

Sales & Marketing

Update

6th Edition April 2004

Welcome to the new look TOWER Sales & Marketing Newsletter.

Sales & Marketing newsletter has been redesigned for the reader's convenience – now all you have to do is simply click on the command icon on the index page and the selected article will be connected.

To return to the index page, again, simply click on the command icon at the top of the article.

We are sure that you will appreciate the convenience of this new service.



FSR Runs the Risk of Making the Industry Less Accessible

The biggest issue most of us are still dealing with is the FSR transition and its final implementation.

Comments from **Jim Minto, CEO TOWER Australia**

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Selling Critical Illness Insurance

People who survive a critical illness are frequently faced with a series of financial hurdles that can set back their physical recovery.

by **Godfrey Phillips, JP, FAFA**

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Sports Commentators "Slip Ups..."

Funny anecdotes made from famous sporting personalities and commentators

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Why Newsletters Work

Most marketing experts agree that a newsletter is one of the best relationship marketing weapons available to maintain long-term business contacts with your clients

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FSR Runs the Risk of Making the Industry Less Accessible

Easter again. The first school holidays of the year are past us and the year speeds on. With winter on its way and as the end of the financial year approaches, it is often surprising how quickly time flies by when you are busy with a raft of issues.

Probably the biggest issue most of us are still dealing with is the FSR transition and its final implementation. We are all deep into the new regime now and my preliminary thoughts are that it will need adjustments before it brings the benefits that were sought when it was planned – both for consumers and the industry. This seems to be a message coming from all sectors.

There are reports that even the regulators are finding it difficult to see if some of the consumer protection measures are actually delivering. While the paperwork is a major problem, there is another issue. An irony in life is that the people who need most assistance in terms of financial advice often can't access it or afford it. For them the process can be daunting and possibly expensive. FSR runs the risk of making the industry and its products even less accessible.

People who have greater financial assets and income often have access to more information and options. You could argue that they, as a group, have more economic power through this and are thereby able to make better-informed decisions. They also often have a greater capacity to deal with the information provided in often large disclosure documents.

A concern I have today about FSR is that the disclosure being provided has a significant base cost to it. This means advice will cost more. It means there is a higher barrier for access to advice than there was before – particularly for those people who may really need it.

From the industry's point-of-view, the level of work needed for each client is significant; also, the larger part of our population has relatively small investment account balances, and will tend to require relatively more modest levels of cover. These make up what I call "Middle Australia". We have to ask ourselves if they can afford the increased costs now associated with advice and whether it will be cost-effective for the industry to continue to service them in the new world.

Put simply, these smaller investment, or risk clients, still need a significant amount of work on their needs, but do they have the underlying value in their portfolios to warrant an adviser discounting the front end advice in the current environment? These investors will have to pay a lot more now than pre FSR and we know many people in these circumstances don't see value in advice to the extent of paying such fees. This means advisers, who need to earn a reasonable living, might naturally gravitate to service those clients who have larger

balances or premiums. This is logical and rational behaviour on behalf of both parties but probably less than fair and certainly not what was intended.

In short, a regime intended to bring greater protection to consumers might actually reduce access to advice and product for those in Middle Australia. It could disadvantage the people it is designed to assist.

We all know that compliance is a necessity in our industry – as in any other. It also comes with a cost which we, the industry, must bear. But we must constantly assess the cost of compliance against the value it provides to the various parties it seeks to protect.

Personally, I am a very strong supporter of disclosure and I am committed to the fundamental principles of FSR. However, it is clear in this instance that fine-tuning is required through widespread debate about how it is going in achieving its desired objectives.

Disclosure, as an objective, produces an informed public and investor who can make better decisions. We must, as an industry, remain committed to giving people relevant information and remaining open and honest in our dealings.

FSR will therefore need to be modified to give some flexibility around when disclosure must be made – for example, where an investor might be best to hold an existing moderate position; or whether some shorter form disclosure might be more appropriate, especially for small balances or transactions.

I believe the substance of what people are told is just as important as the form in which it is delivered, and so in less complex instances the very best disclosure might be just a few pages as compared to the very many pages clients in some instances are being provided with today.

As a supporter of FSR, I suggest a 'tweak' rather than a full re-invention.

My very best wishes to you all and thanks for your continued support of TOWER. We continue to work hard in building our dream. We want TOWER to be an absolutely first rate business with strong market niches and a highly respected industry position.

