

Gitwit - President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Interview conducted on January 31, 2023

Topics

Preneed Insurance, Underwriting, Funeral Homes, Insurance Companies, Sales Strategy, Marketing, Reputation, Direct Mail Marketing

Summary

The Tegus Client seeks information about preneed life insurance and its relationship with funeral homes. The President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group explains that preneed policies are directly tied to a funeral home and are sold through licensed funeral directors who are also insurance agents. The expert also discusses the percentage of people who pay for funeral insurance in full upfront versus paying over time, commission rates, and the two different payment plans for preneed insurance policies. The President also explains that the pandemic has caused an increase in demand for life insurance and preneed planning due to people's fear of death and leaving behind unfinished business. The conversation also touches on the importance of preneed ratios and the use of direct mail marketing.

Expert Details

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group. The expert has been in the space for 36 years. The expert can speak to the specifics around the commission schedule(s) for preneed policy sales.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group. The expert has been in the space for 36 years.

Q: Can you speak to the specifics (e.g. what percentage does the agent make, funeral home make, insurance company make, etc.) around the commission schedule(s) for preneed policy sales?

A: Yes. There are different commission schedules for different agents administered by the insurance company. If there's an agent that is an employee of the funeral home, then the funeral may require the agent to share commissions and use that as part of a revenue stream. In my experience, I've worked on both sides where as a general agent, I create a compensation package on sub-agents or revenue sharing with the funeral home which isn't always the case but sometimes it is. It also depends on what the insurance company will give to the agent. It is also based upon the age of the planner and the plan that they select. If it's a single payment plan and someone is very old, the commissions will be small. If it's a multi-payment plan where plan was paying over years and the person was young, commissions can be large, up to 35%.

Tegus Client

Hello. Thank you so much for taking the time to speak with me today. So we are trying to learn more about how preneed life insurance works with funeral homes and kind of some of the ins and outs around the logistical workings of that. Just to start out, can you kind of give me a brief overview of your role and a little bit about your experience with preneed and funeral homes?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Absolutely. I started in the funeral business in 1984. So I've been in this industry for the past almost 40 years. I'm a licensed funeral director in Rhode Island and in Massachusetts. So I've had my licenses for over 35 years, but my insurance license in the late '80's when it was both in Rhode Island and Massachusetts

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when the insurance products were approved to be used as a preneed vehicle in addition to a bank trust. So fast forward various roles within the death care industry. In 2020 I was working for a firm and ended up building a preneed program for them and have been operating in that space for the past 23 years.

Tegus Client

Really interesting background. So I guess just starting out, we're trying to make sure we have a good grasp on some of the different whole-life policy types that people can purchase to cover their end-of-life expenses. We've heard of burial insurance, burial expense insurance and of course preneed. Can you kind of walk us through each of these different policy types and kind of how they differ maybe just starting with burial if you have some familiarity with that?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, burial insurance, that's an old term. I rarely hear it anymore. It was insurance that people bought or that young families bought back in the 1940s and it was really just a burial policy. And that's where the life insurance industry really failed is that with the rising costs of funerals over the years, the agents never went back to these families.

It was like once and done. And then as funeral costs begin to rise and rise and rise. I mean, oftentimes, even the burial policies that I see on a rare occasion, they're like \$2,000, right, or \$1,500. Or a traditional funeral for example, in the Northeast is \$12,000, \$13,000, \$14,000 on average.

So those were like the old burial policies. In the south, they call them debit policies. Virginia down south to the deep south. And then the final expense market, the best way to describe that before I come full circle is if you're sick at home on a Wednesday afternoon, just watching TV on the couch, and you'll see these commercials for injury lawyers. And then you'll always see commercials for the Silver plan or Colonial Penn is notorious for running these commercials. So what the final expense market will do, it's not assigned to a funeral home, it's selling cheap insurance.

And the reason why it's so inexpensive is it's called life pay. So if someone lives to a 100, then they're still paying premiums, but the biggest problem with that is that as people age, 70% of the families that I meet with will end up or having someone do this for them filing a Medicaid application, which is when they run out of money.

And Medicaid takes over the payments for long-term care in a nursing home, and then there's no money left to pay those premiums that were once inexpensive and then the policy goes away. So people have paid on these policies. It's not a bad policy, but it's not a good fit for funeral planning.

