



Business As Usual ISN'T!

The melding of banking, insurance and securities industries' in the market we now know as financial services continues to create mounting pressures to cut costs and optimize efficiencies. Back to the Business of Insurance, a comprehensive study from Deloitte's Global Insurance Practice, states "These are defining years for the global insurance industry." Numerous studies by ACORD, LOMA, LIMRA and others echo this sentiment. Mergers and Acquisitions, the carriers' transition from mutual to stock, and the global economic downturn have all exposed the industry's long over-dependence on investment income and inefficiencies throughout many carriers' core insurance operations.

The players in this new climate are focused on aggressively realizing the perceived opportunities. Competitors are moving ahead with new business efficiency initiatives. For example: last year MONY Partners determined a primary strategic objective was to recruit the finest leaders of the independent distribution channel to sell their product. Competitive intelligence told them reducing underwriting cycle-time was necessary to attract top performers. External benchmark studies told them how fast they needed to be to outpace their competition; and internal measures continuously monitored their performance against that goal. MONY Partners presented the successful launch of their eight to eight program that reduced their underwriting process from eight weeks to eight days, at the ACORD/LOMA Conference last May.

But, working in an industry in such a state of flux is not easy. These conditions cause a ripple effect throughout the independent distribution channel. You need the key information to know whether you're best in class or just business as usual.

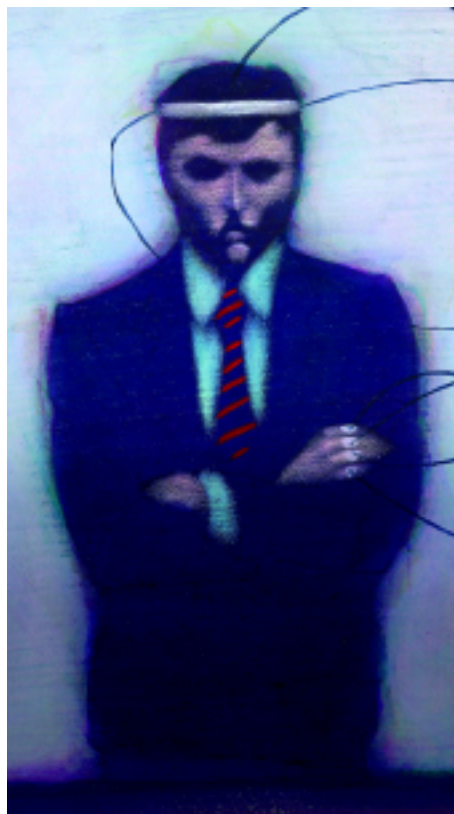
Adopting a Best Practice Mentality

To compete in the new landscape you must be willing to honestly assess how your firm measures up to best-of-breed industry practices. Ask the right questions, get timely and accurate answers, and understand whether those answers indicate a favorable or unfavorable condition. The process, known as benchmarking, represents a critical first step to attain-

Benchmarking for Competitive Advantage

Part I of IV

Sharon M. Theall, *President, Strategic Management Advisors, Inc.*
Gordon Earle, *Founder, CEO, ArrayWorks Inc.*



ing and maintaining competitive advantage.

Benchmarking is Asking the Right Questions

The American Productivity & Quality Center (APQC) defines benchmarking as "the process of improving performance by continuously identifying, understanding, and adapting outstanding practices and processes found inside and outside the organization."

External benchmarking will help you make partnering choices that truly support your unique business model. Good internal benchmarking will help you identify areas needing improvement. Also, you will understand those parts of your organization that are clearly superior to the competition, and with this knowledge you can craft a savvy marketing strategy that plays to your strengths.

Where to Begin?

Benchmarking should be tied to your strategic objectives. That's where the greatest motivation exists to act on the findings. In today's environment, the key areas for benchmarking that require immediate attention are:

- **Technology:** As the industry moves ever closer to a Single Entry, Multi Company Interface (SEMCI) world, technology touches every part of your business. Benchmarking your technology capabilities and those of the companies you're considering partnering with is essential.
- **Marketing:** As virtual becomes our reality, marketing is a close second to technology in terms of being ripe for benchmarking.
- **Human Resources:** Changes in technology and marketing will necessitate changes in the talents your team must possess to meet the needs of tomorrow's market.

Words of Caution

- One size doesn't fit all. Your benchmarking program must be based on your business model. What is important to one firm may not matter to another. For example, call center sales and relationship marketing standards are very different.
- A benchmark is not a report card. As the APQC stresses, inexperienced

benchmarkers often confuse benchmarking with measuring best performance. They mistakenly believe, says the APQC, that after discovering the best-performance benchmark, the organization should focus on meeting or beating this new standard. This viewpoint overlooks the most valuable part of benchmarking — it is the process of learning lessons about how best performance is accomplished.

- Don't try this alone. Do you know the right questions to ask? Can you interpret

the results? Do you know how to use the results to change your business model to accommodate the solutions? Can you manage the implementation of the needed changes? These questions indicate the

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key hurdles neophyte benchmarkers must overcome. In most instances, help is required from of an objective, unemotional third party. Such an individual also should bring to the task a broad perspective of the industry and a deep understanding of the initiatives that are driving change on so many fronts.

Succinctly put, next practices demand certain capabilities just to play. Benchmarking yourself is the first step.



Leadership Lessons from the Sidelines and the Aisles of Congress

J.C. Watts shows audiences that no matter what their particular situation, they too can be a leader. Replete with anecdotes and personal stories, Watts' powerful message of self-determination and teamwork takes audiences to the next level of awareness. Drawing from his experiences as congressman and chairman of the House Republican Conference, quarterback of the Oklahoma Sooners and ordained minister, Watts explores everyday leadership practices and tactical steps that anyone can use to achieve their goals and dreams.

J.C. Watts is the chairman of the J.C. Watts Companies. As chairman, J.C. provides strategic focus and program leadership to the firm's business engagements, alliances and initiatives. He works with clients to implement business development, communications and public affairs strategies. He currently leads a strategic alliance with Fleishman-Hillard, America's largest public relations firm. He is the chairman of FM Policy Focus, a coalition of leading financial services trade associations. He is working with the Business Roundtable to develop a nationwide effort to increase business opportunities in America's inner cities and poor rural areas. He serves as a corporate director at Burlington Northern Santa Fe, Clear Channel Communications, Dillard's, and Terex Corp. He is a frequent guest on national and international television news shows and radio shows, including a weekly commentary

Keynote Speaker Preview

General Session I

The Honorable J.C. Watts

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on NPR's Tavis Smiley Show, and has been quoted in numerous newspaper articles, both in the United States and around the world. He also writes a monthly column in the Sporting News.

J.C. has continued his public service by leading a U.S. delegation to Vienna, Austria, at the request of President Bush and Secretary of State Powell, to the Organization for Security and Cooperation in Europe Conference on Racism, Discrimination and Xenophobia. He joined President Bush on his historic trip to Africa. He co-founded and co-chairs the Coalition for AIDS Relief in Africa and serves on the board of the Corporate Council on Africa. He serves on the boards of the Boy Scouts of America and the United States Military Academy at West Point, and he is a Distinguished Fellow at the Mercatus Center at George Mason University. He is also the chairman of GOPAC and has created the J.C. Watts Foundation to focus on urban renewal and other charitable initiatives.

J.C. was elected to the United States Congress from the fourth district of Oklahoma in 1994. In 1998, he was elected by his peers to serve as chairman of the Republican Conference, the fourth-ranking leadership position in the majority party in the United States House of Representatives, and a position once held by Dick Cheney, Jack Kemp and Gerald Ford. In this capacity, J.C. provided daily counsel to the Speaker of the House, and participated in bi-weekly meetings with the President of the United States.



