Sun Life | Consulting

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Industry Insights

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Rate hikes do not dilute the value of participating insurance

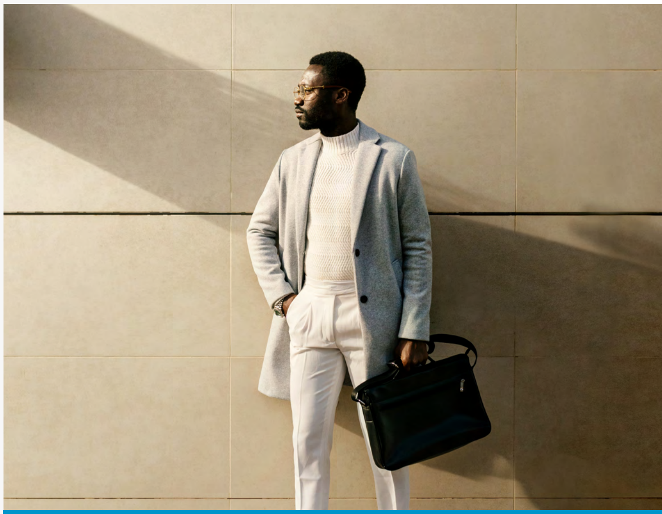
Remind clients why par can offer more benefits than guaranteed products long term.

Recent interest rate hikes have made cash products and GICs very attractive at over 4%. With dividend scale interest rates (DSIRs) at 6% on average, savers may worry their insurance policies are not vastly outperforming guaranteed products.

Dividend scale rates increase as interest rates rise but the benefits of par are more gradual and diversified. If clients are questioning their product diversification, remind them:

- Dividends are paid annually, so there is a lag time. Clients will see the effects of the DSIR increase/decrease on their dividend on the policy anniversary *after* the DSIR increases or decreases.
- Dividend scale changes are generally not drastic, even in times of rising and falling rates. Standard deviation historically is small, because of “smoothing”: insurers amortize gains and losses over many years.
- Par usually has a diversified asset mix encompassing a combination of equities, bonds, private debt, private equity, mortgages, real estate, and cash.
- A par policy can be used as collateral for a loan.
- When interest rates are rising, participating insurance policies can provide tax-preferred growth that is not eroded by annual taxes on traditional non-registered investments such as GICs and fixed income products.

Source: Advisor.ca



Takeaway: Recent interest rate hikes have made cash products and GICs very attractive but do not dilute the advantages of par as a long-term, tax-preferred investment.

Honesty is always the best policy

Advise clients that full disclosure today ensures payouts down the road.

Takeaway: Honesty will help provide clients with peace of mind when it comes to death benefit payouts.

The preconceived notion that little things make a big difference in insurability works against most policyholders. Omission of diagnoses, including pending diagnoses from doctors or specialists, or other misrepresentations can result in death benefits not being paid out. Advisors should always advise their clients that honesty is the best policy. Being honest about their risky hobbies like skydiving, underwater diving, ballooning, snowmobiling, and flying can help ensure clients receive a death benefit payout, whereas omission may result in a claim denial.

Furthermore, underwriting guidelines have become more flexible when it comes to chronic diseases. Diabetes, for example, may not trigger an automatic rejection. Factors such as medical improvements; policyholders' increasingly responsible, low-risk lifestyle habits; and more appropriate disease management practices are allowing insurers to offer moderate rates. Many insurers are also creating specialized policies for autoimmune diseases.

Source: Advisor.ca

Embrace AI tools to focus on client relationship building

Discover new platforms to streamline your financial planning process.

AI tools do not replace financial planning knowledge. In fact, they are best leveraged when building client relationships. AI can save time spent writing emails, taking meeting notes, reviewing documents, following up on client requests, and developing financial plans. AI tools can help to bridge robotic and human processes, allowing advisors the opportunity to focus on their clients.

One AI tool, **Fathom**, is a meeting assistant that produces an interactive transcript from a client call. With features like bookmarks and a call summary with links to the times a topic was discussed, advisors can focus on being 100% present. Interaction with other programs like the CRM platform **Slack** allows advisors to upload meeting summaries for team members.

Sifa AI is an AI co-pilot specifically for advisors that can reference client data and details to save you from having to look up information in a client's file. Asking questions like what a client's house is worth reduces call preparation time. This tool is tailored for the financial industry, curbing safety and compliance concerns.

A study from U.S. financial planner Michael Kitces found that the average financial plan takes 10 hours to construct. Financial planning software with AI functionality like **SAM, a Strategic Advice Manager**, help advisors build financial plans based on the client data entered. AI plugins for programs like **DocuSign** help ensure clients understand the document they have signed by providing a bite-sized summary.

Here are other helpful AI tools:

- **Perplexity:** Search for a topic and receive a list of steps to answer client questions, write emails, start a blog post, and more.
- **ChatPDF**: Upload a document, something tax-related for example, and ask ChatPDF questions to provide clarification.

Advisors who work for an insurance firm should be sure their company is aware of and approves their use of AI tools.

Source: Investment Executive

Takeaway: AI tools do not replace financial planning knowledge. When used to help bridge between robotic and human processes, they allow advisors to focus on the client.

Why do investors fire their financial advisor?

You may be surprised to learn that relationships matter more than returns.

Advisors have plenty of value to offer to their clients. However, there are instances in which clients fire their advisors.