Tegus Client

Okay. And you pay it like if I purchased this when I was 75, and I live to 102, I would still be paying it up until the day I pass.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes, you'd still be paying. So it's commonly referred to as a life pay. So in the funeral space, you've got a couple of moving levers, and it's not very complicated. The family meets with the funeral director. So my sequence when I meet with a family is the preference, price and plan.

So preference is, what do you want? Do you want cremation or burial? Do you want a funeral mass or wake, are you going to the synagogue, that would be the preference. The price piece is, if I die today, how much is this going to cost? And then once I determine those preference and prices, then, how do you want to take care of it. And I'm making an assumption that in this example, they want to take care of it, well, what are your options? So the funeral homes by law, cannot keep any money in their own account.

They can't because it's not good for the consumer if in the event the funeral home went out of business. So hand-in-hand with the insurance plan that we put together, and I'll describe that in just a moment, it comes

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the irrevocable trust, which means that the family pays the funeral home the money, the funeral home puts the money into an insurance policy.

And then, what's wrapped around that insurance policy, it's one piece of paper is an irrevocable trust, meaning that money cannot be accessed, there's no cash value because it can't be cashed in. The only means of access is with a death certificate. So when that insurance benefit pays out, it's paid directly to the funeral home.

Tegus Client

Okay. Is the preneed policy the only one that's directly tied to the funeral home and are preneed policies ever that pay until death, life pay that you mentioned?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

It's funny that you mentioned that. Some of the primary preneed carriers in the United States, Global Atlantic, NGL, Great Western, FDLIC, they're out of Texas, Funeral Directors Life Insurance Company, Coastal Atlantic. Those are probably five of the biggest ones, NGL being the biggest.

Some of those companies have dipped into the market where it's life pay. So they're just trying to capture another insurance policy and where life pay, the premiums are so low that they did so and they put out those platforms, but they weren't very successful. So a lot of the companies found that they weren't successful. They filed the application. They got the product approved and then since it wasn't a profitable piece of business, they let it go. So I don't see life pay anymore. That's usually referred to as final expense, not necessarily tied to a funeral home.

So your mom buys this final expense policy, and it's worth \$10,000 and you and her go down on a Wednesday afternoon to make funeral arrangements, but not pay for them, but to transfer this policy. Sometimes what families will do if they're cash poor, but they already have a life insurance policy, let's say, a MetLife, New York Life, John Hancock, then they'll go to the funeral home with those policies.

And as a Medicaid strategy, they'll transfer the ownership of the policy. This is in the private market insurance, transfer the ownership because with the insurance policy, there were three parties. We only think of insured and beneficiary, but there's also the owner, which 99% of the time is the insured.

So if the insured transfers the ownership to the funeral home, Medicaid can't attack or seize that cash value in that policy. So it works just like an irrevocable trust does on the preneed insurance side, but that's what some people use as a strategy when they can't afford to pay for the funeral. But there are other options.

Tegus Client

Okay. So the life pay as an offering associated with preneed seems to be declining?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. It never came. What was determined at the time, and I'm going back probably 12 years ago, the insurance companies and their infinite wisdom determined that there was an underserved market. Families didn't want to go to the funeral home, but they wanted to be sure that money was there for final expenses, not only funeral expenses, medical expenses, subscription expenses, those sorts of things.

So it was beyond, the insurance companies were encouraging those that sold this product to say, okay, let's take a big look here. The funeral is \$10,000, you're going to have medical expenses of \$5,000. You've got probate expenses of \$5,000 and sundry expenses.

So we're going to sell a policy for \$25,000, but the premiums are going to be really, really inexpensive. But again, families bring that up to me on the preneed side, they'll say, well, what you're offering product in terms of product, in terms of an insurance company they don't use that verbiage is more expensive.

I can go and get a Colonial Penn policy, it's \$25 a month, but they fail to realize that it's life pay. And when

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Medicaid kicks in, which is 2/3 of the time, and there's no money to pay for that policy, the policy after a certain period of time, after a grace period goes away. So that's why it's not successful. So a lot of that business falls off the books.

Tegus Client

Okay. Because people don't actually take for their whole life. Something ends up happening and they don't have the funds to continue paying or they forget about it or yes, so they stop paying on it.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

They stop paying on it. So in the market, I'm most familiar with on the funeral home side, what happens is the family will select this \$10,000 arrangement. And I'll propose some options to them. And the first option would be, do you want to pay it in full?

