SOCIETY OF ACTUARIES

NEWSDIRECT

NUMBER 49 | JANUARY 2005 | NEWSLETTER OF THE NONTRADITIONAL MARKETING SECTION

FEATURES

EDITOR'S NOTE

BY NANCY MANNING, EDITOR OF THIS ISSUE

As the Nontraditional Marketing Section looks toward 2005, we find ourselves at the crossroads of continuing new, nontraditional opportunities. Rob Stone's "Incoming Chairperson's Corner" provides an update on the status of the SOA restructuring. Your newly elected section council members are embracing their new leadership roles in a time of significant change, to borrow a phrase from Rob's message.

NewsDirect continues to strive to provide a variety of articles of value to our membership. This edition includes a potpourri of topics.

LIMRA's recently released direct response offer article provides a look at research results compiled in consumer focus groups, information that identifies consumer preferences compared to company outlook.

For those of our members who were unable to attend the SOA Annual Meeting in New York City, we have included summaries of each session NTM sponsored. We hope these notes will help you identify transcripts you may want to secure when the New York volume of *The Record* is completed.

By the time this newsletter is published, plans for the Spring New Orleans meetings will be set. As I write this column, plans are moving from Jell-o mix and cool water, to boiling, to jelling. Juliet Sandrowicz is coordinating these efforts. If you have ideas or are willing to become involved in SOA meetings as a speaker, session coordinator or moderator, please contact Juliet.

Several authors affiliated with PIMA have contributed to this edition. Noel Atkinson's "Search Engine Primer" builds an awareness of search engine capabilities that many companies are exploring today. Sandy McCray and Peter Stein supply some ideas for maximizing ROI in mailing efforts. We gratefully acknowledge their willingness to contribute to the news we share with you, our members.

Looking back into 2004, you'll find some information about PIMA's annual meeting as well as the Insurance Direct Marketing Forum.

Publication of this newsletter marks the changing of the guard. As Rob Stone takes over the reigns as chairperson, Chris Hause retires to one more year on the council and then to a position as "friend" of the council and Web liaison. His article "I'm Afraid It's Time for Goodbye Again" is a nostalgic look back, along with wishes for the future.

With this edition, we wish all of our membership well in 2005. We welcome your feedback. Contact any of the section council members listed below with your ideas and suggestions for future NTM activities, meeting sessions, etc. As you read other publications and see articles that you believe would be of interest to the NTM membership, contact either of the co-editors of *NewsDirect* – or, go out on a limb and write an article yourself.

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NEWSDIRECT

NEWSLETTER OF THE NONTRADITIONAL MARKETING SECTION

This newsletter is now electronic and can be found on the SOA Web site, www.soa.org. Back issues of section newsletters have been placed in the Society library, and are on the SOA Web site as well.

Expressions of opinion stated herein are, unless expressly stated to the contrary, not the opinion or position of the Society of Actuaries, its sections, its committees or the employers of the authors.

The Society assumes no responsibility for statements made or opinions expressed in the articles, criticisms and discussions contained in this publication.

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BY ROB STONE

NTM FACES CHALLENGES/ OPPORTUNITIES WITH SOA RESTRUCTURING

I am pleased and honored to be taking over the role of chairperson of the Nontraditional Marketing Section Council. It has been a pleasure to serve on the council for two years already, and I look forward to the coming year of planning and activities!

The new year greets us at a time of significant change. The Society of Actuaries is undergoing an organizational facelift, an occurrence that will provide the Nontraditional Marketing Section with new opportunities. Under the Society's new structure, sections will have the chance to take on additional responsibilities and tap into additional Society staffing resources to implement section activities and projects.

The organizational changes taking place in the Society include the redeployment of the practice areas. The Board of Governors remains, but with increased ability to focus on its vision for the future of the Society and the profession. The remainder of the new structure is split into the four themes that comprise the SOA's strategic plan: membership value, knowledge management, marketplace relevance and professional community advancement. Each theme is represented by a Strategic Action Team (SAT) to be outfitted with six to eight volunteers. It is expected that every level of the new structure, from the board and SATs on through to the sections and individual members will facilitate the ongoing activities of the Society by scanning the environment (an activity actuaries already do every day), finding in advance the issues on which the various levels of the Society need to focus. An additional committee, the Issues Advisory Council (IAC), will act as an informational conduit for these issues and direct them to the most appropriate SOA group or groups for response.