We have come a long way since repositioning TOWER last year and look forward to working with you all. Your support has been a big part of our success over the past year. Thank you again for that.

I wish you every success over the remainder of this financial year.

Jim Minto
Chief Executive Officer
CEO TOWER Australia



Jim Minto
TOWER Australia
Chief Executive Officer

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Selling Critical Illness Insurance

by Godfrey Phillips, JP, FFAA



People who survive a critical illness are frequently faced with a series of financial hurdles that can set back their physical recovery.

The costs of recovery, rehabilitation and on-going therapy, often coupled with an inability to return to work, can cripple even a financially well-off family.

Critical illness (CI) insurance is an important product. This article provides the information you need to bring this helpful product to your clients.

Selling CI Insurance

The world has changed.

Advances in medical science and technology have led to longer lifespans across the globe. Along with an increased lifespan comes an increased risk of suffering a life-threatening medical condition.

Medical breakthroughs ensure that more people survive such illnesses. And although more people survive critical illnesses, their financial health often suffers.

To efficiently sell CI insurance, an advisor must make clients understand why they need it. Statistics will help.

According to Dr. Marius Barnard, often considered the father of CI insurance, in the *Australian Financial Review*, May 25, 2002, "The three major reasons for trauma insurance claims are heart attack, stroke and cancer.

Seventy-five percent of the population will suffer from one of these in their lifetime."

Advisors can get statistics about health and illnesses relevant to their own countries and client bases by using the Internet. Use search engines (such as www.google.com or www.yahoo.com) or visit government sites or established medical sites to obtain this information.

Once you've presented these statistics, tell your client you can show him or her how you can protect them for just dollars a day.

Statistics on survival are key in this instance.

CI insurance is necessary not because the patient dies, but because he or she lives. This product can ensure your client also survives financially.

Selling to Small-Business Owners

Small-business owners are an ideal market for CI insurance.

Often they represent the key person in the business, and a serious illness not only affects the client and his or her family, but the business as well.

Here are some questions to get your small-business owner client interested in CI insurance:

What is your corporate policy in the event of a heart attack, stroke or cancer?

Will your business be profitable without you?

What is your bank's lending policy for someone who has just had a heart attack, stroke or cancer?

As a business owner, are you under stress?

Would your stress be higher or lower if you were diagnosed with a heart attack, stroke or cancer?

Are you facing more or less competition in the marketplace today? Do you think your competition would relax if you had a heart attack, stroke or cancer, or would they get even more aggressive?

How much would your life insurance company pay you if you survived a heart attack?

If you had a critical illness today, what would happen to your business?

Do you own your place of business or do you lease space?

If you had a heart attack, stroke or cancer, would your lease payments be forgiven, or would you still be obligated to pay?

Once you've explored these questions, your client is undoubtedly thinking about the consequences of a serious illness.

Now is the time for the credit card analogy:

Does your business accept credit cards?

What do you pay for the privilege of accepting credit cards?

The answer to this is usually about a 2 percent to 3 percent fee, often called the discount rate.

Ask: Will this fee cause you to go out of business?

What do you get in return for this fee?

Point out that the credit card companies are charging between 2 percent and 3 percent for the privilege of doing business with them.

Let your client know that for less than that 3 percent, you can show him or her a way that, in the event of a critical illness, you will pay off the business loans, the mortgage on the house and other debts.

Presenting the statistics, then offering the client a win-win situation will invariably close the sale.

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Why We Need Critical Illness Insurance

Critical illness insurance is recognised as one of the most important protection insurances of the next millennium. It recognises the advances in modern medicine in the treatment of critical illnesses such as heart attack, cancer and stroke.

Patients don't die – they survive.

You don't need insurance because you are going to die, but because you are going to live.

Critical illness insurance recognizes this financial need because it pays out on the diagnosis of the critical disease and not on the diagnosis of death or disability – years and years later when your physical health has deteriorated and your financial health destroyed.

Nowhere in the world will critical illness insurance not be needed. The chances of surviving a critical illness are increasing year by year.

With the increased chances of surviving come increased risks of financial burden.

Sooner or later, companies all over the world will offer critical illness policies and agents everywhere will be selling them.

The need is too great for them not to.

Dr. Marius Barnard, Round the Table January/February 2000

Barnard, a cardiac surgeon, was part of the team that performed the world's first heart transplant.