So if that's the case, they would write a check for \$10,000. I, as the agent, in some of the states, too, you should realize there are licensing requirements. I think it's 22 states require me to be a funeral director and a life insurance agent at the same time. So we have to be dually licensed. So that's working under the rooftop of the funeral home and meeting with their customers and clients because we're talking about funeral arrangements, which you need to be a funeral director to do. We're talking about life insurance options and you have to be an insurance agent.

So that's why you need that license. In many states, particularly in the South, Texas is a good example. You're not required to have a funeral director's license. So you just have what they call a preneed license, which is an insurance agent, and you can sell preneed funeral products.

Tegus Client

Okay. So you wouldn't have to be a funeral director. Would you still have to be working in a funeral home to sell that?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. You still have to be working in or have a contractual arrangement with a funeral home in order to be speaking about their costs, their general price lists and giving funeral advice.

Tegus Client

That makes sense. So in a lot of cases, they're just writing that check, what percentage of the time would you say they're just paying in full upfront versus paying over time?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's a very, very good point. That's an important ratio to the insurance companies monitor. They call it multi-pay versus single-pay. And personally, my mix is 65-35 so it would be 65%, 2/3 is full pay. And then the remaining is multi-pay, 35%. So that's the ratio right there. And the insurance companies want a multi-pay ratio higher. So here's an example. You have somebody that has the ability to pay.

So on the single-pay, people just sometimes have the means to pay it. They want to get it out of the way and they'll pay it or Medicaid with this person going into the nursing home has assets. Because when the assets are all chewed up, the kids are going to have to foot the funeral bill. So they'll pay those funerals in full as well.

But because it's wrapped into this irrevocable trust, Medicaid can't touch it of you as an asset. They no longer own that asset. So on the other side, on the flip side, in terms of profitability, the insurance companies want more multi-pay because depending upon the ages, there are age bands, which we can get into later if we have time.

But they're in five and 10-year age bands, as you get older, they're in the five-year age band. So for example, 80 years and younger, people can pay over time over three years, five years or 10 years. Some companies offer seven. So three years, five years and 10 years.

So you take the 10-year plan on a monthly basis. And that plan is insured, there's a two-year look-back period, if you're familiar with insurance. And if they decide to just pay this monthly premium over a period of 10 years, that \$10,000 funeral in terms of outlay of cash over a period of time is going to cost them more than \$20,000 actually. But let's say it doubled.

Tegus Client

Okay. So they pay it out in years, it doubles in price?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, the funeral doesn't double in price, but they're outlay of cash. So it's no different than a mortgage. You buy a house for \$500,000 and you get a 30-year mortgage, you're paying well over \$1 million or 3x whatever it is, right? So that's sort of in principle how the outlay of cash works.

Tegus Client

Is double typical? I mean that seems like a lot higher than face value, but is that kind of what you see?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's just the fact because the insurance company, I'm going to see if I can pull up an example. I'm doing two things, I'm logging in to give you an example. But the insurance company gives those options, right? So, the insurance company gives those options for people that want to prepay but they don't have the cash upfront to do it.

But there's a cost of everything that you buy over a period of time, it's going to cost more. We can call it interest or the community or general public can call it interest, the insurance company will call it, cost of coverage, whatever it is, it amounts to more than what the value is.

But here is the double-edged sword. It costs you more. But during that pay-in period, let's say they're beyond the two years if they have a health condition, let's say they had open heart surgery, they can still apply for it. So in that sense, it's a guaranteed issue.

They can still pay by the month two years elapses beginning with the first day of the third year, this full coverage. So if they die in that third year or beyond during the premium payment period, then their payments stop and the insurance company pays the death benefit to the funeral home.

And it's not a flat fee because what happens also with the preneed insurance policies, the insurance company issues a discretionary growth rate. And those growth rates vary. So you have to keep in mind that commissions that are paid to the agent or to the funeral home and the discretionary growth rate, there is a seesaw balance.

So the funeral home selects the product or the growth rate, let's simplify it, say, the growth rate. So they'll select the highest growth rate because they're financially exposed to guaranteeing the funeral price. So if you buy this casket, the casket is \$2,000. 10 years from now, we're not going to go back to the son or the daughter and say, "Hey, that casket is \$3,000 now. We need an extra \$1,000. They're guaranteeing the goods and services that they'll provide in the future.

