when they're when they're going to strike. That seems like it would add a lot of versatility.

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John Grevas: So, we've talked about our Basic product. We've talked about our Plus product. But, Ohio National has another product that's kind of unique. Can you talk a little bit about that?

Brittany Bell: I'm glad that you mentioned it, John, because Ohio National actually has a product that's unique to the market. I work on our competition team as well, and it's something that I have not seen in the competitive landscape yet. And it's called our Recap Term. It is a 10-year term. Now, on average it's about 10% more than our 10-year Term Plus. But, if the client converts within the first five years, they can recapture, hence the name, recapture their premiums in a cumulative conversion credit that is applied to the first year premium of their permanent plan. So, I used to joke that it was 5-year free term. Because the client could pay into it, and then once they get to the fifth year, convert and get their premiums back as a conversion credit. Now there are obviously rules that apply when it comes to annualized versus annual premium, but the idea is there. Now with all of our conversion products, I do want to point out that it's a

non-commissionable conversion credit that is applied to the new policy. But, to me, if you have a client that is definitely looking to convert within the next five years, it seems like an easy choice, at least in my eyes. And then, in years six through ten, so once that cumulative period is complete, it still has an expanded conversion like the Plus product does. So they'd be able to convert, but only get a one year conversion credit to any permanent plan.

John Grevas: So, there's the potential there to limit a lot of, I don't want to call them losses, but for lack of a better term, I'm going to say the lost premium that they would have paid. There's a potential to recoup a lot of that money that they already put out, correct? Am I understanding this correctly?

Brittany Bell: Correct. So, they pay a little bit more, but they have the ability to get back not only that extra, but the entirety of those premiums that they put into that plan.

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John Grevas: So, ok, we've talked about what Ohio National offers. But, we haven't necessarily told everybody about what the latest and greatest with our term portfolio is. So we just made, what I think are some pretty exciting changes to our term products. Can you talk a little bit about what's going on with the portfolio, what we just did?

Brittany Bell: Yeah, we have a couple of moving pieces in our term plans right now, but the big one that I think that our agents will like to hear is that we heard from the field. We sat down and discussed with our Field Advisory Board and the life sub-committee and we heard concerns that our Term Basic plan was not in line with the competitors' pricing in the market. And, so we, as a company, sat down and decided to look into it. And we are happy to announce that we are repricing all of our term, but our focus is on the Term Basic. We looked at 500 different pricing cells on both males and females in all of our bands, which is 100, 500, 1,000, and a million in all of our rating classes of six different rating class. Another thing that we're doing is, when we were looking at the pricing, we also looked at our Plus. Now there's not as many changes on the Plus side, I'll admit, but another change that happened on our Plus products was the convertibility. Now, it is still convertible for the full length of the term, so the level period or to age 70, whichever comes first. So, if you have a 10-year term, it's still convertible the full 10-years, but when we looked at that pricing, we saw that the later part of the conversion was more expensive. We wanted to make sure that that wasn't built into the term pricing. So, in order to avoid that, what we've done is we have adjusted those years. So, now a 10-year term, for example, has expanded conversion for the first eight years. Meaning, in the first eight years of a 10- year term, the client can convert to any permanent plan of their choosing that's available at the time of their conversion. But in those last two years, it switches to a limited conversion. Again, meaning that they are limited to whatever product that the company chooses. Currently at this time that's our Virtus Basic universal life. So, a 10-year term has eight years of expanded conversion,

15-year term has 12 years of expanded conversion, and a 20-year term has 15 years of expanded conversion. So, that sounds like a lot, but we will be adding that to our marketing pieces to have it for reference.

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John Grevas: So, we've talked about changing the prices and lowering prices on our product. And a lot of people when they're selling term they look at it, to use the term that gets thrown around a lot, spreadsheet it in a sense, where you know it's just go with the lowest and those can be really competitive cells, like a dollar difference, five dollars difference, those kind of things. What would you say to somebody who's looking at it that way? Why should they still look at us even if we aren't the number one, we aren't in the top five? In those number six scenarios, what would you say about the value of our product, why they should still be giving us a look?

Brittany Bell: Sure, I have two comments on that. One: When I was looking at the numbers, even when we are top five, the difference between fifth place and second place might be three dollars, five dollars, the difference isn't that great. The second thing is, even when we're not top five, the product suite that you have available in the expanded conversion, so our whole life, our universal life, the indexed universal life, the options that you have available and then the riders that you can add to the term that converts over to your permanent plan is that something that is not offered with all of those other companies. Some companies will limit the products that you can convert to. They'll limit the options that you have available. They'll limit, you know, that if you only have five years to convert on your 15-year term. We offer a full conversion for the full time. Even with these changes to the Plus product, we still offer a full conversion for the full time. It's just the product suite changes. Or, I should say the type of product you can convert to, length of time changes. We still have the value in the plans you're able to convert to, but also the company that you're writing this policy with. Our customer service is great, our sales team is great, and to me, that's a bigger selling point than just the cheapest term on the market.

John Grevas: Those things that you can't see just in, you know, looking at the grid with the numbers, yeah. Absolutely. All right. Well, that will do it for another episode of Momentum. Thank you to all our listeners for joining us today and a special thanks to Brittany. Brittany thank you for joining us today and sharing this knowledge with our listeners.

Brittany Bell: My pleasure.

John Grevas: That'll do it for this one everyone. We will see you next time.

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