The World According to Dave Barry

As an internationally syndicated columnist, Dave Barry discusses various major issues relating to the international economy, the future of democracy, society and exploding bathroom fixtures. In 1988, he won the Pulitzer Prize for Commentary. Ever since, people everywhere have been trying to understand how it happened and have demanded a recount.

Dave Barry was born in Armonk, N.Y. in 1947 and has been steadily growing older ever since without ever actually reaching maturity. He attended public schools, where he distinguished himself by not getting in nearly as much trouble as he would have if the authorities had been aware of everything. He is proud to have been elected Class Clown by the Pleasantville High School class of 1965.

Barry went to Haverford College, where he was an English major and wrote lengthy scholarly papers filled with sentences that even he did not understand. He graduated in 1969 and eventually got a job with a newspaper named - this is a real name - the Daily Local News, in West Chester, Pa., where he covered a series of incredibly dull municipal meetings, some of which are still going on.

In 1975, Barry joined Burger Associates, a consulting firm that teaches effective writing to businesspersons. He spent nearly eight years trying to get various businesspersons to, for

Keynote Speaker Preview

General Session II

Dave Barry

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God's sake, stop writing things like, "Enclosed please find the enclosed enclosure," but he eventually realized that it was hopeless. So in 1983, he took a job at The Miami Herald and he has been there ever since, although he never answers the phone. In 1988, he won the Pulitzer Prize for commentary, pending a recount. His column appears in several hundred newspapers, yet another indication of the worsening drug crisis.

Barry has written a number of short but harmful books, including *Babies and Other Hazards of Sex* and *Dave Barry Slept Here: A Sort of History of the United States*. His books, including *Dave Barry turns 50*, *Dave Barry is from Mars and Venus*, *Dave Barry's Book of Bad Songs*, *Dave Barry in Cyberspace*, *Dave Barry's Complete Guide to Guys*, *Dave Barry Turns 40*, *Dave Barry Is Not Taking This Sitting Down*, and *Big Trouble*, and *Tricky Business* have been hailed by the critics as containing a tremendous amount of white space. His latest book is titled *Boogers Are My Beat: More Lies, but Some Actual Journalism*.

The CBS television series *Dave's World* was based on two of his books; the show has been canceled, but for the time being his life continues. Also, he set fire to a pair of underpants with a Barbie doll on national television and owns a guitar that was once played by Bruce Springsteen.



Leadership, Management . . . and the Difference

The environment of war is the ultimate team experience and a true test of a leader. Tommy Franks knows what it takes to win wars—troops must have the authority to call the shots and must assume responsibility for their actions and the lives of their team members. He illuminates the difference between managing people and leading them to be responsible, empowered and confident. Audiences learn how to turn managers into leaders and how to exponentially increase the overall effectiveness of their organization.

Gen. Franks was commissioned a second lieutenant in 1967 as a distinguished graduate of the Artillery Officer Candidate School, Fort Sill, Okla. After an initial tour at Fort Sill, Okla., he was assigned to the 9th Infantry Division, Republic of Vietnam, where he served as Forward Observer, Aerial Observer, and Assistant S-3 with 2nd Battalion, 4th Field Artillery. He also served as Fire Support Officer with 5th Battalion (mechanized), 60th Infantry during this tour. His book *American Soldier* (August '04) is a moving memoir of a life spent in selfless service to his country.

In 1968, Gen. Franks returned to Fort Sill, where he commanded a cannon battery. In 1969, he was selected to participate in the Army's Degree Completion Program, and subsequently attended the University of Texas, Arlington, where he graduated with a degree in business administration in 1971. Following attendance at the Artillery Advance Course, he was assigned to the Second Armored Cavalry Regiment in West Germany in 1973 where he commanded 1st Squadron Howitzer Battery, and served as Squadron Operations Officer. He also commanded the 84th Armored Engineer Company, and served as Regimental Assistant Operations Franks during this tour.

After graduation from Armed Forces Staff College, Gen. Franks was posted to the Pentagon in 1976 where he served as an Army Inspector General in the Investigations Division. In 1977, he was assigned to the

Keynote Speaker Preview
 General Session III
 Gen. Tommy Franks
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Office of the Chief of Staff, Army where he served on the Congressional Activities Team, and then as an executive assistant.

In 1981, Gen. Franks returned to West

Germany where he commanded 2nd Battalion, 78th Field Artillery for three years. He returned to the United States in 1984 to attend the Army War College at Carlisle, Pa. where he also completed graduate studies and received a Master of Science degree in public administration at Shippensburg University. He was next assigned to Fort Hood Texas as III Corps Deputy Assistant Operations Officer, a position he held until 1987 when he assumed command of Division Artillery, First Cavalry Division. Franks also served as chief of staff, First Cavalry Division, later during this tour.

Franks initial general officer assignment was as assistant division commander (Maneuver), First Cavalry Division during Operations Desert Shield/Desert Storm. During 1991 to 1992, he was assigned as assistant commandant of the Field Artillery School at Fort Sill. In 1992, he was assigned to Fort Monroe, Va. as the first Director, Louisiana Maneuvers Task Force, Office of Chief of Staff of the Army, a position held until 1994 when he was reassigned to Korea as the Operations Officer of Combined Forces Command and United States Forces Korea.

From 1995 to 1997, he commanded the Second Infantry (Warrior) Division, Korea. He assumed command of Third (United States) Army/Army Forces Central Command in Atlanta, Ga., in May 1997, a post he held until June 2000 when he was promoted to four-star general and assigned as commander in chief, United States Central Command. He retired Aug. 1, 2003.

His awards include: an Honorary Doctor of Public Service degree from Shippensburg University in December 2003; the Defense Distinguished Service Medal (three awards); Distinguished Service Medal (two awards); Legion of Merit (four awards); Bronze Star Medal with "V" (three awards); Purple Heart (three awards); Air Medal with "V"; Army Commendation Medal with "V"; and a number of United States and foreign-service awards. He wears the Army General Staff Identification Badge and the Aircraft Crewmember's Badge.



This session will discuss the sophisticated life insurance techniques being used in both large estate planning and employee benefit planning cases, including both post-final regulation private and employer split-dollar arrangements (economic benefit and loan regime), and premium financing (by the insured, by related individuals or entities, and by third-party lenders). In addition, how to deal with existing pre-final regulation split-dollar arrangements will be discussed.

The income, gift, and estate tax issues raised by each of these techniques will be reviewed and analyzed.

Lawrence Brody is a partner of Bryan Cave LLP, an international law firm, resident in the St. Louis office. He is the leader of its Private Client Service Group and is a member of its Entrepreneurial, Technology & Commercial Practice Client Service Group. He is an adjunct professor at Washington University School of Law, teaching estate planning and drafting; a visiting adjunct professor at the University of Miami Law School, teaching a course on life insurance; and is the author and co-author of

Workshop Speaker Preview

Split-Dollar: How to Use it to Win the Large Broker

Lawrence Brody
Bryan Cave, LLP



numerous articles and books on the use of life insurance in estate and employee benefit planning; including two BNA Tax Management Portfolios, two books for the National Underwriter Co., and a number of volumes in the ABA Insurance Counselor Series.