So the funeral homes want the highest growth rate. But as you know, in the investment climate now, the growth rates are low. So the highest discretionary growth rate is probably 1.5%, maybe a little bit higher, but certainly not over 2%. It's pretty low. Some of the more savvy funeral homes now, and this is a trend that I'm seeing, is they're taking the product that has almost zero growth rate. But as I said, commissions and discretionary growth or a seesaw balance so they'll take zero growth and the commissions are through the roof, they'll do their own investing.

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So they're saying, okay, I can outsmart this and discretionary is the big word because the insurance company can wake up tomorrow morning and say, okay, there's 1.5% that we're paying you now. Now it's 1.25% so it's discretionary. They can change that will during the course of the policy.

Tegus Client

So they're really just locking in, I want the highest level, but that actual percentage amount can fluctuate based on interest rates or the insurance company.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

It doesn't fluctuate on a daily basis. It doesn't fluctuate a lot. If anything, usually those changes in the discretionary growth rate might come out once a year, sometimes twice no more than that. So it doesn't happen every day like the market does. So that's how the funeral home takes the higher commission. Now keep in mind, with commission, the commission is used ordinarily, let's say, the highest growth rate for agent compensation and the cost of running a preneed funeral program, whether it's direct mail, outbound calling, those sorts of lead sources need to be funded.

And the funeral homes don't want to take money out of their budgets to do that. So the preneed commissions are an ideal opportunity to do that. It pays for an agent. I'll give you an example like with me. I support several funeral homes in Massachusetts and Rhode Island. I live in Southeastern Massachusetts.

So when I go into that funeral home today and meet with three of their families and a fourth one tonight, I'm representing that funeral home as a staff funeral director. I'm talking about their goods and services and the plans of that funeral home offers. So how do I get compensated? So it's all funded with commissions. So those commissions are used to compensate the agent.

Sometimes the funeral homes will take a portion of that commission. Let's say, for example, a particular plan pays out 10%. And the way the commissions work, it's 100% now. So there are no trailers. There are no renewals. It's once and done for the commission payment. So what happens is the commission from income, let's say, this 10% plan that I just referred to, the funeral home distributes 7.5% and keeps 2.5% in a budget or a marketing account that's allocated to running the cost of the program.

Tegus Client

Okay. So 10% pretty standard commission. And is that sort of the total that the funeral home is getting and then they determine how much the agent gets?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, that's a mishmash all around because I'm not a funeral home employee. I have an agency of my own. So I can create the deal. I'm a direct pay guy, so I'll come in there. The funeral home doesn't pay me anything. I don't pay them anything. And my operation is really a hybrid. It doesn't work like many others. So I get paid the whole thing, I take care of the marketing cost out of my commission, I manage that.

But ordinarily, if you have a funeral home and they've got a funeral director and the funeral director gets his life insurance agent, the commissions would be paid to the funeral home, then they would distribute how much they see fit, whether that was as low as 50% or as high as 100%. The funeral home would determine that. It depends. The life insurance commissions have to be paid to an agency, whether that funeral home has its own agency on paper or it's paid directly to an agent or to a third-party marketing agency like mine.

Tegus Client

Okay. So you are a third-party marketing agency so the insurance company pays you 100% in funeral homes commissions directly. You handle all of their marketing, you take some commission to compensate your time and then they just get the increased volume from to having more.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial

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Group

That's right. And then they don't have the labor costs. Because if you had a full-time funeral director, I'm talking entry-level. I mean entry-level is probably \$60,000, experience is probably \$100,000. That's the glass ceiling and that's why I got out of the At-Need businesses because of the glass ceiling.

So I do much better than a funeral director working for a funeral home does. But I take the risk. I go out there, I don't have that paycheck every other Thursday, you know what I mean. I'm not whining about it. I actually publish it. That's why I stayed in this business for as long as I have.

Tegus Client

Yes. What does the spread look like on those commissions? And how does it kind of vary based on the policy type? Like I'm sure you get paid more when they're paying out over time?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. I've got my commission schedule in front of me. So give me any age you want.

Tegus Client

Let's go with 70.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

All right. 70 is a good age. So 70 falls within that 66 to 70 age bands, right? And remember, I told you that the funeral home picks the product or the discretionary growth rate. So I've got zero to 1.5. Now here my next question is, how are they paying for it, in full or over time or both?

