

If Coffee Can Differentiate, Why Can't Life Insurance?

We live in a spreadsheet world, here in the life insurance industry. Whether term or universal life, indexed UL or whole life, he with the cheapest premium wins more often than not.

Given that, the disinterested observer could only assume that life insurance is purely commoditized, with little feature differentiation, and thus homogenous value propositions across the board within specified product categories. Guaranteed UL? All the same. Index UL? All the same? Term? Whole Life? Same same same. Price alone is the only criteria on which to compare and contrast.

Interestingly enough, the last couple of decades have seen the rise of niche markets in consumer goods for otherwise seemingly commoditized products. Let's look at coffee – so commoditized, in fact, that it's traded on commodities exchanges!! Again, the disinterested observer would assume little to no differentiation in a hot cup of Joe...but we know all too well that this just isn't the case today. In fact, many millions of people daily are more than happy to pay more for their cup of Joe at a little place called Starbucks, than they would at McDonalds. In fact, a 16 ounce Mocha Frappaccino costs 33% more at Starbucks than at McDonalds - \$3.99 vs. \$2.99.

Why are they lining up at Starbucks to buy their “commodity” at a higher price than McDonalds? The simple answer: perceived value. The Starbucks customer values the normal benefits of coffee (the caffeine boost), but also values the other more nuanced aspects of the brand. These might include the service experience provided by the barista, the implied prestige in being associated with the brand, the artful descriptions of the regions and farms from which the beans are harvested, even the purchasing practices (fair trade) in which the Company engages.

Clearly, if coffee has been de-commoditized, can we do the same for life insurance? Consider American General's Select-a-Term[®]. While the rates alone stand on their own merits, the various ways this product can be configured – such as laddering several durations – can add real value to the customer's bottom line. And let's not forget AG Secure LifetimeSM GUL, a universal life product with secondary guarantees. While it remains competitive in many cells, it's key differentiator of guaranteed cash and future flexibility provide real value as well. Unless you can guarantee that your client's needs won't change 20 or 30 years in the future, the ability to scale back the premium and death benefit of AG Secure Lifetime GUL in exchange for a partial cash surrender, can also provide real value.

Look around at the financial world we live in today, and you'll see that flexibility is in short supply, American General's life portfolio offers superior flexibility, which in addition to price considerations completes the value proposition of the products.

For more information about American General's life portfolio, please call your American General sales team.