Brody is a member of The American College of Trust and Estate Counsel (ACTEC) and The American College of Tax Counsel, is a frequent participant at ALI-ABA programs and Society of Financial Professionals programs and teleconferences, and has spoken at all major life insurance industry programs (including the MDRT, the Top of the Table, AALU and the International Forum), many local estate planning council meetings, several state bar association conferences, and many national estate planning programs. He is a member of the Advisory Committee for the Philip E. Heckerling Institute on Estate Planning, of the University of Miami School of Law, and a member of the Editorial Boards of BNA's Estates, Gifts, and Trusts Journal, and the Society of Financial Service Professionals CLU Journal.



The first half of the year 2004 has been a very challenging one for the LTCI industry. Production for the industry as a whole is down over 20 percent. The reasons for this falloff in production are primarily increases in new business premiums and the negative press generated by several large companies withdrawing from the LTCI market. This negative press has been further highlighted by large rate increases from some of these companies on their closed blocks of business.

However, it is not just the companies that have suffered during this downswing. The agencies and their agents have in many ways had it even tougher. For agents that were only occasional producers, the uncertainty within the industry has them waiting on the sidelines for some clear indication that the market has righted itself. For the agents who make their living primarily selling LTCI, this uncertainty has them wondering not only which carriers to align themselves with, but worse, finding the sales process more difficult, and as a result the income less rewarding. As for the agencies involved in the LTCI line of business, their investments in this line seem much more speculative, just at the time when many of them were beginning to see profits.

Fortunately, the LTCI industry is currently near the bottom of a down cycle and is poised for a dramatic improvement over the next few years. Virtually everyone is well aware of the favorable demographics surrounding the LTCI market. These have not disappeared. Likewise, companies have been correcting many of their mistakes from the past few years, including most notably, the overestimation of lapse and interest rates.

In addition, LTCI has historically been one of the most capital intensive of all the insurance lines, in large part due to the current risk based capital formula which is based on earned premium. Currently, there is a recommendation from the American Academy of Actuaries (AAA) to the National Association of Insurance Commissioners (NAIC) that this formula be changed from a premium based formula to a claims based formula. When this recommendation is adopted (which seems likely in the near future), not only will the formula better reflect the risk associated with writing LTCI business (specifically that claims are high than anticipated), but it will also encourage companies to

enter the business on a conservative and cautiously underwritten basis.

This confluence of events (featuring more conservative company pricing, greater profitability from a new risk based formula, and of course, the continuing favorable demographics of the marketplace), should lead to a major resurgence in the LTCI market over the next several years. Likewise, increased stability in the market and an influx of new companies, together with higher profits per unit of coverage, should prove to be good news for both the insurance agents and agencies involved in the LTCI market.

Workshop Speaker Preview

Where Are We Heading in Long-Term Care Insurance?

James M. Glickman, FSA, CLU
LifeCare Assurance Co.



Interestingly, those carriers who decide to enter the LTCI business now, have a significant opportunity, and perhaps even an advantage, over those who have been in the business for several years. Because of the higher levels of profitability and the more conservative assumptions being used in today's product, new carriers do not have to support an inforce block that was priced much more thinly and may even need some rate relief. Likewise, agencies who decide to enter the market now are likely to see a much greater return on their investment and are likely to see it more quickly than the agencies that pioneered this marketplace. For all involved in the LTCI market, the next several years should be very productive.

James M. Glickman is president and CEO of LifeCare Assurance Co., a reinsurer dedicated exclusively to the long-term care insurance marketplace. LifeCare is the premier provider of customized turnkey administrative and reinsurance services to major life insurers seeking to enter the individual LTCI market in a timely and cost effective manner.

Glickman is currently chairperson of the SOA LTCI Section Council. He was also chairperson during its inaugural year in 2000 and chairperson for each of the SOA's first four Intercompany LTCI Conferences. In addition, he is a member of the American Academy of Actuaries State and Federal LTCI and RBC Task Forces, and the SOA LTCI Valuation Task Force.

He has authored many articles on long-term care insurance, including the last five Broker World LTCI Surveys, as well as articles for National Underwriter, Best's Review, Contingencies, Life Insurance Selling, and Health Insurance Underwriter. He is frequently a featured speaker at national long-term care insurance conferences.

Glickman is a third-generation insurance professional with 30 years experience in the life and health industry, including the last 20 years in the LTCI marketplace. He is a Fellow of the Society of Actuaries (FSA), a Chartered Life Underwriter (CLU) and a Fellow of the Life Management Institute (FLMI).

He can be reached at LifeCare Assurance Company, 6400 Canoga Avenue, Woodland Hills, California 91367. His telephone number is 818-867-2223 and his e-mail is: Jim.Glickman@LifeCareAssurance.com.



As a brokerage agency, you compete on a number of levels with other agencies for top producers including product offering, underwriting expertise and superior service, including creative planning for the placement of large premium life insurance cases.

Many producers will come to you with prospects needing a great amount of life insurance but with little cash to pay large premiums. Or, another common scenario, if using third-party ownership to avoid estate inclusion, is that the client has limited gifting ability, thus reducing the ability to pay premium. As a brokerage general agent, it becomes your job to find a way to pay these relatively large life insurance premiums and you will want to be familiar with as many options as possible. The premium financing strategy can be a good solution for clients who do not want to liquidate assets to fund their life insurance premiums, or are faced, due to gift tax considerations, with limited gifting options.

Premium financing is a program in which an entity (a business or a trust) can borrow premiums from a third-party lender, usually unrelated to the company issuing the life insurance policy.

The premium financing strategy gives producers with high-net-worth clients a new option to fund a large premium life insurance policy. The strategy's many advantages include:

- a way for clients to achieve long-term insurance planning goals with minimal affect on their current investments, as well as their business portfolios;
- the opportunity for clients to reduce out-of-pocket costs for life insurance while allowing them to borrow at competitive interest rates;
- the ability to develop customized plans for high-net-worth clients;
- a way for clients to reduce gift taxes within an estate plan.

Taking a Closer Look at Premium Financing

There is an ever growing list of sources for premium financing. Many carriers have entered into a joint marketing relationship with a major lender, and there is a brokerage movement in the business with several firms offering to find a lender for a particular premium financing situation.

Workshop Speaker Preview

Using Premium Financing to Attract Top Producers

John A. Oliver, CLU, ChFC
Transamerica Insurance and Investment Group



With so many options, it becomes even more important that you can offer assistance to top producers in selecting a program that best accommodates the client's needs.

Major Factors to Consider

Here are some of the major factors to consider:

Interest Rate - Just like when shopping for a home mortgage, the lowest rate may not always be the best choice. Many lenders will offer a low rate but charge loan origination

fees. Is the rate fixed or variable? Is the fixed rate guaranteed forever or limited to a specific period of time? If variable, does it have a cap and how often will it readjust? Can interest accrue and if so, for how long?

Term of the Loan - Closely linked with the rate is the term of the loan. Some loans are term loans and will require repayment at the end of a specific term or renegotiation of the loan with new terms and possible origination fees. Five and ten year term loan programs are common. Other loans will have no term but will have an annual review, and the lender holds the right to call the loan if the client's financial situation deteriorates significantly. On the plus side, the loan terms do not change and the loan may be repaid at any time without penalty, or delayed until death of the insured or insureds with a survivorship policy.

Collateral Requirements - Most lenders require that the loan be backed with collateral. Policy cash values generally serve as the primary form of collateral and the lender will be placing a collateral assignment on the policy to protect its interests. The collateral issues can become crucial and it's important to understand how much collateral will be needed outside the policy cash value and what forms are acceptable to the lender.

Many insurance carriers participating in premium financing programs offer a modified version of their cash surrender value in early years to mitigate or eliminate the need for additional collateral. For instance, the lender may be able to use a universal life policy's accumulation value instead of the cash surrender value if the policy owner selects this provision. Some policies may even offer cash values equal to premiums paid. There is usually an effect on compensation for the use of these higher cash values.