Justification for changes in Society structure can be found in results from various member surveys, where it was discovered that Society members feel section-level work is home to significant grassroots passion. It is hoped that the new structure will better allow Society activities to tap into this energy, and that the Society's simpler design will free up staff resources, making them available as needed to facilitate section work. An additional desired result of the changes is a focus on outcome-oriented activities, meaning energy will be expended where there is a specific goal to be attained.

As part of the new structure, it is expected that Sections will split their efforts among 13 key activities (to varying degrees, depending on the section):

- Providing a sense of community for an area of interest
- Environmental scanning
- Creating a publishing plan for section issues
- Setting section objectives and priorities
- Communicating and advocating with the Board of Governors with respect to Section priorities
- Identifying and developing content for continuing education programs
- Providing input into basic education
- Identifying and overseeing research initiatives
- Influencing experience studies
- Advocating externally for actuaries who share industries/employer types/interests
- Establishing and maintaining external relationships with other non-actuarial organizations
- Implementing requests from the Board of Governors/IAC/SATs
- Providing thought leadership

Several of these items are already central in NTM activities; others will challenge the section to think beyond what has traditionally been its focus.

In simplest terms, the potential scope of NTM activities has broadened significantly. The structural changes within the Society of Actuaries will challenge NTM to respond with appropriate changes in the way our section is organized and in the way it functions. For section members, this provides renewed opportunity to get involved in section activities via soon-to-be-formed council subcommittees. The outcome of the successful transition to this new paradigm, will, in the long run, benefit our section via additional member benefits and greater influence on the future direction of the Society and our profession. In the near term, the NTM Section Council will need your input to make sure this transition starts off down the right path.

Anyone wishing to volunteer for a role in NTM planning as we react to these changes is welcome to contact me via e-mail: *rob.stone@oneamerica.com.*

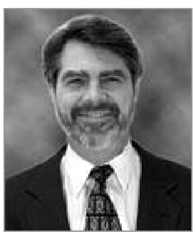
Rob Stone is assistant VP & associate actuary for OneAmerica Financial Partners in Indianapolis, Ind. He can be reached at rob.stone@oneamerica.com

BY CHRISTOPHER H. HAUSE

I'M AFRAID IT'S TIME FOR GOODBYE AGAIN.

Those of you who were either in New York or are extremely hip are aware that there is a production right near the Marriott Marquis that is based entirely on the music of Billy Joel.

I walked by the front of that theater several times and heard the music pouring out of the speakers. So, it is no wonder that I can't shake some of his songs from my head. Usually, when that happens, I just need to sit down and listen to the song on the stereo and it goes away, but this time I decided I would write a farewell article based on the lyrics of my favorite Billy Joel album, *Turnstiles*.



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I used to be thought of as somewhat of an "angry young man," but I was afraid I would "go to the grave as an angry old man." Also, being angry is not as much fun as some people make it look. I decided that a smile went a lot farther than a scowl in winning people over and getting things done. The other reason is that there are so many delightful people in the world. When you work with people like Jeanne Daharsh, Rob Stone, Nancy Manning, Brian Louth and Ian Duncan for any length of time, it is impossible to not smile.

When I came into the section, like many who have come before and will follow after, "I don't have any reasons, I've left them all behind." I did not approach the job of council member with an agenda, but, like James, each of us is asking ourselves "when will you write your masterpiece?" and all of us are looking forward to making our mark on whatever we touch.

For the Society of Actuaries and the Nontraditional Marketing Section, it is a time for change. "They say that these are not the best of times, but they're the only times I've ever known." The best anyone can do (many times) is to make the most of what our situations hand us. However, I do not agree with Billy that it is always "sadness or euphoria." To make the most of these times, hard work and cooperation is required. I am confident the incoming team will help the NTM Section emerge from this transition stronger, more vibrant and serving its members even better.

While moving on always brings a little sadness, I look forward to other challenges and continuing on as a friend of the council. As I do, it is only natural to reflect on the people with whom I have worked. "So many faces in and out of my life, some will last, some will just be now and then. Life is a series of hellos and goodbyes—I'm afraid it's time for goodbye again."

"And so before we end" (and in doing so begin something else) – "We'll drink a toast to how it's been...but I've loved these days."