Tegus Client

Could we look at both and see how they differ?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. That's what I was hoping you would say. So again, this is in confidence, if I meet with a 70-year-old today and they pay in full, and this is at the highest growth rate, the commission would be 19.76%. So that's once and done it'd be a \$1,900 payday.

If on this particular funeral home, if they took 0 growth, which I think is like 100 basis points. It's next to nothing. It would be 27.20%. Now that's a single pay. Single-pay is the lowest commission around. So I'm going to go over to the 10-year pay. And if they're healthy, because healthy 70-year-old, the highest growth rate, the commission would be 29.96%. And then the lowest growth rate would be 37.40%.

So you see the big difference there. Now that's for someone who is perfectly healthy. So if I meet with a husband and wife, he is healthy, she is not that, that would be what they would call simplified issue, the rates I just gave you, 37.40% and 29.96%. So if it was a guaranteed issue, right?

So the wife does not have the perfect health, but she's going to pay over time, but she has got to pay over time, then low growth rate would be 25.71%. High growth rate would be 19.34% which the paradox is, if she's paying over time, it's less commissioned than if they paid in full. Typically, commissions are lower when someone pays in full.

Tegus Client

So you get more on her if she pays upfront because she has poor health?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

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Yes. And that's just within that age band sort of a paradox.

Tegus Client

Okay. And so you mentioned the simplified issue versus guaranteed issue. And the simplified issue there, are health questions related to it?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. There were always health questions. The first health question is very, very simple. I can answer it myself most times. Are you terminally ill or on hospice or have a life expectancy of less than six months? Most of the families that pay are not going to be paying because of that. If someone's got a terminal diagnosis in a short time left here on this earth, they're not going to pay usually. So I have to ask the family that all the time, whether it's single-pay or multi-pay over a period of time. That question always has to be answered.

Now, the second question is, it only applies if they're paying over time. And the questions, it's called field underwriting. We don't have to call in or put a blood pressure cup on somebody and get them on a scale. It's just simple asking questions. People lie all the time. But if they get past the two years, then I guess that lie paid off, I don't know. But the fact is it's field underwriting. So there's no medical verification of what they're telling me. So the second would ask in the past five years, it's always five years.

Have you been treated or diagnosed or are you under treatment, which includes medication for any of the following? Now each insurance company is different, right, but they are like the big nine, aids, blood disorder, brain disorder, kidney, liver, lung disorder, cancer, cardiac disorder or circulatory disorder. Some add a few more to that.

But in essence, you're asking those questions. If that person answers no, then it would be issued as what they call simplified, which means that they're in good health. If they happen to die within the first year or the first or second year, there's a medical record verification, which cross-checks if what they told me was truthful, if they died in the first two years. After that, it's out the window. But if they died within the first two years, were they telling the truth? If they were telling the truth and they were healthy, they died unexpectedly and the insurance company payment stop, the insurance company pays the full death benefit.

So let me circle back to how that affects commissions because there are chargebacks or takebacks. And most of the insurance companies operate this way. You write the policy you submit it, it gets issued and they pay the commission out.

Now this person dies in the first year, depending at what time in the first year, if they die, and I'm talking about a single payment now. If they live for six months, the agent keeps 50% of the commission, then it's prorated. So if they died in the 11th month, the agent would keep most of the commission, the insurance company would call back the balance of that prorated amount. That's only if they die end of this year. If they die in the first year on a single pay. If they died within the first year on a multi-pay then the commission is also prorated.

Tegus Client

Okay. The single-pay is prorated for the first year, multi-pay is prorated for the first two years.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

No. There are two different things. The commission chargeback period is always one year. So what is the agent given that. But as far as the medical verification on a multi-payment plan to determine whether or not the insurance company is going to pay that benefit or if the family is on the hook for the balance. That medical verification because you're only asking that second question in a multi-pay scenario, then that medical verification is for two years.

Okay. The first question was whether or not they're on hospice or terminally ill or have a six-month

prognosis. So the second question would be in the past five years, has the proposed insured have been diagnosed or treated by a member of the medical profession for any of the following: cancer, congestive heart failure, stroke, COPD, Alzheimer's or dementia, insulin-dependent diabetes, alcohol or drug dependency, or aids-related complex or any disease or disorder of the heart, blood, brain, kidney, lung, liver, circulatory system, digestive system or nervous system.

Tegus Client

Okay. So then if they die within the first two years of one of those diseases, then the insurance company may say, you don't get the full payout.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's right.

