Principal®

Strategic alliance approach strategies

More solutions for them. More business for everyone.

Opportunity guide

Offer the support they need.

Strategic alliances—such as Property and Casualty (P&C), employee benefits, banks and credit unions[1], and accounting firms—are often searching for new ways to connect with their existing clients. And they know many of their customers have unfulfilled risk protection needs.

So why aren't they offering to fill these needs? Well, it's likely their core business absorbs most of their time. And without in-house experience on life and disability insurance—or retirement and succession planning—they may not feel comfortable offering and providing support for these additional solutions. Or, they have an in-house financial professional who primarily focuses on term insurance sales.

That's where you come in. You can help these firms deliver additional products and services that will strengthen their customer relationships—and everyone's bottom line!

DID YOU KNOW?

- Business protection is a typical business owner's top priority—**yet only 52% have business protection plans in place.**[2]
- **39% of business owners don't have a written business continuation plan** for death, disability, or retirement.[2]
- **48% of American adults have no life insurance.**[3]
- Of those who do have life insurance, about **1 in 5 say they don't have enough.**[3]
- **1 in 4 of today's 20-year-olds will become disabled** before they reach age 67.[4]
- These types of strategic alliances have an extensive list of customers who likely also have the **need for life and disability insurance—as well as financial planning services.**

[1] Before entering into an arrangement with a bank or credit union, be sure to check with your broker/dealer on policies and procedures if you are registered.

[2] 2023 Principal® Business Owner Insights survey conducted by Dynata.

[3] 2023 Insurance Barometer Study, Life Happens and LIMRA.

[4] Social Security Administration, Fact Sheet, 2022.

You can be the solution. Here's how you go about it.

Step 1: Identify and research prospects.

Focus on mid-sized firms. Small organizations (one sales rep and four to five staff members) and large national organizations (100+ representatives) can be challenging prospects.

Once you've identified a qualified mid-sized prospect, it's important to research their business before you approach them. Then use your initial meetings with them to learn more, including:

- **Are they focused on individuals or businesses? Or a combination of both?** Be prepared to share the solutions and expertise you can bring to their existing customer base to help meet additional client needs and increase retention.

- **If they focus on businesses what specific industries?** Highlight any solutions you offer for these industries—from informal business valuations and buy-sell reviews to key person insurance and business succession solutions—that are meaningful to their business.

- **Are they an Employee Benefits firm?** If the answer is yes, they may view you as a competitor. Be prepared to differentiate yourself by highlighting unique, value-added solutions.

Once you've engaged with a firm, choose which representatives to focus on. If there are multiple sales and service reps, they might not all be interested in what you offer right away. Start with those who are open to new ways to diversify their business and improve client retention.

Step 2: Create successful alliances.

Many organizations have already been approached by agents or brokers wanting to sell additional products to their customers. So, how can you differentiate yourself? Start by making sure you understand their value proposition. This will help you refine your approach and speak in their terms.

Then use the following tips to lay the groundwork for a successful ongoing alliance—one based on mutual commitment, trust, and a clear understanding of what both parties bring to the relationship:

Integrate your product offering into their sales processes	• Get to know their sales process and promote the value you can offer them and their customers.	• Provide simple tools and questions they can ask at their annual meetings or when they make sales calls.
Create a business plan or marketing agreement	• This document allows both parties to establish roles, compensation, and expectations for the work you'll do together.	• Request a sample business plan by contacting Annette Young at 515.452.4096 or emailing her at young.annette.t@principal.com.
Define a referral process	• The process should involve personal introductions (via in-person meetings or conference calls).	• Co-host appreciation events and presentations for new and existing clients.
Include support staff	• Attend sales and service meetings and discuss the value you can provide to clients.	• Offer staff training and informational sessions, where you can reiterate the value-added services and solutions you offer.
Know your focus	• Don't try to be all things to the firm. If you provide a list of all products and services you offer, it can be overwhelming. Highlight your expertise.	• Emphasize how your unique solutions and expertise can help increase their income stream as well as customer retention.