I have enjoyed working with all of you. And for those who appear to be waiting for the right moment to join section activities, please consider moderating or speaking at a session. Or, just write a *NewsDirect* article, even if you have to borrow material to do it!

Best of luck to you all.

REGARDING YOUR DIRECT RESPONSE OFFER

BY PETE JACQUES & RONALD R. NEYER

As published in the Winter 2004 edition of LIMRA's MarketFacts Quarterly. Reprtinted with permission.

Companies use direct response as a low-cost way to reach middle-market consumers, but are direct methods truly successful at serving the middle market? In this article, we evaluate findings from a new LIMRA focus group consumer study that examines the decision-making process that consumers follow when buying life insurance (including their use of direct channels). Comments from the focus groups are compared with findings from a 2002 LIMRA study of companies' direct marketing practices — *Direct Response Marketing: Trends and Outlooks* — in order to explore gaps between companies' outlooks and consumers' preferences, and to identify barriers consumers face when using direct channels.

To set the stage, we will define some key terms: Direct response marketing is distribution in which an insurer makes product offers to consumers through methods other than face-to-face sales calls. In a direct response sales process, no agent or salesperson visits the customer, and no face-to-face interaction occurs between the customer and a representative of the insurer. Activities used to generate leads for the carrier's sales force are not considered as direct response distribution. In this article, we focus on three direct response methods: direct mail, the Internet and call centers.

LIMRA defines middle-market consumers as those with total household annual income between $25,000 and $85,000 (and up to $100,000 in major urban settings). The focus groups consisted of middle-market consumers who had "shopped" for life insurance within the past two years, regardless of whether or not they had purchased any.

STARTING THE BUYING PROCESS

Focus group participants initiated the shopping and buying process by using one of two approaches. They either contacted a financial professional or insurance company with whom they had an established relationship or they researched life insurance products on their own. For most, a life event initiated the process, typically a recent marriage or birth of a child, and in several cases, the loss of a job. For a small group of younger participants, the call to action was due to a general feeling of obligation, that is, the desire to protect themselves and not be a burden to family. A few had seen firsthand the financial impact of a death on a friend's or family member's immediate family and wanted to avoid a repeat of the same situation.

For the majority of participants, receiving a direct offer did not start them thinking about buying life insurance. It did, however, provide a first step in the shopping process for some by serving as a catalyst for those who had already been considering buying life insurance but had not yet taken a first step. Direct channels, both mail and Internet, provide a method for them to gather information. It is not surprising that very few participants completed the buying process through direct means. A recent mail survey of middle-market consumers revealed that while the vast majority of (if not all) households receive some

| CONTINUED ON PAGE 6 |

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CONSUMER USE OF DIRECT RESPONSE METHODS

DIRECT OFFERS	OFFERED	RESPONDED	BOUGHT
Received in the mail	86%	6%	3%
Someone telephoned you to sell you life insurance over the phone	31	1	+
Saw an ad on television or heard on radio	64	2	+
Read in a newspaper or magazine	46	2	+
Received an insert with a bill, bank or insurance statement	61	3	1
Picked up a flyer or brochure	12	1	+
Saw an offer online through a personal computer	29	1	+
Did not respond to any of the above	NA	86	NA
Did not purchase through any of the above	NA	NA	94

+ Less than 1/2 of 1 percent
NA: Not applicable
Source: Middle Market Consumer Omnibus Study, LIMRA International, 2002

TABLE 1

DIRECT RESPONSE ... CONTINUED FROM PAGE 5

type of direct advertising, only a small percentage respond, and only a small proportion of those actually purchase life insurance directly (see Table 1).

Although only a portion of the overall population purchases through direct response distribution channels, the number of middle-market households that rely on these channels for some or all of the buying process makes it an indispensable distribution method. Each channel within direct response provides both specific conveniences and limitations for consumers. We will discuss some of the challenges our participants described and will also provide suggestions on how to overcome these barriers.

INTERNET

The Internet is playing an increasingly important role in the shopping process, but, as other LIMRA research has shown, its role as a buying method is minimal. Some focus group participants described their first step in the buying process as going onto the Internet and searching for information on life insurance. Some visited quote malls to compare quotes, while others conducted informational searches on life insurance in general.

Those seeking quotes often were gathering premium information in preparation for a face-to-face discussion. Just as they would with the purchase of a car, the participants wanted to prepare for the meeting with an agent. By knowing some basic price information, they felt more knowledgeable about the product for which they were shopping. They could then ask the agent about price differences between his or her quote and those found online.

