

The Reality of Group Insurance Sales: Compensation and Competition

by Steve Faulkner, CEBS

In speaking with hundreds of employee benefits professionals throughout the years, I've learned a lot about the group insurance environment. There are recurring themes in my conversations with clients and candidates. I'd like to share a couple of these with you.

Compensation and Competition

The 'guarantee' myth. Many sales reps I speak with ask about what type of guarantee a company is offering. The amount of guarantee depends on the person who the company wants to hire. If the candidate has averaged \$150k for the last few years, most companies won't guarantee him or her \$175k; it's not good business and you could argue it takes away some of the need to produce quickly. On the other hand, if a rep has averaged \$200k for the last few years, a company is unlikely to be able to recruit him or her for \$150k. In either case, the guarantee is supposed to be a bridge.

Where will the territory, product mix, manager, company culture, service team, etc. take you in three or four years? If the future doesn't look much better at the new company, you shouldn't make the move no matter how lucrative the first year guarantee looks. Twelve months goes by pretty fast.

On the lucrative guarantees; yes, a few remain. We've all heard of these deals. But don't believe everything you hear. I heard a rumor of a huge guarantee that was given to a newly placed rep. I actually placed this rep and knew for certain what that guarantee was—and it was nowhere near what it was rumored to be. The outliers are there, but don't let that color your decision. Don't feel like you aren't being a good negotiator, or are worth less if you don't manage to get a large guarantee.

Think beyond the guarantee. Keep focused on the real opportunity. How much can you legitimately earn through the comp plan in your second, third and fourth year?

In my experience most companies will average your last 2 to 3 years of income and base a formula on those figures. They might pay you a little less than that average, but give you some kickers for hitting a certain level of production. Or, they may pay less than that, but pay commission from day one, without having to pay back any draw. In the case of younger reps, they might look at prior years' earnings but also take into account the upward trend year over year, thereby paying a little higher than the two year W2 average.

How long are most guarantees? I'm sure there are a few companies that offer longer than 12 month guarantees, but they are very rare, and usually 18 months, not 24 months. If a company is offering two year guarantees and paying much more than you've earned in the past, you have to wonder why.

Competition. Many reps with ten to fifteen plus years of experience tell me this is the most competitive market they have ever seen. If you feel like the job is getting more difficult, it is. The days of 3 to 4 main players in the under-500 employee market are gone. Every life company has reps in that space and it seems like every company has plans to grow.

An office that may have had 3 reps in the mid 1990's now has 7. At the end of the day though, **successful group insurance reps make more than successful reps in other industries**, and I'm sure those other industries aren't getting any easier either.

Is the grass greener? There are certain companies that look attractive to many reps. We all know who they are. They seem to be 15% below the market on every case and seem to get what they need without having to fight tooth and nail on every little thing with an underwriter. When I talk to reps at those companies, many of them know they have a good thing, but they also have their complaints. It's not as easy as it looks from the outside. Every company has its warts. Some are worse than others and affect your income or enjoyment more than others. It might even be worth a change for a different set of problems. For the most part though, the grass is just a different shade of green, not necessarily greener, and if it really is greener, it doesn't always last.

Having said all this, you might want a different shade of grass for your own reasons. If you do, give us a call and we'll be happy to act as your sounding board.