



good hands or bad news?

"developing a rapport (with students) by giving lectures at fraternities and sororities." He said the lectures are sales pitches, but a student at a lecture might remember Fidelity Union when looking for insurance.

"There really aren't too many major differences between companies or programs" because companies "are all tightly controlled by federal and state laws.

"I don't think we can say we're that much better than anybody else."

Insurance pros advise students

By E.K. Casaccio

If you're confused by insurance company appeals to "buy now while you're young," you should:

- Know that most students don't need insurance;
- Be wary of offers to finance the first year premium payment with a loan;
- Beware of fast-talking agents.

Do you need it?

Leonard Berekson, UNL associate professor of finance and insurance, said:

"Insurance should be sold for needs. The average unmarried college student doesn't really need insurance."

Maybe yes...

Fidelity Union Life Insurance, the leader in college student life insurance sales at UNL, says in its pamphlet, "...the younger you are when you begin your life insurance program, the less expensive it's going to be."

But Barry Schweig, UNL visiting assistant professor of finance and insurance, said:

"According to that statement, your parents should buy you life insurance when you're born."

Schweig said most college graduates will be covered anyway by future employers as a fringe benefit.

Benefits of term

Schweig and Berekson recommend inexpensive convertible term insurance instead of whole-life insurance.



Berekson: "Insurance should be sold for needs."

For about \$2 a month, term insurance will cover the student in case of death, and help his family pay his debts.

"We (Schweig and Berekson) are in favor of life insurance," Schweig said. "What we are against is Cadillac life insurance for students on a Volkswagen budget."

Berekson said he doesn't object to "Fidelity Union

se, as much as how they sell the stuff."

Fidelity Union lets students buy insurance by lending them the first year's premium, at 8% annual interest over five years. If the borrower decides to cancel the insurance, the loan becomes due for payment at once.

Fidelity Union presents the loan as a deferred payment plan which gives the student the impression the first year only costs \$10, said Joseph Belth, professor of insurance at Indiana University. Actually, the student pays the full amount, he said.

"He's paying the first year on borrowed money," said Belth.



Schweig—"What we're against is Cadillac insurance for students on a Volkswagen budget."

"I have yet to see a student who knew what he got into."

Schweig calls premium loans "a clever marketing scheme that may not be in the best interest of the college student. If you had to pay for it immediately you might be more wary."

Something for nothing

Berekson said Fidelity Union marketing makes people think they're getting insurance for nothing. He warns students in his insurance classes against getting trapped by premium loan financing. Once they are trapped, it's either pay this year's premium and stay with the company, or pay the first year's premium plus interest and get out.

Trapped

And the chances are good the student will want out. More people cancel Fidelity Union policies than most other insurance companies, according to *Forbes* business magazine.

Mark Dorfman, associate professor of finance at Miami University of Ohio, objects to Fidelity Union's sales pitch.

Dorfman says the agents will say something like "show me you're a man by signing on the dotted line."

Or they appeal to a student's sense of independence by saying, "you don't have to ask your parents, you're an adult."

It is more than insulting when *Forbes* magazine reports:

"A full 25 per cent of (Fidelity Union) agents are women, and they are taught to hit first on women's pride, then on fear: 1) a liberated woman needs a policy to replace the financial security that marriage once provided, and 2) 90 per cent of all women over 65 are broke, the company claims."

Meanwhile, insurance professors warn the student—know what you're getting into.

agency a note at 8 percent annual interest over a five-year term.

The student pays regular premiums starting the second year. If he pays regularly for the next four years, he gets a fifth-year anniversary payment that partly repays the note.

But if the student runs short of money and misses a payment, the note, plus interest, comes due immediately.

Severin said about half the CollegeMaster policyholders choose the note option.



Severin—"If we don't do it right, we won't be here"

But critics say students don't understand the note. "You don't have to pay with a note," Severin said. He said agents explain the payment system to students "as many times as possible."

"It's the same thing any department store or bank offers," said Severin.

A student can also take out term insurance that's less expensive. It's like a rent payment—no money is returned when it expires.

Protection is personal

Severin said everyone needs some kind of insurance. To meet different needs his firm represents other companies like Hartford Life and National Home Life Health.

Agents are trained

"The most important thing you have to do is choose an agent," Severin said.

Agents must first pass the state insurance exam. Fidelity Union agents have one week of required training in the home office in Dallas. The agent then spends four weeks to six months in training at the local agency, Severin said. After a full year in the business the agent may take two years of basic insurance training from the Life Underwriter Training Council.

The next step is becoming a Charter Life Underwriter. It takes five years and passing grades on 10 tests.

Severin said the CLU designation is "a very good measure" of an agent's ability. Neither he nor his six agents are CLU's.

How they get business

Severin said clients come to the agency primarily on a referral basis.

But he said agents have sideline activities which include