Some brokerage firms now offer premium financing for their best clients but they too require that a certain amount of assets be held at the firm. Some lenders may even attempt to influence the life insurance purchase and a producer might lose his or her case solely based on the premium financing options given the client by this new source of competition.

Appropriate Product - The use of premium financing may alter the life insurance product chosen. Some clients will want the death benefit to repay the loan so the policy may need

either an increasing death benefit option equal to the premiums borrowed, or it will need an initial death benefit that can meet the client's insurance need and pay off the projected loan in the future.

Producer Compensation - Some premium financing programs have no origination fees, but their use does affect the producer's compensation, requiring that he or she share a part of the commission in order to utilize the program. In exchange for this split of the commission, the insurance carrier may offer a dedicated support unit for this type of business, assisting both you and the producer in the loan process.

Misconceptions about Premium Financing

Some producers regard premium financing as a "cheap way" to purchase life insurance, while others would prefer to avoid it and consider it a "deal killer" by over complicating the

sale. Neither conception is true. Premium financing is not a cheap way to buy life insurance since interest is paid on the borrowed funds, and is most appropriate for clients that can earn more on their assets than they pay in interest, or find greater gift tax leverage through the payment of interest than premiums.

Premium financing can complicate a sale but, with so much money at stake in the form of premium, high net worth clients will want to know all of their possible options. Even with the added complication, many producers and general agents find premium financing increases their close ratio as the client often decides to pay the premiums personally. The mere discussion of premium financing may open a new case or reignite one that has grown stale, and the exercise of evaluating the premium financing option may move the client to complete the insurance purchase even though he or she decides against using a premium financing option.

A Valuable Tool For a Brokerage Agency

Becoming fully knowledgeable in premium financing will add great value to your agency service and can help you attract top producers, as premium financing increasingly becomes a standard consideration for large life insurance premium cases. Helping producers chose among the various options to find the best fit for the client is true value-added service and will greatly strengthen the important relationship you have, or want to develop, with top producers.

John A. Oliver is vice president of Strategic Marketing Services for Transamerica Occidental Life Insurance Company, a division of AEGON USA/Transamerica. He manages a department that provides technical support to agents, clients and clients' professional advisors through the development of business and estate planning strategies.



NAILBA's Technology Committee has established itself as a driving force for ACORD in the life insurance arena. While ACORD maintains standards, forms and XML downloads, the Technology Committee has become the source for the origination of the ACORD standards, forms and XML downloads. The integrity of these projects would not have been possible without the contributions of participants including our companies, vendors and NAILBA members who have contributed countless hours to these technological advances.

The NAILBA Technology Committee has established a platform and system to originate new technologies for the life insurance industry. We are envied by associations in the financial services industry for the groundbreaking work that has been accomplished.

The Technology Committee has accomplished several important projects this year. We continue to have strong support and leadership from agency members, carriers, and technology service providers. Creating and implementing standards requires hard work and a long-term commitment. This group continues to make a difference for all of us.

The Imaging Subcommittee is privileged to have the assistance and leadership from Joann Schiavo, Four Seasons Financial; Barbara Herbetko, MacNamee Group and Doug Freehling, Lincoln Benefit Life. With their help and the support of others, this group has accomplished several notable projects.

NAILBA now has a new standardized check log. This check log should be used when sending checks on cases that have been sent electronically from an agency to a carrier. This is another step forward in standardizing office procedures. Several carriers have already adopted this form.

The NAILBA standard document types have been translated to the ACORD standard. This allows companies who are implementing the ACORD standards the ability to use NAILBA's proven standard best practices. Special thanks to James Bielak at EMSI and to Pat Slutske at AIG for the collaborative effort needed to prepare the proper ACORD documentation.

We are in the process of building an implementation guide for imaging. This guide will

Technological Accomplishments in 2004

Jeff Kraber, *NAILBA Technology Committee*



give agencies and carriers a comprehensive document that includes NAILBA standards and best practice business rules of other successful agencies and carriers.

The pending case status implementation guide has been upgraded to the current levels of the ACORD standards. We have included additional fields which are important to your business in this release. For more information, please go to the NAILBA Technology Subcommittee section of the Web site. Special thanks go to Doug Freehling and Jeff Lingenfelter of Lincoln Benefit Life.

After hundreds of phone calls and teleconference meetings, including thousands of volunteer hours, we have successfully completed the commissions statement reconciliation implementation guide. This comprehensive instruction manual gives step-by-step instructions on how to convert the NAILBA standard over to the latest ACORD standard. We took extra time to include other information not in the current NAILBA standard. This information is important to your business. Special thanks go to Dorothee Burchartz, Prudential Financial and Ken Liebow, Mutual of Omaha for their dedication and commitment. For more information, please visit the NAILBA Technology Subcommittee section of the Web site.

By year's end we will have completed the project to integrate key agency management systems with quoting/illustration systems using the ACORD standard. This standard was completed nearly three years ago but had not been incorporated anywhere. The Technology Committee saw the enormous potential of this and worked to get agreements from several technology service providers. This will provide quoting capabilities seamlessly through your agency management system and will eliminate much of the re-keying of information. It will also provide an easy retrieval of quotes for a complete historical account on a client through your agency management system. Special thanks to Dex Umekubo, Producers XL; Hershel Kleinberg, Senior Market Sales and Chris Nichols, LifeLink for their leadership and dedication to this project.

We have been working closely with ACORD to make standardized forms a reality. Over 21 life forms are now standardized including many of the new business forms.

Part 1 of the application process has been approved in 43 states. We must commit ourselves to realizing the numerous benefits through adoption of forms that will benefit the entire life insurance industry.

This year also marks a change in the leadership of the Technology Committee. After three years, Jon Shaw of Shaw American is ending his term as co-chair. His leadership and business acumen has been valuable to the success of the committee. Joann Schiavo of Four Seasons Financial will join Alan Musselman at

Centrelink as acting co-chairs. Joann has been a strong contributor to the committee and brings a wealth of knowledge in independent brokerage. She has a strong understanding of the use of technology and is already serving as an asset to the committee.

Our continued goal is to have all agencies, participating carrier companies, and technology service providers involved and committed. Creating and implementing standards requires hard work and a long-term commitment. The keys to success tomorrow will be based on con-

tinued improvements measured by efficiencies, cost savings, and growth of the independent brokerage marketplace. Together, we can make it happen! This is your Technology Committee working for you!

Now is the time to be involved! We welcome your active participation and support. For more information, please contact Alan Musselman, alan@centrelink.com; Joann Schiavo, jschiavo@fsfginc.com or myself, Jeff Kraber jkraber@nailba.org.



Computer security is an increasingly broad and complex subject with far reaching consequences for our industry. System downtime caused by viruses, worms and trojans can lead to costly business interruption and strained producer relationships. Security breaches can allow intruders to use your computers and network connections for illicit purposes and can result in unauthorized access to sensitive client information. Today, some types of security breaches even carry requirements for embarrassing disclosure and set the stage for costly civil litigation. Prior to discussing strategies for securing your technology infrastructure, it is important to understand the nature of threats that exist today.

