

Episode 3: Thinking small – Opening doors with Guaranteed Standard Issue DI

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David: Hi, I'm David Berman, Marketing Communications Consultant with Ohio National. I help coordinate our DI marketing efforts. This is the third episode of the Momentum podcast. Our podcast, specifically for financial professionals. But, if you're hearing me today instead of your regular host John Grevas, it's because I've wrestled the microphone away for something of a DI takeover episode.

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Today, I'm happy to be joined by Adam Mahnen, who is our DI Sales Director for the Southeast region. At first we want to turn to Adam and begin the conversation in the area of Guaranteed Standard Issue DI program for issuing group coverage with individual policies. And so Adam, you know GSI as we know and as a lot of folks know, is a fantastic way to offer DI coverage to hundreds of employees, sometimes thousands. But, I understand that it's also could be a great way to offer coverage to a group much smaller than that, possibly as few as five employees, or maybe a dozen employees up to 50 employees. Can you tell us a little bit about why GSI isn't just for large employers, but for small ones as well?

Adam: Yeah, absolutely, David. First of all, thanks for having me on today with you. Excited to be here and especially be able to talk about the GSI marketplace and what we can do there. Absolutely. As you said, I think a lot of times in people mindset when they talk about multi-life guaranteed standard issue because it is an employer sponsored plan. They automatically go to thinking about really large groups. You know, there just thinking about the hundred person in the 500 or even the 1,000 plus employer marketplace, and, you know, those are great spaces, you know, and you can write some fantastic business in those large employers. But, sometimes they're a little bit more laborious, you know, they take a little bit more time to develop in those arenas sometimes. Which why being able to operate as you had mentioned in the small to medium sized marketplace with GSI is a huge, huge advantage of a, of an opportunity that we have for you here at Ohio National. We actually will go down as you mentioned in the non-medical space to a minimum of five eligible employees on an employer paid GSI case, which means to the producer that they have the opportunity to go into a closely held business and really carve out five key employees or five executives of that, of that company, and be able to offer them a protection plan with absolutely not having to show any medical or financial underwriting requirements to each individual participant. So, if you really think about the power of that, of being able to go in from an employer sponsored plan basis and be able to offer key employees of a closely held business, the opportunity to pick up disability coverage without having to do individual medical and financial underwriting.

David: And Adam, for those who might not be familiar with how GSI underwriting works, as you mentioned. Of course, the employees are not underwritten individually unnecessarily, but the, they do look at the group, right? Can you explain at least a little bit so we can distinguish between the two?

Adam: Sure, absolutely yes. When we do say that there is no medical or financial underwriting to the individual, that's 100% accurate. Where underwriting takes place in a GSI or a multi-life component is, or in case, is really as we look at the collective risk of the whole. So we're going to look at what the employer does, what industry they're in. We're going to go look and see how long they've been in business. We're going to look at the spread of risk as it pertains to the group of individuals who are going to be eligible for the offer. Uh, so things that we're going to look for is, you know, what are the job duties and the income of, say, the top income earner in the group compared to that of the lowest income earner in the group? And what's the spread of risk between the two? So, we do take that into consideration. Once we do determine that we have a good spread of risk, we do like the occupational risk as well as have the proper gender mix in the eligible class. Um, you know it, it's nice to see an offer. You know, and be able to move forward.

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David: He mentioned earlier that sometimes the, the large cases I'm sure, particularly the very large cases there, there's a lot of work involved and, and while we certainly don't want to discourage anyone from, from pursuing those cases because those can, because those can, can be very worthwhile for everyone involved. Can you tell me a little bit about how a smaller case may, maybe shorten the timeline or, or compress some of the, the amount of work that might go into dealing with a significantly larger number of lives?

Adam: Sure, I often talk to advisors and I would say, you know, I'm going to start considering a large case at 50 plus eligible lives, or you have 50 plus, or 100 plus eligible employees, because that kind of ties into group benefits. That's where there's a change in what the employer has to offer in the group space from healthcare. And, then typically what you're seeing in a group life or group disability space, which kind of can dovetail into what we're going to offer on the individual side, is supplemental in there. In there and, and so, you know, when you get into those sizes cases, because the requirements are going to be the same. We still have to get a census. We still have to complete the RFP. We still have to get buy in from the employer. So, you can, obviously, see that, you know, the more employees there are, the more hoops that are probably to jump through to get to the decision maker to, you know, track down all of the information that we need to be able to coordinate an enrollment period with other things that they may have going on as an employer. On the flip side of that coin is you have the small employer marketplace. Right. Where you're going into the closely held