Having a past relationship was a key consideration. The agent they were meeting with was often their property-casualty insurance agent and, if the premiums quoted by the agent were similar to (or even slightly higher than) those found online, they would buy through their agent.

Consumers conducting informational searches approached the quest in one of two ways. One approach was to type “life insurance” into a search engine and then click on the first or second item in the search result. These folks were often looking for descriptions of different types of products and trying to understand the characteristics of term and permanent life insurance. A few went directly to an insurance company’s Web site, usually that of a company with which they had already established a relationship. They wanted to know whether their property-casualty carrier offered life products, and a few were assessing a company's stability and reputation.

Consumers are still cautious about the information they receive online. In the case of specific company sites, they question the objectivity of the information and think that companies are more interested in pushing a more profitable product regardless of its suitability. For general sites and quote malls, consumers are concerned with the viability and reputation of the companies providing quotes.

> *I guess I'm starting to wonder if, when you go on the Internet and you start pulling quotes off the Internet, if all those quotes are really reliable, because the fees are quite different for these huge policies and I'm just kind of leery of signing up and paying them money and not having them be around, but I don't know how to research that.*
>
> — Deanna, Minneapolis

Company Web sites might increase their credibility by including links to independent or nonaffiliated education sites. Sites such as that of the Life and Health Insurance Foundation for Education (*www.life-line.org*) provide nonbiased information specifically targeted to consumers. The challenge for companies, however, is to not lose that contact once consumers are directed from the company home page to the educational sites.

The ultimate decision to buy online or not is more a factor of the importance of the product than the quality of the information. Most of our participants did not want to buy online because they feel the purchase of life insurance is too important a decision to be made without either validating information or meeting someone in person to discuss their decision and answer their questions.

Simplifying and streamlining the buying process might encourage more consumers to buy online.

> *If a sale involves this amount of money and something that is this important . . . I want face-to-face. . . .*
>
> — Eric, Indianapolis

For the small minority who do buy online, the allure is the no-hassle, simple and efficient aspect of the sale. These consumers know what they want and they go for it. They do not want to waste time in face-to-face meetings or follow-up phone calls.

Simplifying and streamlining the buying process might encourage more consumers to buy online. An informal review of several quote malls and company Web sites revealed that in some cases consumers were forced to contact a call center to complete the application. Eliminating this requirement might ease concerns of those buyers who do not want to talk to a person and risk being pressured into buying something they do not want or fully understand. Similarly, the quote-request process could be simplified by eliminating questions about name, address and phone number. This information will be required when formally applying for coverage but is not needed for generating a quote. Some sites require the consumer to enter this personal information twice.

| CONTINUED ON PAGE 8 |

| DIRECT RESPONSE … CONTINUED FROM PAGE 7 |

The majority of focus group participants were not familiar with online calculators that are readily available for determining the appropriate amount of insurance needed. While some felt the calculators could be useful to get a rough estimate, more savvy consumers stated they would be reluctant to use them unless they understood the underlying algorithms used to calculate insurance coverage. These consumers are unsure whether the model could accurately capture their personal situation.

The better your company's Web site can provide answers to their questions, the more consumers will identify your company as a source of helpful, objective information. The next step in keeping consumers' interest is demonstrating how your company shares values similar to their own and can provide products that fit their specific needs.

Bear in mind that consumers will seek to verify the information you have on your Web site or in your promotional material. They may talk to friends or contact other companies (direct or through personal channels). Be sure the information on your Web site is accurate and verifiable, so consumers can trust your company.

Finally, make certain customers have easy access to your Web address. Surprisingly, a number of participants in the focus groups were not familiar with the Web addresses of their carriers. Some typed in better-known and recognizable companies in order to search for information or, as mentioned earlier, entered "life insurance" into a search engine. This reinforces the need for companies to plaster their Web addresses wherever possible to direct traffic to their Web sites. Toll-free telephone numbers are also important to include on Web sites and other marketing materials to allow consumers flexibility to navigate through an integrated direct response system. If sales over the Internet do not increase as hoped, at least consumers will have the means to complete a sale more easily if their buying process begins online.