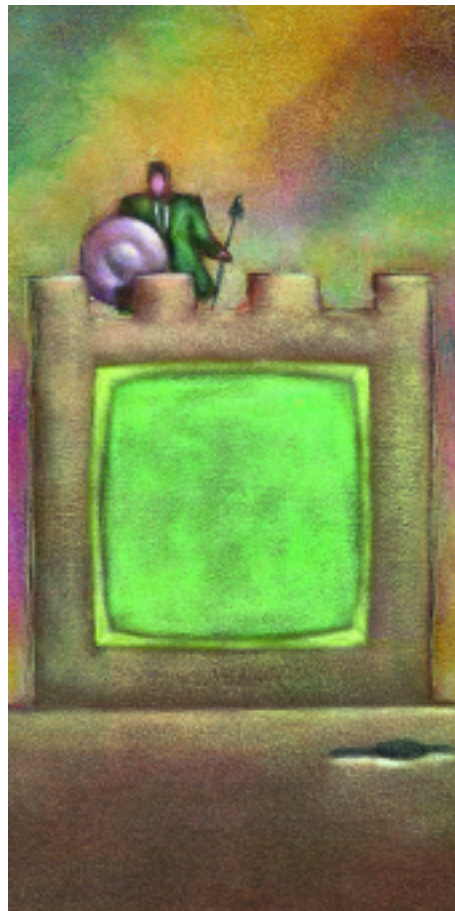
The term computer hacker originally referred simply to a computer programmer. Over the years, it has evolved to refer to those who use their technical skills to gain access to systems or information to which they are not otherwise entitled. Today, most computer hackers are divided into three major groups: those interested in stealing sensitive information, those interested in stealing technology resources, and those seeking to leverage hundreds or thousands of infected systems to launch an attack on another target. All three need to be kept out of your infrastructure!

Viruses, worms, and trojans are collectively known as Malicious Software, or simply “MalWare.” A virus is a program that can infect other programs by modifying them to include a version of it. A worm, unlike a virus, does not need another program to attach to and usually requires no action on the part of the user. The worm is a program or groups of programs which executes on its own and then seeks out other connected systems to infect, both internally and externally, via the Internet. The trojan is a computer program which appears to be harmless such as a screen saver, greeting card, or game. When run, however, they secretly install additional software on your computer that can destroy data and/or allow a hacker to gain access to or control of your system resources.

Though security experts are divided on whether the reason is their enormous market share or shoddy system design, the simple fact is that Microsoft’s products are the target of or conduit for most security attacks. Viruses,

Securing Your Agency Against Intruders

Rick Mancinelli,
President and CEO, BISG, Inc.



worms, trojans and computer hackers all generally make use of well known system design weaknesses known as “exploits” to destroy or gain access to your data. Whatever the reason, new exploits are uncovered in Microsoft products at an alarming pace. As evidence for this, exploits were documented in the Windows XP Service Pack 2 before it was even released for public download. This does not bode well for many agencies, since Windows powers most desktops and servers. Applications such as Outlook and Internet Explorer are relied upon daily.

In June 2003, the SANS Institute, the most trusted and by far the largest source for information security training and certification in the world, sent shockwaves through the corporate IT community when it released a report saying that the life expectancy of an unpatched Windows XP system connected to the Internet was only 40 minutes. Despite all the recent progress Microsoft has made in improving security, the SANS Institute revised their estimated lifespan in August 2004 down to just 16 minutes. This is significant because, in many cases, this is not long enough to download the necessary patches.

Securing your agency is clearly a challenge, and not something that should be taken lightly. The following represent guidelines you can follow.

Use Secure Passwords – Blank and easily guessed passwords are the simplest way for a hacker to gain access to your systems. Security professionals have estimated that, given some basic background information on a user, as many as 60 percent of passwords can be guessed in 10 minutes or less. Mandate that passwords consist of letters, numbers, and symbols, and be at least six characters in length. Consider requiring all passwords, both network and application, to be changed every 60 to 90 days.

Install A Firewall From A Reputable Manufacturer – Use a dedicated hardware-based firewall from an established vendor. Resist the urge to install a Windows-based firewall, as the inherent insecurities in the operating system can be used to defeat the firewall. Once installed, ensure that your firewall rule base is as restrictive as possible.

Secure Wireless Access Points – Turn off SSID broadcasting and enable Wireless

Encryption Protocol (“WEP”) if possible.

Patch Your Systems – Always make sure your workstations, servers, notebooks, routers and firewalls are running the latest software versions. New exploits are discovered almost daily, so patch often.

Use Professional Grade Anti-Virus Solutions – While store bought solutions can provide adequate protection for home users, they fall far short of the protection levels desired for corporate assets.

Consider Replacing Internet Explorer – The federal government’s Computer Emergency Response Team (CERT) recently issued a report advocating a switch from Internet Explorer to an alternative Web browser such as Netscape, Firefox, Mozilla, or Opera. In addition to tighter security, these alternative browsers provide improved performance and several new features. Before switching, however, test any new browser with the Web sites and applications you use most frequently as some may still require Internet Explorer for proper operation.

Install an E-mail Gateway – Sitting between your mail server and the outside world, the e-mail gateway scans all inbound and outbound mail for malicious content. E-mail gateways should be on isolated servers to further protect the primary mail server.

Block Access To Outside E-Mail Hosts – Access to Web-based mail hosts like Hotmail, AOL and Yahoo! can allow users to unknowingly circumvent your e-mail security system. Do not allow it.

Install Web Filtering Gateway – Designed to prevent malicious software from being installed through a Web browser, most Web filtering tools also feature usage logging, and the ability to control access to specific sites or types of sites.

Lock Down Your Windows Desktops – Users with administrative access to their desktops can install software and make configuration changes. Unfortunately, any malicious software they come in contact with can do the same. Lock down your desktops and prevent

the installation of any software without logging in first as an administrator.

Keep An Eye On Linux and Open Source Software – Without the corporate overhead, open source software can react to security threats much more quickly. Throughout the corporate landscape, Linux is now beginning to replace Windows on some e-mail, fax, and database servers. Linux powered desktops, combined with a Citrix server to host Windows applications, can provide a safer, more secure, and more cost effective computing environment for many agencies.

While the suggestions outlined above will certainly help to improve the security defenses in any agency, perhaps the best piece of advice is to enlist the services of a qualified computer security specialist. Specialists such as security consultants can analyze your network for vulnerabilities and help you develop a sound security policy. Do not underestimate the serious nature of computer threats that exists today.

Rick Mancinelli is president and CEO of BISG, Inc. He has created computer architectures and supported computer networks for 14 years, the last seven of which have been in the life insurance industry. His experience includes knowledge of all three major agency management systems and major document imaging systems. Mancinelli contributes to various NAILBA working groups and has extensive experience with Windows, UNIX, Linux and Novell networks. He is an accomplished software developer and has contributed to the design and implementation of BISG’s WebAgent suite of agency Web site solutions. He can be reached at 888-520-9455 or rmancinelli@bisginc.com.

Origins of Infections

VIRUS: The computer virus was first theorized as early as the late 1940s. It was not until Fred Cohen a University of Southern California Ph.D. candidate coined the term “virus” on Nov. 10, 1983 and presented a working example. The “Brain” virus of 1986 is generally accepted as the first virus to spread.

WORM: First conceived by a group of Xerox researchers in 1979 to seek out and discover under utilized computing resources. The concept of the worm was quickly adopted for much more insidious purposes.



Communication is the lifeblood of your brokerage agency.

Your success is measured by the way you conduct business—using a telephone, cell phone, fax, letter, postcard, e-mail, instant message, text message, your company’s Web site, newsletter, brochure, flier or advertisement.

Perhaps you sent an e-mail message for UL coverage, or requested information for a life settlement policy. Once the communication has been delivered, you expect a response. A response, whether in the form of a follow-up telephone call, or meeting, is the anticipated outcome, and is at the very heart of a communications audit. In order to keep your agency performing at a successful level, you must earn a solid return on your investment to guarantee the value and performance of your agency.