business that only has maybe 30 employees. And, of the 30 employees, it's a little bit easier to identify, maybe, who are the key employees. Are we going to be doing what we call a carve-out plan where we're not going to be offering this benefit to everybody? Because in a closely held business, obviously, there are certain roles that have greater responsibility to driving revenue to those closely held businesses. So, a lot of times what we're going to end up doing is just do what we call a carve-out and not offer the benefit to everybody. But, find the 10 or 12 key executives, key personnel in those organizations that their incomes demand that they, they need the protection and there may be a variance in what they are offering from a group perspective. Maybe they're not offering anything on a group basis, you know, at a 30-40 person employer group. You know, anytime somebody is going to have a direct benefit from something that they're going to make a decision to implement as the employer, I think you know you are starting up with a, you know, starting off with a leg up, you know, on that sales process. So, so it does that, the time frame can get expedited, you know, we've turned plans in, you know, less than 30 days on small, closely held businesses that had, you know, five to seven, you know, I quote, unquote, key employees that were going to be part of the carve-out.

David: I imagine there are probably some industries or fields, you know, prospecting being such a critical part of this, of this, of this space. What are some smaller businesses or maybe businesses with opportunities for carve-outs that you see as really prime opportunities for these smaller cases?

Adam: Absolutely, yeah. I mean, obviously, we have some target industries that we like and some targeted occupations. Attorneys, pursue, you know, we look at, we like the, the legal field. You know, there is one thing to keep in mind as you're looking at these smaller practices or, or closely held businesses. As I said, we will do a minimum of five lives if it's in a non-medical occupation class. If you are going to get into the medical arena, we do require a minimum of 10 lives. So, there is a variation to, to keep in mind there. Not often anymore in the medical space do you really find the closely held medical practices. There's a couple specialties out there that no longer affiliate with hospitals and still have brick and mortar practices on their own. But, I think for a large part, within the medical space, a lot of those physicians are now employees of hospital systems and they fall under those, those larger employer bands. But, on the small closely held side, you know, obviously, it's the legal field that we really like and would identify as a target market in that five to 10 or 10 plus space. Um, other things really that we're looking for are going to be called white collar service oriented type professions. So, architectural firms, engineering firms. Um, IT software development, obviously, as we think about technology and where we're going. But, a lot of times you know in that small, closely held business you can find it in manufacturing. You can find it in industries that you would think typically would not meet the key or core definition of what we would be looking for. But the reality is, is because we're not taking everybody and we're only taking a select few. In creating that carve-out about on, on the executive leadership team or the executive management, management team, if you had a manufacturing

company and they employed, you know, 60 total employees, or let's drop down below the 50 mark, let's say that 40 total employees of the 40 total employees, eight to 12 of those are going to be key employees. And, the difference, or key executives as they may be considered in that corporation or that corporate structure. But, the difference being, those eight have no manual duty. They're running the corporation. They're bidding on new jobs. They're finding the next opportunity. They're managing the downstream. And, those folks fit into that white collar, service oriented space that we're looking to fill every single day. You know, we find those opportunities.

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David: Do you find whether it was in, in that case, in particular other small cases that have, have come through, that is, the, is the agent involved maybe a little, maybe pleasantly surprised by the fact that they can actually make this a fit for GSI, despite the smaller size of the group?

Adam: Oh, absolutely. I, you know, I think when you look at the industry the, the norm is 10 plus, is where carriers will start to entertain GSI opportunities. And, for Ohio National to come in, and within the right occupations, and again with the right case structure, be able to make GSI available with a minimum of five eligible lives is just a huge advantage. You know, when you think about what we're experiencing today and, you know, really, at the street level and the challenges of getting underwriting, you know, requirements completed from parameds, and making modifications, and not knowing when modifications are going to expire, or when, when it's going to be continued. Or, you know, there's just, I mean, it's 2020, we, we've experienced it all this year, so thus far. And, and, you know, when you have the opportunity to make things easier for your clients and for yourself, as the agent. And, not have to go and get medical, and medical requirements, and financial documentation, and just be able to come into an employer and work in the business marketplace. Which we know is the, the wealthiest marketplace that we're all trying to, to penetrate and, and, you know, kind of build our practices in. And, know that you have this outlet and this resource for your clients to be able to do a GSI case, protect the most important thing to them individually, which is their cash flow. You know, and be able to do it without any medical, financial underwriting to the individual participants. Sign for acceptance. You know, it's, it's. It's a great thing.