Highlight opportunities for businesses

Working with businesses opens the door to many solutions. There's no one-size-fits-all approach when working with these customers—the solutions, services, and expertise financial professionals use to approach firms are often as diverse as the professionals themselves. Approaches may include the following:

- Business planning services (informal business valuations and buy-sell agreement reviews)
- Business succession, exit and transition planning
- Key person protection solutions (life and disability insurance)
- Key employee retention and retirement solutions
- 401(k) plan reviews
- Nonqualified deferred compensation, bonus plans, and ESOPs

Step 3: Solidify the terms of your relationship upfront.

We reached out to financial professionals who've had success working with strategic alliances for advice. A common theme in their responses: the importance of settling any compensation and customer "ownership" questions early in the relationship. This will help set expectations and prevent misunderstandings.

Use the following frequently asked questions and answers as a handy guide when setting the terms of your partnership.

How should the compensation be split?

There's no right answer to this question. You're not asking your contact to merely "send you a referral." Rather, your goal should be to build a true alliance—meeting regularly on strategy and introducing yourself personally to their customer base. While a 20% split is common for a referral in the life insurance industry, the close nature of their relationship with their client might mean a larger amount is appropriate. Think this through carefully, and ensure the compensation split is favorable to the firm so they'll value your partnership.

Can I split securities business?

Short answer: No. Securities compensation can't be paid to anyone who isn't securities licensed. For example, when selling Principal® product, it can be paid only to a broker-dealer with whom Principal Securities, Inc. has a selling agreement. The broker-dealer then pays it out to any of their registered representatives. Securities compensation is never to be paid from one rep to another, even if the other rep is securities licensed.

How do strategic alliances handle compensation with their own representatives?

Typically, representatives within a firm will assign all commissions (from fixed products) for business to the house. Then, depending on factors such as the level of the representative, a portion of that commission is paid out to the them as W-2 compensation.

TIPS FOR GETTING STARTED

- Create a business plan to organize your approach to the strategic alliance.
- Discuss compensation splits upfront—be fair and generous.
- Discuss what happens to the business if you are no longer licensed.
- Have a plan for how referrals will be made. Make use of personal introductions as often as possible.
- Have regular meetings to evaluate your customer activity, and be flexible about changing the process when needed.

How will the commission be paid?

The organization will need a financial professional licensed and contracted with Principal. Because they're used to dealing with assigned commissions, they may also require that any commissions paid to an individual financial professional be assigned to the organization. We can accommodate this by providing a firm-level statement code for fixed business.

See page 6 for more frequently asked questions and answers.

Step 3: Solidify the terms of your relationship upfront (continued).

Who "owns" the business?

You may wish to list the strategic alliance representative first on the application so they're recognized as the servicing agent. Discuss this upfront and understand that they will be eager to maintain control of their customers.

What happens to the business if an alliance leaves?

This also needs to be discussed upfront. If the strategic alliance representative is listed as the servicing agent, they'll retain the servicing relationship should the life insurance professional leave the business.

How should subsequent referrals be handled?

Decide on an arrangement that will fairly compensate all parties. Make sure the strategic alliance is incented to strive for the long-term success of this relationship—and if/when subsequent sales are made, be sure the representative is in the loop. It shouldn't be a surprise when additional compensation is paid to them for one of their referred clients.

How should we set up ongoing communication and strategy?

The strategic alliance needs to become comfortable integrating your offering into their process, which means consistent ongoing communication. Set up periodic (weekly or monthly) meetings to discuss customer activity. This will also help educate them on the benefits your solutions provide, so they can more easily identify other customers who may benefit.

In addition to reviewing customer activity at these meetings, schedule personal introductions with additional clients. Be open to seeking out any feedback they might be hearing from their customers about your involvement. This will help you provide better service and assure them that you're committed to helping make this a successful relationship.

You're not in this alone.

If you need additional support as you approach these firms—we'll be here. And once you've established a relationship, we have the resources and expertise you need. The consultative approach using our business solutions platform is unique and can help set you apart.

Valuable sales concepts

Value-added service and support

Resources to uncover opportunities

Let's connect

Call the National Sales Desk today at 800-654-4278, or your Life RVP.
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