Are you spending your communication dollars effectively and in the right places?

What is a communications audit?

Simply put, a communications audit is a snapshot of internal and external communication needs, policies, capabilities, activities and programs. According to Joseph A. Kopec, president of Kopec Associates, Inc. a Chicago-based firm that concentrates on corporate governance in the financial services industry, “A communications audit is designed to uncover necessary data to allow top management to make informed, economical decisions about future objectives of the organization’s communication.”

A communications audit can:

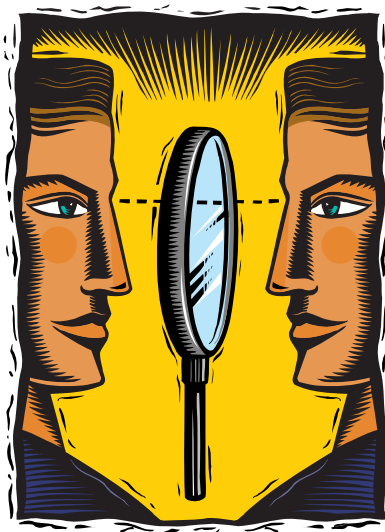
- Build support for your communication choices
- Strengthen understanding and support for your programs and policies
- Help leadership inspire the vision critical to your business success
- Document your program’s achievements
- Set benchmarks for measuring future progress
- Demonstrate the value of communication
- Reap the rewards from new technology used to communicate your message

What is included in the audit?

The scope of an audit may be as broad and deep as the size of your agency and the number of products you sell. It can measure the effectiveness of communication programs throughout your agency, or within a specific department. It can examine communications on a

The Importance of a Communications Audit

Estelle E. Allen



particular subject or communications via individual media. It can uncover misunderstandings, information barriers, as well as opportunities. It can help measure cost effectiveness, evaluate ongoing programs, and clarify questions.

What outcomes are provided?

A communications audit provides meaningful information to management concerned with the efficiency, credibility, and economy of their communications policies, practices, and programs. “A communications audit also provides valuable data for developing or restructuring communi-

cations functions, guidelines and budgets,” said Andrea Mitchell, a senior vice president of communications and member of the International Association of Business Communicators.

How to conduct a communications audit

An audit can be conducted in-house by a designated person, a committee, or you can utilize the services of an outside consultant. The methodology created below by Kopec can be used by your in-house committee or as an example to be used with a consultant:

Conduct a planning session. This meeting is essential to determine the audit’s objectives, identify question areas, plan an approach, and develop a schedule.

Conduct interviews with management. This step is vital to determine management’s attitudes and beliefs about communication, as well as to pinpoint communication problems.

Collect, inventory, and analyze communication materials. The auditor collects samples of all existing communication vehicles and programs. Through this process, the strengths and weaknesses of your agency’s current communications can be ascertained.

Prepare and administer the questionnaire. Draft a set of questions composed of specifics related to communication areas identified during the planning meeting and management interviews. Test the questionnaire on a control group before administering it.

Tabulate and summarize responses. Gather and summarize the feedback received. Be sure you are able to guarantee privacy of the data.

Communicate results with staff. Be prepared to communicate the effects candidly with your employees.

Turning weaknesses into strengths

Mitchell stressed, “The outcome of an audit will highlight focused recommendations for improving the communications gap between your agency and its targeted audiences. One audit may result in the redesign of an agency’s logo and collateral materials. While yet another audit may list specific suggestions to create a communications plan complete with marketing and public relations initiatives.”

As for the importance of a communications audit, ultimately it can serve as a blueprint by identifying your strengths and weaknesses in an effort to keep your agency at peak performance.



Finding a solution to our membership's dramatically rising costs for errors and omissions liability insurance has been a key issue for the NAILBA Executive Board. For the past two years, our members have encountered increased premiums, despite having E&O losses remaining consistently favorable. Your board felt competition for your E&O business would be in our member agencies best interest.

Our long-standing relationship with Cal-Surance will remain. We now have two firms vying for your E&O business.

The NAILBA Executive Board and Insurance Committee conducted a thorough due-diligence process over the past year, reviewing numerous proposals from insurance brokers and carriers. The broker identified as standing head and shoulders above the rest in expertise, service, size and stability is Itasca, Ill.-based Arthur J. Gallagher & Co. Gallagher is committed to provide comprehensive coverage for NAILBA member agencies at premium levels that capitalize on NAILBA's size and exceptional loss experience.

"We view our role not as insurance brokers but also as insurance consultants," said Robert Erzen, J.D., account executive with Gallagher/AIG. "We design professional liability programs for insurance agents, agencies and financial services professionals, and are specialists in the field."

New E&O Broker/Carrier:

Arthur J. Gallagher & Co. is the world's fourth largest commercial brokerage firm. Gallagher's Orange County, Ca. office has specialized in E&O programs for broker dealers, insurance agencies and independent agents for over 15 years. Gallagher has over 35,000 registered representatives and insurance agents enrolled in their group programs. Based in Chicago, Gallagher's Management Liability Group, has been recognized as providing expertise in the field of professional liability throughout the public, private and nonprofit arenas.

American International Group is the largest commercial insurance company in the world. It is rated A++ XV, by A M Best and has been

Controlling E&O Costs: NAILBA Announces New Vendor

Cindy V. Gentry, ChFC, CLU
*NAILBA 2004 Chairman, President,
 Brown & Brown Associates, P.C.*

successfully writing E&O coverage in the financial and insurance service sectors for more than 20 years.

Insurance Agency E&O Market

As we approach the fourth quarter of 2004, Erzen sees a flattening in E&O premiums for insurance agents and other financial services

professionals. Industry professionals have been hit with massive increases in E&O premiums.

"As a result of claims related to the equity market downturn from 2000 to 2002, insurance agencies not engaged in securities-related businesses have not experienced a dramatic increase in premiums," commented Erzen. "As losses mounted in other insurance markets leading to the reduced capacity across all lines of insurance prior to Sept. 11, 2001, insurance agencies have experienced increased premiums. Higher premiums and deductibles, tighter coverage and more difficult claims are the results of a tighter E&O market, as carriers batten down the hatches to survive the massive increase in severity and frequency of claims."

There is good news for NAILBA. "NAILBA should see decreases over expiring premiums due to the overpricing experienced in recent years," said Erzen. "Gallagher has been successful at positioning NAILBA as a life insurance wholesaling group (with limited retail exposure) with excellent loss experience and top-notch compliance procedures.

Emerging Issues

Variable Annuities/Variable Universal Life Products: The SEC and NASD are in the middle of a severe crackdown on rampant abuses by broker/dealers and financial services professionals in the unsuitable sale of variable products. "Along with regulatory scrutiny, we have seen claims rapidly increase in this area of business," said Erzen.

Sponsored E&O Programs for Producing Reps/Agents: Gallagher has encountered NAILBA members who are purchasing E&O coverage as an insurance company or broker/dealer where they are a producing representative or agent. "These sponsored rep/agent E&O programs are designed to cover the retail agent or registered representative for personal production only," said Erzen. "NAILBA would likely have vicarious liability coverage for the personal production of the insured rep/agent. This policy does NOT cover member agencies for claims related to wholesale business placed by sub-brokers or sub-producers."