DIRECT MAIL

According to the LIMRA Direct Response Marketing company study, direct mail is estimated to generate almost 40 percent of direct response sales. In the recent consumer focus groups, the few participants who bought direct as a result of receiving a mailer said they were attracted to the direct offers either because they were familiar with the company through brand recognition or an established relationship, or because of timing — an offer was received that coincided with a decision to shop for insurance.

The buying process for respondents to direct mail does not seem as complex as it does for other buyers. It seems that many of the middle-market consumers responding to mail already knew which product they wanted and were simply searching for the best value; that is, the most coverage for the least premium (assuming a reputable and solvent company).

For these consumers, the latter issue is addressed through their existing relationship with or knowledge of the company. The only factor that remains is convincing them they are receiving a good value. At this point in the shopping process, some consumers become confused because they cannot understand why premiums for the same amount of coverage differ from one company to another.

While an explanation of underwriting assumptions might be in order, this approach might often lead to glassy stares or discarded brochures. What is required is a simple explanation of the product's characteristics. Whether the product is a bare-bones renewable term policy, a term product with conversion riders or a children's whole life policy, consumers need basic descriptions of policies. They still have difficulty understanding the difference between permanent and term products. Once shoppers gain a stronger understanding, they can better understand differences in premium and can better assess the added value they receive with slightly more complex products.

Consumers are willing to pay more for a product if they believe better service is associated with it. Their belief can be affected by your company's branding efforts, word of mouth or personal experience. If customer satisfaction information is available, testimonials and examples of high-quality service can support a premium that is slightly higher than another company's. Consumers look for quick response to calls and inquiries, easy-to-read materials, personalized communications, and periodic follow-up while the policy is in force. They want to feel confident that any claims will be handled quickly.

For one recently married young woman, her request for information was never met. After calling a toll-free number to receive more information, she never received a packet and not only ended up buying through another company's direct channel, but also has since boycotted the first insurer.

Direct mail companies still compete against the constant barrage of direct mail that consumers receive. This applies to both stand-alone mail pieces and bill inserts. Those focus group participants who had an established relationship with an organization sending the direct mail piece reported they were more likely to open it. However, many stated that bill inserts are more readily thrown out than specific mailings because consumers have become accustomed to receiving several inserts and simply throw the entire bunch away without examining them in closer detail.

> *You honestly can't differentiate. You can't go through and say, "This one will be fine. These 8 won't be fine." They just all get lumped together.*
>
> — Greg, Minneapolis

Even among insurance offerings, consumers have difficulty making sense of all the material they receive. Consumers complain that the majority of their mail is now what they consider junk mail and they do not have the time to read through it all. According to Don Jackson's *Insurance Direct Marketing* (2002), 36 percent of mailings are sent in the first quarter of the year, and 62 percent are sent before July. Perhaps carriers should wait until later in the year when there is less competition for the consumer's attention.

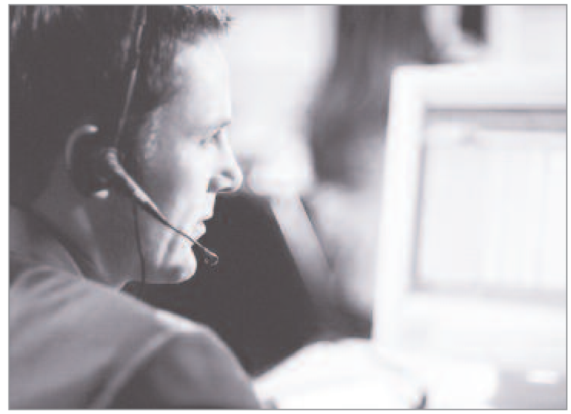
Consumers are willing to pay more for a product if they believe better service is associated with it.

The packaging itself might make a difference as well. According to the United States Postal Service (USPS) 2002 Household Diary Study, consumers are much more likely to respond to first-class insurance advertising than they are to pieces sent via standard mail. The study also reaffirms findings from the Direct Marketing Association's 2003 *Statistical Fact Book* that indicates consumers are much more likely to read immediately, find useful,

| CONTINUED ON PAGE 10 |

| DIRECT RESPONSE ... CONTINUED FROM PAGE 9 |

set aside, and respond to standard mail from insurance companies with which they have a previous relationship. Creating a more targeted mailing list based on an internal client profitability measure could offset the more costly per-piece mailing.



