

Wholesale Success

How wholesaling helped The Hartford reach the top

The Hartford's Kerzner Explains How Wholesalers Are Helping The Firm Maintain Leadership In Variable Universal Life and Variable Annuities

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CHICAGO — The Hartford Financial Services Group, Inc. is expanding its market share for life insurance and investment products simultaneously through a highly focused approach to wholesaling and by avoiding many of the wholesaling mistakes of its competitors, a senior executive from The Hartford told an industry group last week.

"The Hartford has become the leading seller of variable universal life insurance and variable annuities in part by employing specialized wholesalers for each product line and distribution channel," said Bob Kerzner, executive vice president of The Hartford's individual life division. For 2002, the Tillinghast VALUE Survey reports Hartford Life is the biggest seller of variable universal life. Additionally, the Variable Annuity Research and Data Service reports Hartford Life is also the biggest retail seller of variable annuities.

The Hartford issues variable universal life insurance and variable annuities through Hartford Life Insurance Co. and Hartford Life and Annuity Insurance Co. Hartford Life's variable universal life insurance is underwritten and distributed by Hartford Equity Sales Co., Inc. and variable annuities are underwritten and distributed by Hartford Securities Distribution Co., Inc.

"The Hartford's army of more than 600 wholesalers provide highly focused, consultative sales support," Kerzner told executives attending LIMRA International's 2003 Annual Meeting.

A typical wholesaler provides training and sales support for one or more financial products sold by financial professionals such as stockbrokers, financial planners, bank representatives and independent insurance agents. However, there is no single wholesaling model that is right for every company, Kerzner stressed, with each firm needing to build its wholesaling around its specific business objectives.

"The financial services field is littered with the remains of failed wholesaling organizations that were ill conceived," he said. "How many wholesalers are enough? How do you determine who calls on who? You need to determine your strategy and decide what you want your wholesalers to accomplish."

Before building a wholesaling network, companies need to consider the complexity of the products being sold, how much assistance financial professionals need to sell a product, how able are the wholesalers to sell more than one product, and how the wholesalers are to be trained and managed. Perhaps the most important consideration, he added, is compensation.

"Many companies have wasted lots of money trying to start wholesaling organizations that didn't work because the proper incentives weren't in place for their wholesalers," Kerzner said. "Combining a lower base salary with higher incentives seems to work best. I believe the companies that have done the best – and The Hartford is one of them – reward the winners."

Kerzner said The Hartford has found that its wholesalers are most effective when their menu of products is narrowly focused.

"How many products should a wholesaler promote? For many, three is the maximum. Most wholesalers spend the majority of their time talking about one product," he said.

"The Hartford has a unique wholesaling model in that we have more wholesalers than any other company we know of in the life insurance and financial services industry," said Kerzner, who is also president of Woodbury Financial Services, a broker-dealer firm owned by The Hartford.

"We have always had a large number of wholesalers because we work with stockbrokers, financial planners, bank representatives and other financial professionals who demand a high level of sales support to sell life insurance products."

The Hartford employs more than 200 wholesalers for individual life insurance products, 258 wholesalers for annuities, mutual funds and 529 plans through its PLANCO unit, more than 50 dedicated wholesalers for 401(k) programs, and more than 100 wholesalers for group life and disability insurance products. Woodbury Financial deploys another 28 wholesalers.

As of Dec. 31, 2002, The Hartford had revenues of \$16.4 billion. □