Tegus Client

Okay. So the single underwriting process, it sounds like it's a simple underwriting process, but the insurance company, there's not a ton of risks since they got two-year look-back period.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

You said the insurance company and risk that they have a ton of risk or they don't?

Tegus Client

No, it seems like less risk because there's that two-year look-back period.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Right. There's less risk and also why preneed insurance is so profitable for them. They're not insuring people for hundreds of thousands of dollars. I mean, on the max side, the biggest policy I ever wrote was \$25,000, and that's enormous in the preneed world. So when it comes to the funeral planning aspect, a traditional funeral is \$12,000 to \$13,000. 2/3 of the people that are meeting with a selecting cremation. So those arrangements are \$6,000 to \$8,000, on the average.

So for an insurance company that does who knows, \$60 million, \$70 million in business a year. I mean the pennies make the dollars, I get that. But the fact of the matter is there's not a huge amount of risk for the insurance company. The biggest claim that they're going to pay out, what's it going to be, less than \$20,000.

Tegus Client

And so going back to sort of the simplified versus guaranteed issue. So somebody is in good health, and they answer, no, I don't have any of these preexisting conditions, then it becomes a simplified issue, and that means they can get their commission if they pay out over time versus if it's a guaranteed issue, you get a lower commission if they pay out over time?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Typically, that's how it works. So simplified issue, healthy people, the agent gets paid a higher commission.

Tegus Client

Interesting. And so for the guaranteed issue, it's just, yes, a slightly lower commission, whether they pay upfront or they pay over time. And then it's kind of flipped in that if they pay all at once you get a higher commission is less risk.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial

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Group

Well, if they pay all at once, typically those single-pay policies are lower commissions. It just so happens that within the example that I gave you with the 70-year-old, which is on the younger part. I've seen the average ages decline over my career, but particularly over the last three years since the pandemic, the mortalities come more into focus. So with the average age pre-pandemic 2018, '19 was 71, now it's 68. So it's dropped significantly because people just want to get it done.

Tegus Client

Interesting. So you've actually seen the average age decline by three years recently?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Yes. I think when I first started, the average age of the preplanner was, this is back in 2000, it was around 76. So now it's 68. So it's dropped significantly over the last 25 years.

Tegus Client

Why do you think that is?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, again, the pandemic is a classic example, right? People didn't know what it was without getting into any of the politics of it. They didn't know if they were going to live, how serious was it? What were the long-term effects and once we came out of the hole, then and we lived through it, for those of us that did, they said, "Oh, man, I've got to get my stuff in order because if something happens," people start to think?

They get too much time on their hands, and they think say if something happens to me, you know what was weird, I'll tell you this, is that during that lockdown period up here, we were in shutdown mode. I couldn't do this face to face, but I did a ton of business virtually because people wanted to get it done. I had to accommodate them.

So believe it or not, in 2020 where most businesses they really fell, revenues were down and everything else. My practice thrived, as a matter of fact, I was up over 20% from where I was the previous year during that pandemic even with the lockdowns because people just wanted to get it done. So it's not people buying life insurance, it's much more than that. There's an emotional component. People are afraid to die or afraid of what they're going to leave behind. So the business increased, the volume did.

Tegus Client

And so do you think there's a hunger in general for people to be able to do this process virtually or online or without having to walk into a funeral room?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, again, it sort of gets back to that final expense or the life pay example that I gave to you earlier in our conversation is that the insurance companies thought that the market was underserved. And as it turned out, that wasn't entirely true.

There were some families still. I do some work within the Jewish community. And some of those families that I've had the experience of working with still ask, and not just because of whether they are Jewish or Christian, but some of those families within that community were asking, hey, can we still do this online? Absolutely, we can.

So there's a lot more touch points to it because you're not face-to-face, belly-to-belly, eyeball, eyeball and asking them what they want, and then I'm going to e-mail them a quote and then promise to call them on Tuesday. And I call them on Tuesday, and they said, "Yes, this is agreeable." All right, how do you want to pay for it? Well, e-mail me the option. So there are a lot more touch points that the agent has to be focused

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on and not drop. But I don't have an hour commute to go see them.