His success in extending patients' lives through new treatments and technologies showed Barnard the financial hardship and resultant significant decline in the quality of life that his patients sometimes endured.

In 1983, working with South African company Crusader Life, he helped develop the world's first critical illness policy.

Today Barnard is a highly sought-after international speaker on critical illness insurance.

About the Author:

Godfrey Phillips, JP, FAFSA, from Caringbah, New South Wales, Australia, has been an MDRT member for 19 years.

A former MDRT Divisional Vice President, he has served on numerous committees.

He has been a speaker and a moderator at several MDRT Annual Meetings, as well as at national and state conferences and life insurance company conventions and seminars.

Compliments of the Million Dollar Round Table Australia

Sports Commentators – Slip Ups...

I've never had major knee surgery on any other part of my body.

Winston Bennett

The lead car is absolutely unique, except for the one behind it which is identical.

Murray Walker – F1 racing commentator

I owe a lot to my parents, especially my father and mother.

Greg Norman

Sure, there have been deaths in boxing but none of them serious.

Alan Minter

If history repeats itself, I should think we can expect the same thing again.

Terry Venables

I would not say that David Ginola is the best left winger in the Premiership, but there are none better.

Ron Atkinson

Morcelli has four fastest 1,500 m times ever. And all those times over 1,500 m.

(David Coleman)

Strangely, in slow motion replay, the ball seems to hang in the air for even longer.

David Acfield

What will you do when you leave football, Jack. Will you stay in football?

Stuart Hall – Radio 5 live

And for those of you watching on black-and-white, the pink ball is the one behind the blue.

Whispering – Ted Lowe

It's about 90% strength and 40% technique.

Johnny Walker, world middleweight wrist-wrestling champion, on what it takes to be a champ

If I wasn't talking, I wouldn't know what to say.

Chico Resch, New York Islanders goaltender

If you can't imitate him, don't copy him.

Yogi Berra

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Why Newsletters Work

Most marketing experts agree that a newsletter is one of the best relationship marketing weapons available to maintain long-term business contacts with your clients and reinforce your expertise in financial services.

To name a few more advantages, as a financial services professional, a newsletter can help you do the following:

- Enhance repeat business opportunities
- Facilitate referral business
- Keep you in the minds of your clients
- Position you as a financial services professional
- Position you as an enthusiastic and pro-active partner with centres of influence
- Reduce costs
- Build a reputation
- Build loyalty in your clients

Effective, Easy & Inexpensive

There are ways to gain the advantages of using an electronic newsletter in your marketing efforts that can be easy, relatively inexpensive and not to demanding on your time.

The TOWER Australia Financial Insight newsletter is one of the easiest and least expensive newsletter alternatives that you can customize and distribute as your own.

All You Need are the Targets

One of the great advantages of the Financial Insight newsletter for TOWER Partnership advisers is that it can have multiple uses in your marketing efforts.

Firstly, assess your business objectives and establish the target group that will receive your newsletter.

The purpose could be –

- To protect your 'A' category clients and secure future business potential
- To provide an incentive for your 'B' category customers to use more of your services and transition them to 'As'
- To provide an incentive for your 'C' category customers to use more of your services and transition them to 'Bs'
- To provide an incentive for prospects to become customers
- To strengthen your relationship with Centres of Influence
- And so on.

Financial Insight has been developed for distribution as an electronic newsletter.

As an electronic newsletter –

- the cost savings are enormous
- it is environmentally responsible
- and it demonstrates to clients your proficiency with new technology.

For more information about subscribing to the TOWER electronic Financial Insight newsletter, contact your State Sales office today.



Cost Effective Marketing

What makes a newsletter work when other marketing materials fail is that a newsletter provides information that is valuable and useful to your readers.

The client focussed newsletter should be positioned not to blatantly sell a product, but as vehicle to encourage clients and prospective customers to use your services by reading your newsletter.

Experience has repeatedly shown that a consistent newsletter program is much more likely to attract business than a one-time flyer or a mailed ad.

Unfortunately, the time, effort and cost of producing a newsletter is often out of the reach of many advisers.

If you've tried to produce a newsletter yourself, you know that even the most basic newsletter can take inordinate amounts of time away from your business.

If you've tried to hire an agency to produce a customised newsletter for your business, you know that you would pay over \$600 per page – and that does not include printing costs!