David: Yes, it, it sounds like it. And, I would imagine that the, the opportunities that are out there, like you said, might be in industries that, that could be regularly overlooked. Are there any industries that maybe aren't a great fit for a smaller case?

Adam: So, there are some, some, quote, unquote taboo, you know, type occupation classes that you're not, you're going to be challenged to find a, you know, a GSI offering. I, I guess and initially one would think that, you know, dentists. Unfortunately,

general dentists typically are not a good risk factor for, for DI carriers. So, you'll be hard to find a DI carrier who would be willing to accept that risk on a guaranteed issue basis. I have some agents who have, you know, approached me in the past is chiropractors, you know. Chiropractors, you think along that medical line, they're, they're not medical doctors. They actually fall outside of the medical definition from occupational risk class. But, unfortunately they have a history of high claims and are not eligible for, for a GSI offer, as well. We will write them individually. You know, unmodified limits, as well as take their business overhead opportunities. But, from a GSI perspective, you know, they're not a good fit for a guaranteed issue.

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David: Yeah, you mentioned business overhead expense. That leads me to, to wonder, are there opportunities sometimes with these, even with these small GSI cases, to parlay a conversation about group coverage and, and DI coverage, maybe into other opportunities with these clients?

Adam: Well, for sure, yeah. I mean I think as you're going in a lot of times on this, you know, on a small GSI, large GSI you're coming in and you're really talking in the topic you're addressing, our employee benefits. Right. And, so a lot of times, as the employer is addressing employee benefits, their own benefit packages, their programs, right, that's the tip of the iceberg. As you get into the business market, right, those are some of the quarter essentials that a business owner thinks create the foundation of the business that they are building. And, taking care of their employees, and doing things that are appropriate, and making responsible decisions from that perspective. So, a lot of times, once that foundation and those core benefits are intact, including the potential of coming in with your supplemental DI coverage on the GSI basis in the large space, medium space, smaller space, you're just starting down the business planning process with those business owners. I've seen many people that have opened up conversations on the employee benefit, the supplemental side, and parlay that into hey, let's, we've got to figure out the valuation of the business for purposes of planning long term. And, so being able to take advantage of our advanced planning team and the resources we have there for our agents to be able to use the valuation tool is huge, as well. So all, all kinds of ways that it starts to splinter off into, to many, many other conversation.

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Adam: I, I would say the last thing that I would want, you know, an advisor to think about when they're thinking about getting into the multi-life GSI space is be intentional on your own practice for a minute. Right. You're in this business to build your business. Right. We are here to help our clients. We want to help our clients. We want to help our

individual clients, our business clients, and make sure we're doing the best planning we can for them. But, be intentional on yourself for a minute. Because you're a business owner as well, and your goal is to make sure that you're increasing your reoccurring revenue streams annually each and every year you're in business. Right. You want next year to be easier than it was this year to grow your business. You want the five, seven, ten years down the road to be that much easier. Don't want to be starting over on an annual basis, each and every year. And, GSI is a phenomenal way to create reoccurring revenue streams for your practice. Because each year that that business grows, you're going to grow along with them. Because each year they grow and they bring a new employee on who meets the definition of the group that we have in place, they get added into that group. And, with an average premium on a, on a good sized case, being somewhere between \$2,000 and \$3,000, you can do the math. And, you can see what that means from a revenue perspective to your practice. So, GSI is a way to create that reoccurring revenue stream and that, that growth potential that you're looking for with minimizing the effort and that you have to put out on an annualized basis. So, so, I like, you know, agents to keep that in mind. It starts to minimize the amount of output that you have to put out from an effort perspective. To now managing. Right now you're running a business. Early on in our careers, we all know that you're out and 90% of your time is spent on prospecting and finding people to talk to and, and finding those new clients. But over time, as you're able to build that client base up, we should shift to more service, right and have less time maybe expended on finding those new opportunities. And, this is just a way to do it, because this brings people to the table for you. And, how would you like to meet a new client? What better introduction than it coming from an employer based relationship? Right. I mean who, who does, who do employees most trust? You know, in most situations, in a lot of situations, right, then one of the most trusted relationships an individual has is with their employer. And, so if that employer is providing you and new introduction just from them being added onto a GSI case, your opportunity to now maybe move that relationship up the chain a little bit to, to a full planning relationship. Tremendous opportunities.

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David: All right, well I want to thank Adam Mahnen again for joining us today on this DI centric episode of Momentum podcast. I know I learned a lot about GSI. Has me thinking differently. Maybe thinking smaller about the opportunities that are out there. All right and that'll do it for this episode of Momentum podcast. Thanks for joining us and we'll see you next week.

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