Physicians Mutual and The Outlook Group Continue to Fight Shortfalls

Company Executives Tout the Success of Inflation Guard, Inflation Guard Plus Enhancements

Physicians Mutual shook up the marketplace a year ago with a product enhancement that gave funeral homes the option of requiring families to pay a different premium rate in order to lock in the price of a prearranged funeral – and so far, the reaction has been overwhelmingly positive, according to the company.

Dubbed “Inflation Guard” and “Inflation Guard Plus,” the enhancement to the Cornerstone series of products from Advanced Funding Solutions helps funeral professionals cut preneed shortfalls, according to Tim Reed, vice president of preneed operations for Physicians Mutual in Omaha, Nebraska.

“We were certainly confident that this would be an idea that would resonate with funeral homes and families alike, so now a year later, it’s good to sit here with some actual facts and real-life experiences from the field as to how folks have reacted,” Reed says. “It’s been extremely positive.”

The product enhancement has disrupted the marketplace and is “top of mind” for the funeral homes that work with Physicians Mutual and The Outlook Group in Franklin, Ohio, which markets preneed products for Physicians Mutual, Reed says.

Tyler Anderson, CEO and president of The Outlook Group, says the enhancement is paying off for customers. “One of the most affirming things to us is that we’ve had advanced funeral planners tell us when they’re leaving prearrangement conferences that they’ve gotten the sense and feeling that families have a much greater appreciation for the guarantee and the risk the funeral home is taking on their behalf after they pay for it,” he says. “We thought that would happen, but it’s been affirming to receive that feedback.”

The Inflation Guard and Inflation Guard options have been so popular, Anderson says, that less than a year after the product enhancement was launched, 25 percent of customers were offering one of the options to families.

Reed adds that the pace at which funeral homes are adopting the Inflation Guard and Inflation Guard enhancements seems to be growing, as more than 36 percent of the company’s new funeral home customers in 2014 opted to offer the enhancement to families. “This has probably gotten us to the table to talk to funeral home owners and has been a part of their decision to choose The Outlook Group and Physicians Mutual,” he says.

While some funeral homes have been reluctant to offer the enhancement because of competitive concerns, Reed thinks that as time goes on, more firms will get over those fears. “Eighty percent of the time, families are saying ‘yes,’ they want to pay an additional premium for the guarantee,” Reed says. “And the other 20 percent aren’t walking out of the funeral home – they’re still moving forward with a preplanned and prefunded funeral – they’ve just opted not to guarantee. Prior to Inflation Guard and Inflation Guard Plus, we would have had to give away the guarantee to 20 percent who, in fact, did not value it.” Reed adds that the customers that decline the product enhancement are typically “older consumers who don’t see the value in the guarantee given their life expectancy.”

Over the past year, one of the most important things Anderson has discovered is that the funeral homes offering the Inflation Guard and Inflation Guard enhancements have not seen their preneed business drop – in fact, it’s actually gone up for most firms. While he doesn’t go so far as to say the product enhancement is responsible for the increase, he says it’s clear that it’s not having the negative effect that some naysayers feared.

While Anderson expects more firms that use the Cornerstone series of products to offer the Inflation
Guard and Inflation Guard Plus enhancements over time, he adds that the interest rate environment will play a role in the pace of adoption. “If we continue to be challenged by low interest rates, I’d anticipate the percentage of funeral homes offering Inflation Guard and Inflation Guard Plus to increase more rapidly,” Anderson says. “If we’re fortunate and the interest rate environment improves and increases, we might see a slower move … the interest rate will be the main variable.”

Reed notes that senior executives at Physicians Mutual talk with money managers “weekly if not daily” about interest rates. “There really is no indication that interest rates are going to improve with any substance in the near future, and so that is exactly what led us to design Inflation Guard and Inflation Guard Plus,” he says. “When we said we would be a fresh company new to the market and shake it up a bit, we meant it.”

But regardless of what happens to interest rates in the near or short term, Anderson hopes more funeral homes will offer the enhancement. “It only puts the funeral home in a better long-term position,” he says. “Eventually, the results we will be able to show from this will outweigh any competitive market concerns.”

Anderson adds that he’s been honored to work with Physicians Mutual, who he says is “proving they are who they say they are” after just a couple years in the preneed business. “Now, we are seeing others in the marketplace that have been there for a much longer period of time attempting to follow suit,” he says. “Many times, true innovation comes from the outside, and I think you are seeing that from Physicians Mutual. They are coming to the funeral profession with a totally different perspective, and honestly, they listened to pain points and challenges and addressed those in a short period of time.”

**Simplicity is Key**

Reed says one of the reasons Inflation Guard and Inflation Guard Plus have resonated so much with funeral homes and their customers is because the enhancements are easy to understand. “In one minute or less, I can explain the enhancements,” he says. “In essence, funeral homes give families the choice of whether or not they want to guarantee the funeral and depending on the program they have now, the family pays an additional 5 or 10 percent on only the guaranteed goods and services and sign a disclosure form.”

Families that opt for Inflation Guard or Inflation Guard Plus are not paying an additional fee on top of the premium – just paying a different premium rate, Reed emphasizes. “This is not difficult to explain,” he says.

Carey Cress Fose, vice president of Cress Funeral & Cremation Service in Madison, Wisconsin, says her company started offering the Inflation Guard enhancement to rebalance its risk. “I would say 90 percent of our families are choosing to guarantee – most don’t even question it,” she says. “We really don’t feel like we’ve lost any customers because of it ... we’ve always felt that options are consumer friendly ... this feels like it fits in.”

The most gratifying thing for Anderson has been getting funeral professionals to reconsider their approach to the guarantee. “We’ve presented another option – if the guarantee is of value to your preneed program ... how do we continue to offer that without it being an all-or-nothing proposition,” Anderson says. “We do that by having this third option.”
So far, Physicians Mutual says it has exceeded its own expectations with its entry into the funeral market, enjoying double-digit growth in 2013 and now again in 2014. “Most funeral homes know us and know the name Physicians Mutual,” Reed says. Once funeral homes hear more about the company’s story and its exclusive relationship with The Outlook Group, they usually want to hear more, he says.

*If you’ll be at the National Funeral Directors Association Convention in Nashville and want to learn more about Physicians Mutual, visit the company at Booth 1823.*

Sincerely,

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