

EXECUTIVE BENEFITS:

Beyond the downturn and the backlash

Whether it is to recruit or retain top talent, or to keep a valued employee near retirement age on the team in some capacity, owners turn to executive benefit plans to protect themselves and take care of the employee. In light of recent public backlash against highly compensated executives, we talked to a trio of successful specialists about the current climate in the executive benefits market.

→ By Charles K. Hirsch, CLU



GUS H. COMISKEY, JR., CLU, is president of Comiskey Kaufman Consulting and is an independent consultant with Clark Consulting. He currently serves on the Executive Board of the Cox School of Business at Southern Methodist University, is on the Board of Visitors of M.D. Anderson Cancer Center, is on the Executive Committee of the Greater Houston Community Foundation. He is past president of the Association for Advanced Life Underwriting (AALU), chairman of the Texas Business Hall of Fame, the Houston CLU chapter, the Houston Business and Estate Planning Council, the Houston chapter of the American Red Cross, and the Houston Lighthouse for the Blind.



PHILIP E. HARRIMAN, CLU, ChFC, is a 28-year Million Dollar Round Table member with 11 Top of the Table and four Court of the Table honors. From 2003 to 2008, Mr. Harriman served as a member of the MDRT Executive Committee, culminating with his 2007 MDRT presidency. He is a partner with Lebel & Harriman, LLP, in Falmouth, Maine.



MATTHEW E. SCHIFF, CLU, is a 10-year MDRT member with one Court of the Table and eight Top of the Table honors. He is the president of Schiff Benefits Group, LLC, in Blue Bell, Pa., where he specializes in the design, implementation, financing and ongoing administrative support of supplemental executive benefits programs. He is an AALU committee member and is on the membership committee for the Philadelphia Chapter of the Society of Financial Services Professionals.

I don't want to blow things out of proportion and claim that the economic downturn that hit full force in the fall of 2008 "changed everything," but there is little doubt that it changed a heck of a lot in the way our nation does business. In light of the fact that many people believe that the executives who run our nation's businesses are over-compensated and that the greed of some of them is at the heart of our economic woes, it is not surprising that there has been a backlash against the way executives are compensated.

It's easy to assume that this backlash has made it more difficult for producers who work in the executive benefit market to serve this market. It seems obvious that companies might be much more cost-conscious and much more concerned about the image that their executive team projects in terms of compensation.

To find out whether that is indeed the case, we posed questions to some of the top-producing advisors in the executive benefits area. Helping give us a good view of the current state of this market, and helping to get past the assumptions and examine what is really happening in the market, are the following producers: Gus H. Comiskey, Jr., CLU; Philip E. Harriman, CLU, ChFC; and Matthew E. Schiff, CLU.

QUESTION
#1

Charles K. Hirsch: *Can you share a bit about how you became so deeply involved in the executive benefits market?*

Gus H. Comiskey, Jr.:

In 1997, I attended an early meeting of what was then called The Five Million Dollar Forum. Selling a large number of life insurance policies to a major company in connection with executive benefits was a brand-new idea. At that meeting, I heard Peter Mullin and others speak about this new business. It sounded very exciting.

I wanted to get into that market, but it looked daunting and complicated. I decided to try, but not alone. Not long after that meeting, I joined with Stephen Kaufman and Michael Padon, who left our firm a few years later, and formed what became Comiskey Kaufman.

We had to struggle, at first, to learn the complexities of the business. We had to become compensation and benefits specialists and consultants, in addition to learning about the specially designed life insurance products, now called “COLI,” that worked efficiently in this marketplace. Comiskey Kaufman had some early good fortune, but then we learned that we had to spend a lot of money building a system to administer these plans and insurance products. Fortunately, Eli Morgan and his firm, MCG-Northwest, sold us their administration system and trained us in its use.

Over the years after that, Comiskey Kaufman became the leading firm in the executive benefits marketplace in the Southwest. In 2002, we sold Comiskey Kaufman to Clark Consulting and continued doing what we had been doing, but as part of a national team. The nonqualified executive benefits business is now a mature business, but it continues to have opportunities.

Philip E. Harriman: So many of my clients are trying to attract and retain key employees who are very attractive to competitors. Most family businesses want to



“Most family businesses want to offer key employees reasons to commit to a long-term relationship without offering closely held stock.”

— **Philip E. Harriman,**
CLU, ChFC

offer key employees reasons to commit to a long-term relationship without offering closely held stock. I’ve concentrated in this market because, unlike Employee Retirement Income Security Act (ERISA) benefits, key-person benefits afford me the opportunity to be creative in designing customized plans that meet the employer’s as well as the key employee’s needs.

Matthew E. Schiff: I started in the insurance business about a year after grad-

uating college. Despite trying to avoid being a third-generation insurance agent from a family of successful producers (two lifetime MDRT members — one of which is a 29-year Top of the Table member), I found that my comfort level with insurance products and what they could do for my clients made being an insurance agent a natural fit for me.

Having learned more than the basics from years of helping my family input client data during summer vacations, I started selling insurance for a living the hard way, making cold calls and helping other agents put together their proposals for a percentage of the case in 1990. This led to a job as the director of database marketing and advanced planning software for Financial Data Planning (FDP Corp.) where I worked with a number of MDRT members in plan design. From there, I had the good fortune to work with an established Court of the Table-level producer who was my business partner and mentor. During my time with this producer, I found that I enjoyed working with small- to mid-sized businesses and the issues that face them (deferred compensation, split-dollar, phantom stock, etc.) and wanted to work exclusively in the executive benefits field.