There are a few key reasons why financial advisors lose clients:

1. **Insufficient focus on the personal side of finance**
    - Some clients prefer advisors who personalize their experience and tailor solutions to meet their needs.
2. **Lack of communication and listening skills**
    - Clients need clear and direct communication from their advisor to feel heard and ensured their needs will be met.
3. **Mismatch of expectations early in the relationship**
    - Lack of clear goal setting and aligned mindsets between the advisor and the client can cause disagreements that affect the relationship.

Out of a survey of over 3,000 clients conducted by Morningstar, the top two reasons cited for firing an advisor were quality of the financial advice and service followed by quality of the relationship – disappointing portfolio performance wasn't even in the top three. Some ways to ensure clients keep you as their advisor are to:

- Emphasize that the relationship is important to you. Convey that you value their business and ensure they feel heard.
- Communicate your value proposition clearly and with confidence. Clarify how you will help solve their issues.
- Set realistic expectations early and reach out consistently to ensure they are satisfied with your service.

Source: Morningstar

Takeaway: Advisors should ensure that relationship building and nurturing are at the forefront of client interactions.

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Insurance 2025 and beyond

Proactively adapt your business model to embrace major trends.

Here are five of the significant trends affecting the insurance industry:

1. **Widening trust gap in an uncertain world**
    - Trust erosion combined with lack of access and poor financial education has led to wider protection gaps and large economic losses. Moreover, wealth disparities have eroded the middle class and contributed to social distrust. Potential solutions are to educate customers, create affordable products such as micro-insurance, and distribute products broadly to reach more customers.
2. **Rapidly evolving customer needs and preferences**
    - New customer groups such as gig economy workers, retailers, and health and fitness organizations are looking for personalized end-to-end solutions for their day-to-day lives and ways to go beyond risk-transfer obligations.
3. **An increasingly digital and AI-driven world**
    - Automation and AI are changing the way insurers interact with customers across the value chain. Bionic advisors integrate human and digital client experiences: a human advisor who understands the client interprets and tailors technology-derived solutions. Fully embrace the digital future by leveraging the power of digital technologies, data and responsible AI in your advisory practice.
4. **Climate risk and a focus on sustainability**
    - Address the growing threat of climate change. Rebuild your risk models and pricing assumptions and work with organizations to help mitigate climate risks.
5. **Convergence, collaboration and competition**
    - Share and collaborate within and across industry boundaries to create new value propositions.
    - Collaborate with traditional competitors, emerging insur-techs, big tech, and adjacent industries like manufacturing, retail and healthcare.

The insurer of the future:

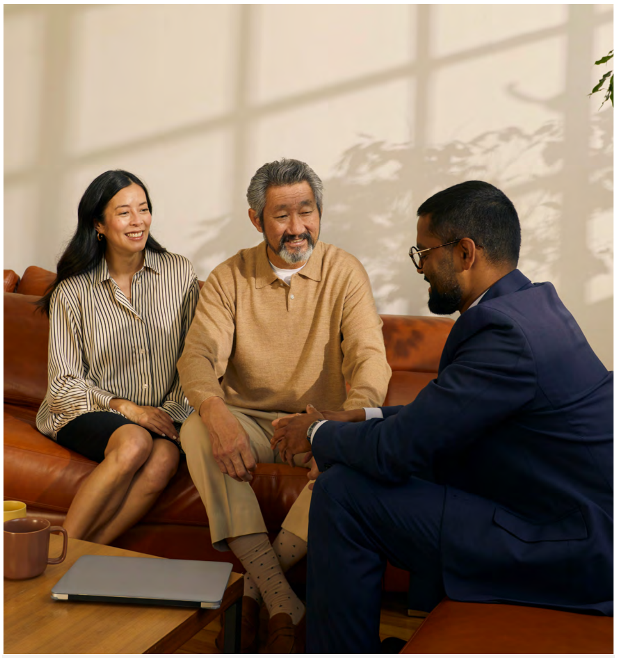
- Goes on the offensive with digital solutions.
- Embraces customer-centric systems to create value.
- Embeds ESG at the core of their organization.
- Puts a premium on execution.
- Wins the race for talent by redefining the future of work and a strong work culture.

Source: PwC Insurance 2025

Takeaway: Address technology trends in your advisory practice to get ahead by understanding customers' needs and meeting their evolving requirements.

Wealthy clients and the personal touch

Make contact to develop and maintain strong client relationships.



Takeaway: Strengthen relationships with wealthy clients and enhance your referral pipeline through personalization.

Wealthy clients often expect to have a personal component included within their professional relationships. Shifting to a more personalized approach can help you strengthen your most valuable relationships and could lead to more referrals. Last year, 64% of clients who had a friendship with their advisor provided three or more referrals, according to a survey conducted by Oechsli.

Here is a quick exercise to help you deepen client relationships:

1. Identify your top 25 clients.
2. Rate each relationship between 1 and 5, with 1 meaning no personal connection and 5 meaning close personal connection.
3. Track the last time you interacted outside of work with each client.
4. Create a list of clients who are overdue for a social interaction with you.
5. Decide what your next interaction will be.
6. Propose your next interaction idea to each client.

Host individual social outings or small group events to connect more personally with clients. Track these interactions and be consistent. This will show clients you care and build authentic connections while organically helping to amplify your referral flow.

Source: Oechsli

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