If you have questions regard the Gallagher/AIG E&O program, please contact:

For applications:

Scott Johnson, account executive
 Arthur J. Gallagher & Co.
 Phone: (312) 803-7430
 E-mail: scott_johnson@aig.com

For coverage questions, FREE policy review:

Rob Erzen, J.D., account executive
 Arthur J. Gallagher & Co.
 Phone: (800) 532-0327 ext. 828
 E-mail: rob_erzen@ajg.com



The only absolute in today's life brokerage market is that change is inevitable. Consequently, unless you are ahead of it, you're already behind it. From senior management to entry level employees, all of us at MONY Partners are aware of the many challenges the life insurance brokerage industry faces both currently and in the years ahead. By anticipating those challenges and working to meet them head on, we continually strive to become the premier carrier for the life brokerage market.

Changes Past, Present and Future

To be sure, the past twenty years have seen remarkable changes in the life insurance brokerage market. According to the *ACLI Life Insurance Fact Book*, the number of life insurance carriers has decreased from a high of 2,343 in 1988 to just 1,105 in 2003. These issues are near and dear to my heart as my former company, The MONY Group, was recently purchased by AXA Financial. Subsequently, at our recent advisory meetings, we asked some key principals of the brokerage community what pitfalls we need to avoid. The message came through loud and clear: don't sacrifice "small carrier" service at any level, particularly in underwriting, commission payments, and sales support.

With over thirty years in the life insurance industry, I've gained some perspective in both where our industry has been and where it's going. I believe that in many ways, life brokerage agencies are similar to the career agencies of thirty years ago. In those days, the most successful agents chose to work for an agency manager who took the time to train and develop the agents, as well as provide strong administrative support and case management. In short, managers who offered "red carpet treatment" were able to both hire and retain the industry's most productive agents. Word would soon get around about these valuable "service oriented managers" who cared about the success of their agents. Of course, this resulted in a highly profitable relationship for both parties.

As these agents left their respective career systems and became independent producers, their desire for training, support and service has continued. The challenge for today's bro-

Harnessing the Winds of Change in the Life Brokerage Market

Roy H. Bubbs,
President of MONY Partners



kerage agencies, therefore, is to operate in a manner similar to that of the most successful career agencies from years past. By doing so, successful independent producers will flock to that brokerage operation.

"Back to Basic" Sales Strategies

It's also clear that the brokerage agencies need to once again embrace a "back to basics" approach to selling life insurance. During the 1980s and 1990s, the concept of selling life insurance to pay for estate taxes was all the rage. With a relatively low unified credit in effect during that period, many households had an "estate tax problem." Producers, therefore, had to sell only a few large policies in order to generate handsome premiums. As we all know, that has changed under the 2001 Tax Act, as the applicable exclusion amount continues to increase each year and ultimately sunsets in 2010, albeit for only one year. Consequently, the "selling life insurance solely to pay for estate taxes" market has dramatically decreased. Some producers also actively marketed and sold some rather specious sales concepts, many of which ultimately made the cover of the *Wall Street Journal* and caught the IRS's immediate attention. Suffice it to say, many producers had gotten away from their roots of traditional life insurance sales.

I believe that the successful brokerage agencies must embrace "back to basics" sales strategies. Because life insurance's use for estate enhancement, wealth transfer, and tax planning has never been so important, many fundamental estate planning techniques remain as critical as ever. Indeed, many sales strategies other than using life insurance to pay for estate taxes exist. Estate planning techniques using GRATs, survivorship access trusts, and privately financed life insurance strategies offer solutions to high net worth clients. With millions of baby boomers facing retirement soon, the strategy of using life insurance as a cash accumulation vehicle provides a critical planning tool.

Traditional uses of life insurance in the business market remain important. For example, funding qualified plans with life insurance, particularly in IRC Section 412(i) Defined Benefit Plans, continues to grow in popularity. As human capital has never been so important, funding executive benefit strategies with life insurance is of great interest to many small business owners. Strategies such as non-qualified deferred compensation, executive bonuses, and business continuation planning continue to offer tax-efficient strategies which typically drive large life insurance premiums.

Training, Training, and More Training

Brokerage agencies face other challenges. On many brokerage principal's minds is the concern of committing enough money and resources for recruiting top producers, paying a support staff, and providing incentive payouts for producers to place business with the agency. Coupled with shrinking allowables and payouts, this situation makes for extremely tight budgets.

Consequently, there is little or no money left in the budget to train new and existing producers. To exacerbate the problem, shrinking home office budgets have resulted in many career agents with little or no training in life insurance sales. As I've mentioned, as these career agents decide to move into personal production, many look to the independent brokerage agency to "take up the training slack" and provide extensive education and support for high-end sales.

Despite these obstacles, brokerage firms must continue to be well-positioned in servicing and closing cases. One answer is found by forming a close partnership with a carrier that is uniquely focused on serving them through superior products, competitive underwriting, and responsive advanced sales support. In addition, carriers who offer turnkey marketing kits that include presentations, prospecting letters, and producer guides will go a long way toward insuring an agency's success in 2004 and beyond.

The most important step in the process of providing valuable support for producers is

knowing where to find it. At MONY Partners, we offer brokerage agencies experienced Regional Directors as well as a "backroom" that includes internal wholesalers and an advanced sales department. Both offer unique advantages. Regional Directors can provide "on site" assistance to an independent brokerage agency's own support staff with illustrations, training, and product assistance. Finally, our Regional Directors are trained to give informative seminars on the latest advanced sales ideas. Oftentimes, these seminars include coveted continuing education credit.

Brokerage agencies which seek to expand and improve their operations will no doubt improve their own effectiveness, not to mention bottom line. In short, agencies who strive for growth today will certainly become the successful businesses of tomorrow.

Carriers Truly Committed to Brokerage

Over the years, I've seen a wide variety of carriers at the NAILBA exhibit hall attempting to penetrate the competitive world of brokerage, and other established carriers trying to increase market share. Since building my brokerage distribution organization, I've had the opportunity to attend the meeting from both vantage points. One factor has been consistent: only carriers truly committed to brokerage will survive.

Our marketing department offers brokerage agencies with turnkey marketing packages that support producers with items such as continuing education courses, producer and client sales presentations, marketing materials,

prospecting letters, and producer guides. We've included all of this material on easy to use compact disks, so that your producers may conveniently select whatever piece he or she desires.

Creating alliances with carriers uniquely positioned to service the brokerage market could yield high dividends. In doing so, brokerage agencies will not only get the message out to independent producers, but also enable them to understand, promote and close sales in one of the most dynamic markets our industry has ever seen. Over 2,000 years ago, the Greek philosopher Heraclitus is quoted as saying that "nothing endures but change." To be sure, this is certainly the case in the life insurance brokerage market.

Please visit our booth

I look forward to seeing you at this year's NAILBA meeting in what promises to be an informative conference. Please stop by the MONY Partners' booth and allow us to discuss how we can earn your business in 2004 and for years to come.

MONY Partners does not provide tax advice and recommends that tax issues be reviewed with your tax advisor.

MONY Partners is a division of MONY Securities Corp.

MONY Life Insurance Company provides life insurance nationwide and annuities in New York. MONY Life Insurance Company of America provides life insurance and annuities outside of New York. MONY and MLOA are subsidiaries of AXA Financial, Inc.



Tony Bennett, Michael Jordan. . . Everyone loves a good comeback story. Maybe that's why dividend paying, participating whole life insurance is enjoying a new look from insurance producers that have neglected it for so long. Overshadowed for years by its glitzier cousin, universal life, whole life is starting to find its way back into the minds of producers who know that, in many cases, whole life may be the better deal. For this reason, it's worth taking another look at the features that whole life offers.

To really understand why whole life products are seeing a rebirth, it helps to remember why they fell out of favor. In the late 1980s, Universal Life products overwhelmed the whole life business. For the first time, consumers saw mortality costs, administration fees, and account earnings as separate components of a life product. The unbundling ushered in an era of premium payment and amount flexibility. Universal Life (and later Variable Universal Life) gradually supplanted whole life as the workhorse products of the life insurance industry.