Tegus Client

Sure. Can they pay online? Like how would they pay if it is virtual?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

I'll tell you what I did and what some of the insurance companies are experimenting right now. So I use DocuSign. So their payment was EFT from a checkbook typically or a credit card. So that's how it works. So I got them to sign the documents or the insurance contract by DocuSign, review the contract with them first, and then that's how they paid. Now, some of the insurance companies, they won't let go of the importance that they have to think about the community that or the age demographic, someone that's your age or my age, we can do something online.

I don't have to see you. You don't have to see me, let me pay for it and be done with it. But some of the folks that are in their retirement years, they want that contact. It's so funny. The insurance companies have platforms where we e-mail the documents. They don't even get a piece of paper. They look at the inbox and all of the documents are there. But I still have families that want that lousy third triplicate copy that's eligible.

Tegus Client

Yes. So how are they paying when they are paying virtually so it's a credit card directly, a credit card payment to the insurance company to you? How does kind of the logistic look for that?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

So that's a good question. At least how we operate in the states in Rhode Island and Massachusetts. The funeral home, I'll use Massachusetts as a better example and a stricter example. In Massachusetts, the funeral home cannot accept a nickel. So the money has to go from the planner directly to the insurance company. So if the family paid us \$10,000 in cash, the funeral home can't write a check to the insurance company, the insurance company won't accept it because the money was in the hands of the funeral home.

So I would have to say, okay, give me a banker's check or give me a routing number with your account number, and I'll force it right into the insurance companies. That's how it works. So with the credit cards, especially with the credit cards, those payments go directly to the insurance company.

Tegus Client

Okay. And is that like through an online portal or is it like filling out some sort of piece of paper with their credit card number?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Well, it depends. It's usually a form that they fill out that their credit card number goes into. And then how do the contracts get to the insurance company, I use Citrix. So I scan the contract and then upload that into their secure portal and they have all of the information. So they essentially have the documents at the insurance company in PDF form, and that's how they process the new business. The funeral home has a copy of those documents and the insured has a copy of those documents.

Tegus Client

Okay. Do you work with insurance from multiple companies? Or are you exclusively working with one insurance company?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

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I have three companies that license to use of that I'm appointed with. I have one primary company. That's my go-to that I write 90% of the business with. But the funeral home picks out not only the discretionary growth rate, but they pick the company that they want to. I've always chosen A-rated companies. There are some companies out there that are B-rated and whether that's through reinsurance or restructuring or however that works, I'm not certain. But I've only used A-rated companies.

Tegus Client

The funeral home takes the company and the discretionary growth rate. So your commission is really dependent on the discretionary growth rate that the funeral home pick?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's an insightful question. Yes. So that directly affects my level of compensation and commission. Now, there's one company that I'm appointed with. I don't use them very often, but on the application, the agent chooses the discretionary growth rate A through F, let's say.

So if the agent is working for the funeral home, the funeral home says I want the highest growth rate, while F is going to be on that application every time. But it gives the agent if they're not doing the right things of getting a higher commission, but the funeral home will not see that until it's time to serve that family until it's time to bury that person.

And then they say, "Hey, this person put in \$10,000 and there is only \$11,000 and the contract is 20 years old." What gives and it all boils down to the agent. The go-to company that I use it's selected. And then when I submit a piece of business, it's automatically on that particular growth rate. But it does, you're right. But the funeral homes that I partner with, they're good, they're quality firms. And I know that in the long haul, if I do right by them, then that business is going to be good, that's why I stay at places for a long time.

Tegus Client

Okay. It's pretty possible from the funeral homes when like the highest discretionary growth rate you were talking about 1.5% or maybe a little higher. If somebody lives for 20 or 30 years, I mean at that point even at the highest discretionary growth rate, it seems like they'd be losing money to inflation.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

There's certainly a risk to that, but it's the law of large numbers. So the funeral homes are banking on the fact that they're going to do more volume. So I'll give you a crystal ball and what I mean by that if you have a funeral home, they're serving 200 families a year, and they continue to do the right things, and they continue to maintain that volume.

Then they bring in an agent like me, and I'm going to put in a preneed marketing program for them. And during the course of the year after it's ramped up, let's say that I'm writing 100 contracts for them a year, prepaid contracts.

If they continue to do their job, and I continue to do mine, here's the crystal ball. They're doing 200 a year. The average duration of time, it was eight at one time, it might be 12 years. And duration, that means money on the book. So if the average policy stays in force for 12 years.

