

ARTICLE FOR BROKER WORLD

IMSA – AFTER THE HONEYMOON

Beginning with the October 1997 issue of “Broker World” and continuing through the October 1998 issue, I wrote a series of articles about the Insurance Marketplace Standards Association and the impact of the IMSA market conduct program on agents.

We have just passed the first anniversary of early memberships in that association and it is time to revisit the program to see how it has impacted your ability to sell.

On April 1, 1998, when IMSA membership was announced to the public, there were 155 members. As of the date of this writing, there are 214 members. Based on our company’s clients and others who are still making changes in order to become members, I expect in excess of 250 members before yearend. Current membership represents 78% of new sales for the individual life and annuity market. As membership grows, this percentage will also increase. But does all of this growth automatically mean success?

As a member of a firm that is one of the largest providers of IMSA assessment services to the industry, I should first make a few observations. Without question, the industry as a whole is better off than it was before IMSA was created by the industry itself. Why is that? I have seen many companies make changes over the past 18 months – changes that

were for the better. Even if the change was not being made for membership in IMSA, the change was positive, and good.

As an agent, if you represent a company that is an IMSA member, you should have seen this change, as well. You probably saw more frequent and better communication from your home office. You should have received sales tools and training on needs-based selling. You should have seen a more emphasis placed on advertising approval, and on handling complaints. Granted, some companies were already doing the right things. For them, obtaining IMSA membership was not a big step. If you represented one of those companies, the change was not so great. For some though, IMSA was a giant leap. However, every company who committed itself to membership had to improve, and you should have received a benefit from that improvement.

change is without pain. And, while IMSA is a market conduct program *for companies* that has an impact *on agents*, sometimes you may have felt the reverberations more than you would like. However, the bottom line – the impact upon our customers – must be positive for IMSA to last. Let's take a look at how it has affected them.

First, agents are encouraged to use needs-based sales tools. IMSA requirements, coupled with the Model Illustration Regulation now adopted in most states, spelled the end of the yellow scratch pad salesperson. This is good news for the customer!

Replacement sales must be better disclosed than some companies and agents were disclosing prior to IMSA. Every customer has a right to understand not only what they will receive in a replacement sale, but also what they will give up in order to receive it.

Advertising is being reviewed more closely in some companies and prior approval has been reemphasized throughout the industry. Advertising – including recruiting and training materials – must be reviewed for appropriateness for its intended market.

Recorded complaints have actually increased in many companies, not because IMSA caused the companies to generate more complaints, but because IMSA requires companies and agents to determine what a complaint really is. Some companies only recognized formal complaints received from an insurance regulator. And, while regulators have generally intended for complaints to include more, IMSA has broadened the definition for some companies beyond that published by regulators.

So, the question remains, “What is the future for IMSA?” For IMSA to be successful in the long term, several things must happen, and most of those impact the agent.

First, IMSA is currently a program for individually solicited life insurance and annuities. It must become broader in scope. Plans are now underway to consider inclusion of Long Term Care and Disability Income coverage within the next year or so. IMSA must grow in total coverages included, and the organization appears ready to do so. This will impact the agent in a positive way because the clearer communication and better training agents

receive as a result of representing an IMSA member company will now extend to these products, as well. Companies that have not yet chosen to pursue IMSA membership – perhaps because they perceive that the amount of life insurance they write to be too small – will now reconsider.

IMSA, in time, must also grow to include more than just the marketing and sales process. While today it touches on new business, policy issue, and customer service, it needs a more concentrated focus on these areas, and others such as claims – and even the actuarial function. After all, agents did not set premium rates, interest rates, “bonus” credits, and other sales mechanisms. IMSA will probably not be broadened to include a focus on more than marketing and sales activity yet, but that cannot be ruled out as a role a few years from now.

Three important audiences must accept IMSA for it to be a long-term success. One: Regulators have acknowledged the benefit of an industry self-improvement process, and they will need to allow it the time to mature. All indications today are that they will give IMSA that vital time. Two: Rating agencies must reflect a difference between companies that have a program for market conduct and those that do not. IMSA is not the only solution to market conduct concerns, but it is one organized solution and rating agencies should acknowledge that.

Three: Finally, your customer must recognize it. This is perhaps the most difficult piece of the puzzle to complete, and one in which you can play a vital role. IMSA is just

beginning to develop an advertising presence, but that takes time – and lots of money.

Member companies must take up the task of telling their customers about IMSA.

Likewise, if you represent an IMSA member company, you should tell your customers about IMSA and what it means to them. IMSA and your company have prepared materials to explain the importance of IMSA. Use them!

Based upon IMSA's great growth in one short year, it is well on the way to being a permanent facet of this industry. But, the future depends upon companies continuing to support IMSA in many ways, and the future depends on you, the agent. Enjoy the advantages IMSA provides for you – better tools, better communication, better training – and tell your customers how important IMSA is for them!