CALL CENTERS

Face-to-face contact with an agent is an important part of the sales process for many consumers. They use the meeting time as an opportunity to gauge the integrity, honesty and responsiveness of a producer, key elements in deciding with which agent or broker to work. Consumer judgments from these meetings then forge the relationship and build the trust that agents need to make recommendations that their clients will heed.

For direct marketers, call centers provide the closest substitute. The sales representative or tele-agent can answer questions that arise from reading mail brochures or fulfillment kits. However, they still face certain challenges not present in face-to-face meetings. During a face-to-face meeting, the consumer knows that he or she has the agent's undivided attention and that the agent is not multitasking. Clients can read the agent's body language and nonverbal cues to gauge the agent's sincerity and responsiveness.

Successful call center staff must compensate for the lack of nonverbal communication by building trust through the information they provide, how they provide it, and how often they provide it. For example, they should listen carefully to the questions a consumer asks so they can accurately understand their client's personal goals and needs. They should be well versed in the proper probing questions to ask so that the client feels the tele-agent is adequately assessing their own situation. The call center staff should also be educated in the challenges consumers typically face so their questions can be addressed proactively.

Call center staff need to be particularly sensitive to how their speech is perceived over the phone. The rep should sound focused and not as if he or she is reading from a script. Detected script reading diminishes any consumer perception of personalized service and conveys a lack of the representative's expertise. Call centers also need to provide quick turnaround of requests and inquiries. The expectations that consumers have of their agents (typically one business day turnaround for answers to questions or requests for information, according to focus group participants) should hold true for call centers as well. These are all actions that focus group participants felt a trustworthy agent would do.

Consumers in the focus group study also described their preferences for future contact. Many would like to have someone check in on them from time to time to assess their satisfaction with their current coverage and determine whether other needs have arisen. Most seemed to agree that an annual call would be acceptable, provided it was from a person or company they had already established a relationship with. Cold calls continue to be panned by all consumers and are also now more of a challenge with the recent federal Do Not Call legislation.

In LIMRA's study of direct response marketing companies, call centers are among the various direct response methods believed to have the strongest growth potential for life (and health) products. This method provides a reasonable alternative to more expensive personal methods yet provides a degree of personal touch not offered through other direct channels. That level of personal touch might be enough to build the confidence and trust of middle-market consumers and encourage them to buy.

THE FUTURE OF DIRECT RESPONSE

Throughout our discussion of each direct response channel, it was difficult not to mention other channels, indication that a truly successful direct response marketing effort includes an integrated multi-channel approach to marketing. It also demonstrates that many consumers already expect to be able to transition between mail, phone and Internet contacts. What might be a barrier in one channel might be overcome by use of another channel.

Convenience continues to be a popular characteristic of the direct response channel. Consumers can proceed at their own pace in conducting research, reviewing materials and making decisions. In fact, consumers prefer to be left alone until they need to ask questions or are ready to proceed with the application.

Privacy continues to be a concern for consumers buying direct, more so than some companies expect. Many consumers who resist direct sales worry about the credibility of the organization with which they're dealing. They don't want to give out their personal information over the phone, through the mail or electronically without verifying the identity of the other party.

One consistent challenge for all channels is providing consumers with a manageable amount of relevant information. Despite their efforts to gather information, consumers still reported difficulty in understanding several important aspects of insurance. Specifically, they wanted to know:

- What is the difference between term and permanent insurance?
- What is solvency, and how can I tell a company is sound?
- Why do premiums differ across companies?
- How do I determine how much life insurance coverage I need?
- How can I tell if I'm getting the best value for my money?

The degree to which a company can provide consumers with understandable answers to these questions will dramatically impact future sales of life insurance products. The more that consumers can learn and understand without having to confer with an agent, the more successful direct channels will become. Several focus group participants reported that they became bogged down in their buying process simply because they felt overwhelmed by the amount and complexity of information they received. They identified the need, and they started shopping but did not complete the buying process. More effective direct response marketing efforts have the potential to reach these consumers, to overcome the obstacles, and to close the sale.

SPECIAL EDITOR'S NOTE

NewsDirect gratefully acknowledges the contributions of authors who have made presentations or have been published previously. Our September issue should have included the following information about the strategic alliances article by Richard Katz.

Why Strategic Alliances?
By Richard S. Katz, CLU, ChFC,
American Direct Marketing Resources, Inc.

