



**Loan
For
Life™**

WHAT TO DO WHEN A CLIENT WANTS TO SURRENDER THEIR POLICY

10 STEPS TO HELP YOU TURN A CANCELLATION INTO PROFIT.

When a client wants to cancel their Whole or Indexed Universal Life policy by surrendering, it's easy to hear the proverbial alarm bells ringing and start asking questions:

“Was the policy not a good fit to begin with?”

“How can I convince them to not cancel?”

“Do they understand the consequences?”

Cancellations are a part of the job--and nobody's favorite part, either. Even when you explain that a cancellation won't be in the client's best interest, we have to recognize that the client is always going to make the decision that seems the best to them--whether it is, or not. The trick, then, is to introduce them to the best decision, and help them to recognize it as such.

While the exact choice might vary client-to-client, FairMarket Advisory Services, LLC (FairMarket Advisors") has an extremely compelling new proprietary option (regardless of age or medical condition!) for those clients bent on cancelling their policies.

The good news for the client is that they can receive a cash loan that uses the cash value of their policy as collateral, they will no longer have to pay their premiums, and they will get to keep a portion of their death benefit.

The good news for you is that you've provided your client with a much better option, FairMarket Advisors program will pay you a referral fee for originating the loan, turning what would have been a cancellation into income--all while preserving your future renewal commissions and persistency rates until the earliest of the policy maturity date or death of the insured.

The following are ten easy steps you can take when having a conversation with a client wanting to cancel their policy.

1. **It's not you, it's me.** Before this conversation happens, it's important to be prepared and ask the right questions. First and foremost, understand (and be understanding of) the reasons why someone might want to cancel their policy to begin with. There are often good, compelling reasons that make sense. Perhaps their premiums are simply no longer affordable. Maybe they more urgently need access to the cash value of their policy. Familiarize yourself with these reasons and understand what needs your client might be trying to meet by canceling their policy. These common reasons for cancellation are typically indications of your client's evolving needs, rather than of their dissatisfaction with you.

2. **The good.** When you start your conversation with the client, you might begin by asking what they find most valuable about their policy. Maybe they appreciate the growth of their cash value over the years, or are somewhat reluctant about cancelling because they don't want to lose their death benefit.

3. **The bad.** It may be that your client has nothing bad to say about their policy at all--they just need additional cash on hand. But it's also possible that your client has some complaints, in which case the responses you get here shouldn't surprise you. (You came prepared, remember?) Maybe they can no longer justify the amount of premium payments, or feel like their money could be better invested elsewhere.

4. **The ugly.** While your client's feelings about their policy are valid, there is likely much about canceling their policy that they don't know. Help them understand any fees or additional charges associated with canceling their policy, the potential tax liability, and the effects that decision might have on their future coverage if they try to open a new policy elsewhere. This additional understanding may lead some clients to keep their policy, and might provide you an opportunity to adapt their policy or coverage in a way that better meets their needs and increases customer satisfaction

5. **What are they looking for?** Throughout this conversation, you've hopefully been able to piece together the answer to this question yourself. But it never hurts to let the client say it for themselves. Whether in-person or over the phone, consider writing down a list of what they say. "No more premium payments, money on hand, etc."

6. **There's another way.** For those undeterred clients, or those who still see canceling their policy as their best option, help them understand that there are other options out there. A lapse or policy surrender is rarely in the best financial interest of your client. Fortunately, there are more options for a policy than to simply keep it or cancel it. You must understand their needs, and what they like and dislike about their current policy. Would a reduced paid-up policy give them enough protection and let their cash values perform better? If not, this is a perfect situation for introducing the FairMarket Advisors program.

7. **Check, check, check.** This is where everything comes together; your listening skills and care for your client, the FairMarket Advisors program being presented as a powerful solution, and your client having their needs met. Review your client's needs, (you should have written them down in step 6!) and simply explain how the this program would help meet each need.

a. **No more premium payments:** The loan arranged by FairMarket Advisors takes over paying the premiums as soon as the loan closes. Check.

b. **Money on hand:** At closing, your client would typically receive a “loan for life™” amount equivalent to the cash surrender value that the policy has built up less only the lender’s one-time arrangement fee. No current principle or interest payments are ever needed (although the loan can be paid off at any time). Interest can be accrued throughout the life of the loan. Check.

c. **Keeping the death benefit:** The death benefit of a cash value policy is typically a significant amount of tax-free money left to your client’s beneficiaries. Surrendering or selling the policy terminates this promise. With FairMarket Advisors, the death benefit will both entirely pay off the loan and leave the remainder for your client’s beneficiary(ies). (The loan guarantees that, regardless how long the loan is outstanding a fixed minimum amount of the death benefit will go to the client’s beneficiaries.) Check.

d. **Peace of Mind.** In order to provide your client with the utmost in transactional security, all FairMarket Advisor’s loan closings will be transacted through a federally chartered and FDIC insured independent bank escrow agent.

8. Compare and contrast. Our program is able to provide all of the benefits that a client might be seeking by surrendering their policy--without forcing them to lose coverage or give up all of their death benefit. This really is a best of both worlds scenario. One way you might help your client understand this is to review their other options with them again, but identify the checkboxes that aren’t met.

- a. **Canceling the policy:** No more premiums? Check. Money in hand? Check. But keeping coverage and the death benefit? Nope. Tax free? Likely Nope.
- b. **A traditional life settlement:** No more premiums? Check. Money in hand? Check. Tax free? Likely Nope. But while you might be paid a bit more cash for your policy, you again lose coverage and the death benefit. And all of this is assuming that your client could qualify for a traditional life settlement. With the FairMarket Advisory “Loan For Life™” Program, Insured’s age and health do not matter. There is no medical underwriting performed in the application process. With traditional life settlements, only those over a certain age (generally 75) or with relatively limited life expectancies (generally 12-15 years) are accepted, which is an extremely small fraction of the number of whole life policies that are surrendered.

c. **A retained death benefit settlement:** Again, assuming that your client could qualify for a life settlement, a retained death benefit life settlement would allow them to keep a portion of their death benefit, but they would be paid significantly less upfront, as they are essentially only selling a portion of their policy.

9. **Make a recommendation.** The best choice to make should, at this point, be fairly obvious to your client. If they were bent on canceling their policy before, and now see that they can have all of the benefits they were seeking by canceling their policy and the significant advantage of being able to keep their death benefit, working with FairMarket Advisors should be the obvious choice. Adding your personal recommendation to the growing evidence that they are seeing will build their confidence in you and in their decision. It's a recommendation you can give with confidence, too--knowing that it is in your client's best interest. Knowing that you'll receive a referral fee and continue to receive renewal commissions while keeping your persistency high doesn't hurt either. FairMarket Advisors is a much better option than a cancellation or a settlement, for all parties involved.

10. **Reach out to us.** After your conversation, your client is going to be glad they reached out to you, and excited about what you introduced them to and how great of a fit it is for their needs. This level of customer satisfaction is the kind that brings word-of-mouth and new clients your way. But before you start printing out more "new client" paperwork, reach out to the us and we'll help you and your client through the whole process to make it as easy as possible.

If you have any additional questions about how the FairMarket Advisors program works, or how you can bring it up with your clients, feel free to contact us directly.