After a two-year consulting job with The Equitable and almost 10 years in the financial services industry, I then joined my father, Bud Schiff. I proceeded to spend the next eight years as a managing director for NYLEX Benefits, a subsidiary and the executive benefits consulting company of New York Life and its predecessor companies where I learned how to identify qualified prospects, design benefit programs based upon employer/employee needs, and provide the ongoing administrative support to make an effective executive benefit program work. And finally, four years ago, I left NYLEX Benefits to create my own deferred compensation consulting company that now has two locations and six employees. ▶▶

QUESTION
#2

Hirsch: *Has this market become more challenging for you in light of the economic downturn and the perceived “backlash” against generous executive compensation packages?*

Harriman: I would say that the compensation packages you read about these days have suffered a public “backlash” — perhaps deservedly so. Plans I design and implement are, for the most part, confidential, since family businesses don’t have to publish these matters. And most plans I’ve been involved with provide for benefits based upon results, so in this difficult economic environment benefits have reflected these “realities.”

Schiff: Executive benefit packages are categorized as large case or small case programs. Those public companies in the large case market that have been outliers with “extravagant benefits” have definitely made it more difficult to sell new plans. But most employers still see the need for executive benefits and, in some cases, need them even more in light of both the downturn and backlash.

In the mid-sized market in which we work, defined as 50-250 employees, there has been an increase in plan implementation. Requests for information about Section 401(k) alternatives for key employees as well as programs that are employer-paid as retention tools to reward employees for their performance (shared success) are also on the rise. Now more than ever, employers are trying to find ways to keep their best

people at the lowest cost possible.

Comiskey: Oh, yes, but I have felt that our slow-down was more because of the economy. We have seen cutbacks in pay for the executives, certainly a cutback in their cash bonuses, and occasionally a reticence to do anything because the company wasn’t sure what the federal government was going to come out with on compensation packages.



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— Matthew E. Schiff, CLU

QUESTION
#3

Hirsch: *Where do you see the biggest opportunities in the executive benefits area, and what are you doing to take advantage of them?*

Schiff: With the market correction of 2008 and the dramatic drop in retirement assets, we are finding that executive programs that use a fixed cash flow for a set period of time, with a fixed assumed rate of return, and a benefit plan that will provide a fixed income for a set period of time are very attractive to employers (Defined Benefit SERPs). While these programs are not flashy, they provide the basic benefits that every employee needs when they no longer have a paycheck coming from their employer — income. Providing a base income to an executive as part of an executive’s overall financial plan is very attractive whether it is funded by the employee or his or her employer.

Comiskey: There are several. First, there are opportunities to help a company move away from a defined benefit pension design, which no longer attracts shareholder support, to a defined contribution plan. This takes sensitive attention to transition arrangements so that long-term employees are not hurt and yet shareholders see movement in the right direction. Second, there are opportunities to benchmark where a company’s executive retirement programs stack up against the same competitors that they watch

very closely with regard to salary, bonus, and long-term incentives. And third, there are opportunities to introduce to the benefit an element of performance-based awards.

Harriman: Many companies are recognizing that their best talent is nearing retirement age and would like to keep them on

the team and, at the very least, in a consulting capacity. These situations are ideal for executive benefit planning. Our firm is talking with owners/executives about tools and techniques to assure that talented productive employees have a reason to stay and an incentive to make it worthwhile.



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QUESTION
#4

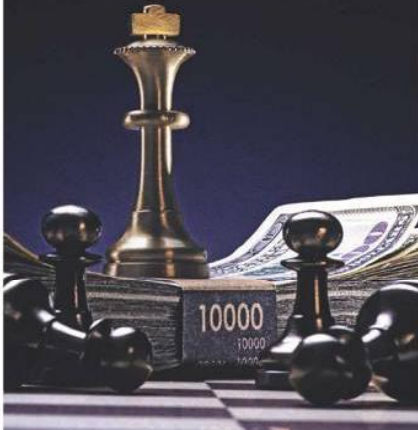
Hirsch: *What is the most effective executive benefits sales idea that you’ve used recently?*

Comiskey: Performance-based defined contribution retirement awards. These can be solely part of the retirement area or, in order to introduce an element of diversification into the long-term incentive plan, as part of that plan in lieu of a small portion of the stock awards.

Harriman: I’ve found it effective to provide 10 Pay Long-Term Care policies to selected employees in their late 50s who will have paid up long-term care for the rest of their lives and their spouses’ lives. This encompasses a deferred compensation plan, which includes a bonus of up to 50% of base salary, an option to reduce base salary, and finally a board discretion bonus. The entire package is combined to provide a reason to stay and peace of mind knowing long-term care expenses will not wipe out retirement dignity.

Schiff: “Creating Income in Retirement” — it is a concept of generating a fixed income for a fixed period of time based upon a fixed funding level and a stated rate of return. ►►

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QUESTION
#5

Hirsch: *Any final tips for burgeoning executive benefits specialists?*


Harriman: Boomers are very different from one another when it comes to what is important to their financial security. Advisors who are skilled in the field of deferred/incentive compensation will have a growing clientele by customizing solutions to fit the unique circumstances of the employer and key employee.

Schiff: To be successful in the executive benefits market, you need to

be aware that the decision process of the small- to mid-sized business market, which is what most insurance agents are in, is very different from the large case executive benefit market.

In the larger markets, the chief financial officers look at these programs from an accounting perspective with the director of human resources focused on the costs.

In the small case market, the owner focuses on the cash flow and what benefit can be derived from the cash flow regardless of whether it is employer owned/paid or employee owned/paid.

Depending on your market, you may have a great opportunity to provide meaningful benefit security to your clients in an environment of great uncertainty. 



Charles K. Hirsch, CLU, is a contributing editor to *Life Insurance Selling*.

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