This article is based on a presentation made by Richard S. Katz, CLU, ChFC, at the 30th Annual Meeting of the Professional Insurance Marketing Association (PIMA). Mr. Katz has been involved in insurance and financial services for almost 30 years. He is vice president of American Direct Marketing Resources, Inc., a full service turnkey direct response marketing agency. Mr. Katz can be reached at (636) 532-7703 or via e-mail at *rkatz@admr.com.*

RECAP OF INSURANCE DIRECT MARKETING FORUM 2004

BY JAY M. JAFFE

About 160 people gathered in Tyson's Corner, Va., on September 13-14, 2004, to participate in the Insurance Direct Marketing Forum 2004 sponsored by the Jackson Consulting Group. The audience represented not only insurance companies, but also direct marketing insurance agencies (including bank representatives) and businesses that provide services to direct marketers.

...many people who contact a company as a result of a brochure or other advertisement find the idea of an agent preferable.

While the conference included several case studies relating to company programs and operations, there were also more general presentations. Two actuaries, Charlie Thalheimer and Jay Jaffe, both conducted sessions at the meeting titled, respectively, "The Calculus of Change" and "A Product Development Odyssey."

One of the "take aways" from the meeting was that probably the most successful direct marketed insurance activities in the past several years has been the sale of auto insurance written using direct response. This area has grown materially over the past five years and the general outlook is even further growth in coming years as more people feel comfortable investigating and buying coverage without the direct involvement of an agent.

It was refreshing to hear about many companies and programs, which are finding success and overcoming some of the classic issues that have been raised as concerns about direct marketing. Channel conflict was one of those topics, and the presentations demonstrated that companies are now finding agents who are willing to participate in direct-marketed programs, because they see the clear advantage of a more complete marketing approach.

As demonstrated by the speakers, multi-channel marketing makes direct marketing a much more efficient distribution system. Companies are asking responders if they want an agent to manage their relationship with the carrier. Believe it or not, many people who contact a company as a result of a brochure or other advertisement find the idea of an agent preferable. It may be that people don't know where to find an agent and the willingness of the company to match prospects and agents may be very comforting to the responder.

One speaker mentioned that agent referrals are limited to the company's most successful agents. Not only are the referrals an added incentive to agents to be active and effective business producers for the company, but the company knows that the leads will be followed up by conscientious agents (rather than being summarily dumped in the "circular file.")

In addition to the formal presentations, the forum included breakfast roundtables on a variety of topics as well as a special session dealing with the development of business models for aggressive expansion. There were a dozen or so exhibitors at the meeting. The SOA NTM Section is also a meeting sponsor.

The entire program is compressed into two days. This is a worthwhile program for any marketer or actuary interested in current activities, problems and solutions pertaining to insurance direct marketing. To be on the mailing list for next year's program, contact Don Jackson at (302) 378-1380 or *donjackson@jcg-ltd.com.*

Next year's meeting is in Philadelphia, September 12-13, 2005, and we hope many readers will consider attending and being active participants in the sessions.

SEPARATING THE WINNERS FROM THE LOSERS

BY VAN BEACH

The New York Yankees had a winning year again this year, but not every baseball team has the deep pockets of owner George Steinbrenner. For teams with fiscal limitations, Billy Beane, the general manager of the Oakland A's, is changing the way players are selected and teams are constructed. Beane believes that there is great value to be gained by analyzing baseball statistics when evaluating a player's potential. He believes that by using technology to collect, refine and analyze baseball data on hits, steals, runs, outs, etc., the A's can better determine the relative value of players. He believes that the ability to leverage the combination of technology and data will separate the winners from the losers. Three division championships in the last four years provide evidence that he is probably onto something.

The simplified issue life insurance market may experience a similar change. There are new data sources that have great potential to improve the evaluation of the life insurance risk. There are companies that believe technology can be applied to extract value from these data sources and their experience data to give them a competitive advantage. It seems likely that in the simplified issue market, the ability to leverage the combination of technology and data will separate the winners from the losers.

A Game Changer

Prescription drug profiles, (a history of the prescription drugs that a person has purchased), will change the way life insurance is underwritten and sold. Prescription drug profiles can now be retrieved for over 70 percent of life insurance applicants (this percentage is greater than 90 percent in some geographic areas). With the application of technology, these profiles can be automatically requested, received electronically and evaluated intelligently to produce the equivalent of an underwritten application – without ever crossing an underwriter's desk.

