

The average age of life insurance agents approaches 60, we're at a 50 year low in individual life insurance ownership, and the industry seems to be wondering what to do next.



Why is the life insurance industry suffering a distribution problem?

I have some thoughts on this subject.

Demise of the career agency system that focused on recruiting and training new agents from scratch. Starting out as an independent broker is much more difficult, and few independent agencies have the internal capability or resources to recruit, train, and mentor a freshman agent. Career agency systems are like representative democracy and capitalism – imperfect at best, absolutely awful at worst, but clearly superior to any other system created by man.

Internal competition created and fostered by insurance companies buying/building/owning registered Broker/Dealers. Limited client resources are now steered towards packaged investment products instead of protection products. In other words, we have met the enemy, and the enemy is ourselves.

External competition for the same talent pool of self-starter entrepreneurs, primarily from the mature and start-up franchise system opportunities.

Financial planning as product, the sacred dead cow of failed planners, failed brokers, and now, failed insurance distribution debacles. When the father of financial planning, Loren Dunton, is saying what I'm saying, then what I'm saying cannot be denied. The blame for the failure of the financial planning movement is wide spread: The CFP Board, NAPFA, Consumer Federation of America, self-anointed (but un-qualified and un-licensed) financial gurus who produce financial pornography and promulgate mythology and urban legend by the bushel (i.e., Norman Dacey, A.L. Williams, Charles Givens, Suze Orman, Dave Ramsey).

This problem has been compounded by an influx of dubious management talent into insurance company home offices from outside this unique industry. Life insurance is sold, not bought. What works in other industries tends to fail here. Excessive growth of home office employee payrolls is keeping the Dilbert Principle alive and well. For example, when my father changed to a new company in 1981, that company has 2,200 career agents, and 1,100 home office employees, after just over 100 years of existence. Fifteen years later, there were only 1,100 career agents, but the home office now employed 17,000 people. In many ways, insurance company home offices are like the bloated state and federal governments.

Excessive regulation and regulatory uncertainty. States dictating caps on commissions, caps on surrender charges, caps on lengths of surrender periods, are all anti-competitive, tyrannical, totalitarian, and communistic/fascistic examples of excessive regulation that harm

the consumer, the agent, and the insurance companies. We cannot collectively outlaw stupidity, nor legislate common sense. Creating crimes where there's no harm is silly in the extreme, and we're all paying for it. I'm not saying that we shouldn't punish those who harm others (defined by a measurable financial loss AND criminal motive/intent), but punishing those who are doing right is just plain stupid, and the product of too many people believing the government can cure everything with another law.

The SEC and FINRA seeking regulatory capture of insurance products that are not securities, when insurance products have comparatively lower complaint ratios than registered securities, makes no sense whatsoever. Securities regulators clearly cannot regulate what is already on their plate (i.e., Bernie Madoff), and the SEC 151a disaster has set back product innovation nearly a decade, and accelerated the departure of existing distribution talent into other areas where opportunities still exist for the entrepreneurial producer.

Another example of excessive regulation is the federal Do Not Call law. Some states were forward thinking, and exempted professionals licensed by the state, such as insurance agents, real estate agents, and mortgage brokers. But since the feds have violated the 10th Amendment again, and forced agents into a corner from where they have fewer and fewer methods to solicit people, sales of life insurance continue to trend downward.

The anti-sales mentality, which is truly a virus that has infected many in home offices, as well as in field distribution offices. This mentality is truly irrational, with no basis in reality, other than the personal hangups of *failed planners* who refuse to recognize that this business is not for them, and that they serve nobody by parroting the false mantras of egalitarianism. If one is not a catalytic, empathic, persuasive agent of positive change through the suitable and ethical use of the consultative sales paradigm, then they should go get a salary job in another industry.

Finally, the one real reason life insurance sales are down is **a cultural shift from the traditional nuclear family to a society where the non-traditional household is the norm**. Fewer people marry, and those that do marry, do so at later ages. The long-term negative effects on the life insurance industry as a result of the continued and largely successful *war on boys/men* and *war on family* by certain left-wing collectivist organizations cannot be ignored.

As a nation, we've reached the tipping point where roughly half of America pays little or no income tax, with almost as many receiving some form of welfare. Let us face it: **People on welfare aren't the shining examples of personal responsibility that will purchase individually owned life insurance.**

The government, and many egalitarian and communistic organizations, foster and promote the false belief in a cradle-to-grave nanny state, where personal responsibility is not necessary, is at the root of what ails this once-great society. The welfare state is the elephant in the room that

some refuse to recognize when discussing the faltering distribution of life insurance.

Do you agree, disagree, or feel offended? Feel free to flame me in the comments below. Don't worry, my skin is thicker than most.