So what does that mean? What that means is that if I'm writing 100 contracts a year and they're doing the 200 calls a year that right around the 12th year, they'll start to see an uptick in volume and slowly that volume, as long as the program stays in force and the volumes maintain themselves on both the preneed and the at-need side, then that funeral home in 12 years should be doing 300 calls a year easily. That's the crystal ball that pre-need offers funeral homes.

Tegus Client

Okay. So it's really just that additional volume. Are they keeping any of the commission? Or is that all going to you for the marketing efforts and compensations?

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President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

With the arrangements that I have with the individual funeral homes? Those commissions come directly to me.

Tegus Client

Okay. So it's all about the volume. They can do an additional 50% of those services that they're currently doing. And so they're just kind of banking on the volume, will offset any sort of loss due to appreciation.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's correct.

Tegus Client

Are most funeral homes that are selling preneed working with an agent or an agency like you? Or are they doing it in-house?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

Most of the funeral homes are smaller operations so they'll do it in-house. You'll have an owner who's chief cooking and bottle washer and he is washing the cars. He's directing the funerals. He is making arrangements. He has his insurance license, people prepay and it goes in.

So that's like in the smaller operations, that's kind of how they manage it. In the larger operations, they have a sales force. I mean some of the enormous operations that are doing 2,000 funerals a year, they'll have a sales force of eight or 10 agents that are out there beating the streets for them.

In the smaller ones, they'll have big operations. So let me put it in perspective, the average funeral home in, say, Massachusetts is, let's say, doing 50 to 70 calls a year. The larger ones are 200, 300, 400. For every 200 calls a year, that can support a full-time preneed agent.

Tegus Client

Makes sense. So every 200 calls a year can support a preneed agent.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

A full-time preneed agent, not a part timer.

Tegus Client

Okay. And that's 200 total funeral calls or 200 specifically preneed calls?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

No, when I say funeral calls, 200 deaths a year, they're serving 200 families a year. So some might be funerals, some might be direct cremation, I just mean 200 families coming in the door because someone's died.

Then you look at the ratios too. Another question you should be asking is, out of your annual call volume, let's say, it is 200 a year. What's your preneed ratio? How many of those families that are coming in that lost somebody with those funerals prearranged?

So with the funeral homes that I've worked with over the years, that's a steady uptick, might be 20%, then 25% then 30%, then 33% and 38%. So then there are other mechanics that are involved with that funeral home that's, let's say, they're in the 40% to 50% ratio they're demanding.

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As far as a program, what they're demanding or should be demanding is okay. We have a prearrangement that person died last night. We need you to sell a prearrangement to maintain that count, if you will, of preneeds on the books, and we need you to sell a second policy for growth.

So they're trying to increase that preneed backlog because after all, that's future business on the books. There was an industry expert that said, if someone even gives the funeral home \$50 to put into an account, then there's a 95% chance that, that family is going to come back to that funeral home come hell or high water. So the preneed uses a mechanism to guarantee market share down the road.

Tegus Client

Great. One thing I wanted to follow up on is the funeral home commission portion. Did you say the ones you work with don't get a portion of the commission or they do?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

They don't. That's just my business model. So I take the larger commission. And then depending upon the programs that they run, I will fund, I will pay for the direct mail marketing, which is probably the most expensive out of all of them, but I find in the business, the most effective.

People like to go out to the mailbox. They feel important. They drive by the funeral home 100 times a year. They say, I got to go in there and make these arrangements, and they never do. Yet they get this little card in the mail, a little postcard that they mail in, say, I will see what happens and they get a phone call from me. So the direct mail from me has been a staple of my practice as long as I have ever been writing preneed almost 25 years.

Tegus Client

Yes. And you don't sell any life pay policies currently?

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

As a matter of fact, I started to dip in it. First, when this insurance company came out, and I forgot the name of the product, they all have these cute little names, but catchphrases, I guess. And I was really, really pumped up about it and getting out there to sell.

But I am reliant upon the reputation of the funeral home. That's what really goes hand in hand. So me, going out there and banging down the market to try to get someone to write a policy with me is a lot more difficult than been relying on the funeral home reputation.

Tegus Client

So those policies weren't sold through the funeral home, those are policies that you would have had to sell as an independent agent basically.

President at North Trust and The Leading \$40MM Preneed Producer at Global Atlantic Financial Group

That's right. I would have sold them as an independent agent and asked the question, what funeral home do you want to use?

Tegus Client

That's great. Well, thank you so much, this was very helpful. Have a good day.

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