Over the last five years, many of the traditional mutual insurers have become public companies. Stock insurance companies are challenged to support dividend producing participating policies, while also trying to satisfy the interests of shareholders. With fewer companies offering whole life, the universe of producers who understood it and were trained to sell it shrank. At the same time, the number of career agencies and their recruiting of new producers began to decline, resulting in fewer life agents with whole life experience. Today, there are fewer producers who appreciate the potential advantages of whole life and its key differences from and, in the right cases, advantages over universal and variable life products.

Ready for a rebirth

But once again, changes in the business environment and the life insurance industry itself have set the stage for a whole life comeback.

Conventional wisdom says that whole life can be more expensive than other types of life insurance. However, producers can show the value of whole life if low premium isn't the only consideration. When the guaranteed build-up of cash value is factored in with the potential accumulation of non-guaranteed dividends, the total

Whole Life: A Comeback Story

J. Spencer Williams
*Senior Vice President,
 Life and Sales Marketing Division,
 MassachusettsMutual
 Life Insurance Company*



cost/value ratio can be very attractive. These non-guaranteed values can be accessed to reduce or eliminate out-of-pocket premiums and provide flexibility for a variety of lifestyle needs and personal situations. In addition, businesses that want to reward key executives with non-qualified benefits or executive bonus programs appreciate the guaranteed growth in cash values

they get with traditional, participating whole life insurance.

Historically, whole life insurance has been considered a less flexible alternative to universal life. More recently, traditional carriers have gotten creative in addressing this perception and now offer riders that address premium constraints and allow additional insureds to receive coverage, and offer illustrations for a variety of sales concepts. In an insurance environment where premium financing is regularly discussed in conjunction with large cases for the affluent market, high early cash value policies that guarantee significant, initial values have found a niche. And then again, consumers still appreciate the certainty of limited pay whole life products such as 10-pay and 20-pay and "...age 65" policies.

Finally, you can't deny the power and potential of dividends. While not guaranteed, many traditional life insurance carriers have a solid history of delivering dividends in a variety of expense and interest rate environments. Whether used as additions of insurance to increase coverage, left to accumulate, or taken as cash, the added flexibility dividends provide can address a number of client needs.

In today's transactional, low-premium life insurance environment, whole life has the added benefit of paying the producer strong compensation. Whole life products were designed in an era when there was recognition of the demands and difficulties associated with completing the life insurance sale. Clients were life-long responsibilities, and strong renewals reinforced the service ethic. Today's version of whole life continues that tradition with producer compensation that reflects the value of a long-term commitment.

Add it up: for consumers, whole life offers the certainty of guarantees, the potential for dividends, flexibility and optional multiuse riders. For financial professionals, it's a life insurance solution with options and compensation that reflects a lifetime of planning and service. Whole life's comeback story is just beginning.

J. Spencer Williams leads MassMutual's Life Sales & Marketing Division, which markets and facilitates the sale of MassMutual's individual life insurance products through all distribution channels. These distribution channels include our Career Agency System, Independent Life Brokerage Companies, Banks, Third Party Marketers, Advisory firms, and Broker-Dealer firms.



As a 25-year insurance veteran, I have seen my share of changes within our industry. Today's declining numbers of agents and cases written could prompt some to presume that our industry outlook isn't bright. But in reality, I think the opposite is true. Our industry is poised for really great things.

A similar positive observation could be made about my company, Chase Insurance, and the changes we've experienced in the last year. First, one bank acquired us and shortly thereafter that bank merged with another. To some, two back-to-back changes of that magnitude might seem problematic for an insurance carrier, but in reality things for us have never been better, nor have things ever been better for our brokerage partners.

Historically, banking and insurance haven't necessarily mixed. In fact, when our company was acquired by Bank One last year and now JPMorgan Chase & Co., that was only the second acquisition of a major insurance company by a U.S. bank. So, then the question is, why *would* a bank want to acquire an insurance company?

I think it comes down to this; astute banks have acquired insurance carriers for two reasons: 1) their product manufacturing capabilities—something banks don't have experience doing; 2) the strength of independent brokerage distribution to bring those products to customers. Any insurance company that expects to be successful going forward must recognize the power that independent brokerage distribution brings to our business.

Emerging trends in processing

To succeed in today's competitive marketplace, insurers must make significant investments in emerging technology systems that process business in the most sophisticated and efficient manner possible. The equation is quite simple; the more efficiently a company processes your business, the more effectively you can sell its products.

Our company has always focused on leveraging technology to enhance business relationships, and in the past couple of years we made great strides to improve processing with updated technology and service. But, as a veteran of our industry, I can honestly say that what we've done in the past is a drop in the bucket com-

Service Defines Independent Brokerage

Ken Olson, CLU, CFC
Executive Vice President,
External Distribution,
Chase Insurance



pared to what we are putting in place now.

The changes we have begun implementing will have the most significant impact on processing that I have ever seen. To date, we have invested \$25 million in systems that are specifically designed to help our independent brokers efficiently and effectively handle customer business. The reason companies like ours choose to make an investment of this size is

because we recognize that the independent brokerage channel is a main line and source of business for our company.

Partnerships and relationships are the key to success

As an insurer we are always looking for new strategies to generate profitable growth and we know that our success depends on your success. Ultimately, we must be committed to the principle: to operate an effective partnership the success of one depends on the efforts and abilities of all. In order for that to happen we must first understand and then meet the needs of our distribution partners.

As a smart carrier we turn to our distribution partners for feedback on ways to improve business and products. You are the carrier's eyes and ears, and any insurer worth its salt should be field-driven—undertaking initiatives that help its independent agents succeed. An insurer should partner with you and provide support to develop specific marketing plans and seek new ways to help you grow your business. Having been a producer myself I can assure you that the initiatives I support are evaluated as if I were still a producer.

Shifts within the industry

To truly succeed, you want a carrier that will partner with you to grow your business, and one that has financial strength and longevity. In the past few years our industry has seen a number of companies fold or disappear. You don't want your reputation or your customers' products tied to those fading entities. You want to work with insurers that are financially rock-solid so you can rest assured that they are going to be around for you and for your customers.

As you know, our industry has seen, and I would guess will continue to see, a fair amount of consolidation—sell-offs, reinsurance and agency consolidation. The question then is, what's driving that consolidation and is it good or bad for the industry?

I would offer that these shifts or changes have been very good for the industry. I liken it to a market correction or a "righting of the ship." I believe that those of us who are still in the game and can capitalize on those changes will not only survive, but will thrive.

We have all been through the term wars, when premium was king. During those times,

second of concern was commission, and then way down the list was service. In my opinion, one of the main casualties of the term wars was that some agents, rather than fulfill their role as advisor to their customers, became simple order-takers. Taking orders won't grow your business or mine.

As we move forward in this increasingly competitive landscape, I truly believe that serv-

ice will be the single most important factor that will set carriers and brokers apart from one another. An insurance company will—and should be—judged by its ability to help its producers produce more. The key component to success as a carrier will be that company's willingness to invest in the future of its independent brokers. Not all carriers are positioned to be able to make that investment. But those

that are will reap the rewards, and so will the independent brokers affiliated with them.

Ken Olson is a veteran of the financial services industry and holds the designations of Chartered Life Underwriter and Chartered Financial Consultant. He began his career in the industry as a broker, subsequently developing his own brokerage agency. Currently, Olson is an executive vice president at Chase Insurance. He can be reached at ken_n_olson@bankone.com.

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