Consider the potential for a technology-enabled, simplified-issue term life insurance product, where prescription profiles are incorporated as part of the risk-screening process. The information gathered through the application is limited to the typical questions, but behind the scenes a prescription profile is obtained electronically, and the contents are combined with the standard responses. Through the electronic interface that obtains the prescription profile, the data is obtained almost instantaneously and for only a marginal fee. The results are combined with the standard responses and an intelligent underwriting system derives an underwriting decision automatically. The protective value of the prescription information allows the policy to be issued at a significant discount compared to the regular simplified issue product. The applicant gets a simple product that meets his/her needs, a very quick, transactional response and a rate that previously was unobtainable without being fully underwritten.

The New Playing Field

The introduction of a game-changing product like the technology-enabled prescription product described above will have an impact on all players in the simplified issue market. Consider two identical companies, "Early" and "Late." Both companies sell the same simplified-issue product to the same market using the same risk-screening criteria for the same price. Assume that the insured population consists of 90 percent true standard risks and 10 percent "cheaters" – substandard risks that provide inaccurate responses to the risk-screening questions. On average, each company gets an equal mix of the standard risks and the cheaters.

| CONTINUED ON PAGE 14 |

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| WINNERS AND LOSERS ... CONTINUED FROM PAGE|13

Now assume that Early Company introduces the simplified-issue product described above at a price that is 20 percent less than the equivalent "regular" simplified issue product that is still being sold by Late Company. The prescription profiles allow Early Company to identify the cheaters and as a result, all insureds are true standard risks. Given an efficient market, all of the true standard risks will buy a policy from Early company because they will be able to get a 20 percent discount as compared to Late Company. Late Company is left with all the cheaters.

Experience allows companies to recognize and react to trends to minimize mistakes and capitalize on opportunities.

Whether Late Company is a winner or loser will depend upon how quickly the change in the market can be identified and addressed. The ability to react will be driven by the experience data that Late Company collects and analyzes. Early Company also needs to collect, analyze and react to the experience data. Suppose it was assumed that the protective value of the prescription profile would result in a 20 percent discount, but the actual discount is only 10 percent. Whether Early Company is a winner or loser will also be determined by its ability to identify and address the mispriced discount.

The Foundation of a Winner

Data is the foundation for the analytics that Billy Beane utilizes to give the A's an advantage. Data is also central to the prescription drug product and the experience analysis described in the example above. However, there are three key points to remember with regard to data: 1) The value contained in data is only realized by analyzing the data and applying the insights that are gained. 2) The value of the analytics is limited by the quality of the data. 3) The analysis of the data and the application of the insights must be done efficiently or the costs associated with using the data will outweigh the value derived.

For an insurance company, the value that can be extracted from data is driven by the company's technology and systems (new business, administration, claims, etc.). A company's systems will determine what data is collected, how the data is stored, and how the data is used. For example, prescription drug profiles will be underutilized and value will be lost if the request for the profile is not operationalized by the new business system into the underwriter's workflow. If the profiles are difficult or time consuming to retrieve, the value of the data is diminished by the effort required to obtain the data. If the prescription drug profile is not captured and stored electronically with the policy record, then the prescription data cannot be used later in experience studies. If the underwriting, premium or claim data that is captured is incomplete or inconsistent, it will be difficult for the company's actuaries to derive accurate insights from experience data. Strong technology and systems will completely, consistently and efficiently gather, capture and apply all relevant information. By utilizing technology, the value of the data is maximized.

Companies That Win

The companies that will win will be those that best leverage the combination of technology and data. Technology can be applied to ensure that all experience data is collected completely, consistently and efficiently. This will allow a company's actuaries the best opportunity to derive insights and add value by analyzing and acting upon experience. Experience allows companies to recognize and react to trends to minimize mistakes and capitalize on opportunities. Technology is also the key to the efficient and effective use of data, whether it is prescription drug information or data from other sources. Harnessing the value of data for use in risk assessment can be a source of significant competitive advantage. Your company may not have the financial resources to assemble a team in the same fashion as the Yankees, but by making smart investments to leverage technology and data, companies with smaller budgets can still play like the Yankees – and win.

PIMA 2004 ANNUAL MEETING

BY JAY M. JAFFE

I was invited to speak at the 2004 annual meeting of PIMA. It didn't take long to accept the invitation, once I was told the meeting was in February and in warm Puerto Rico!

If ever an organization has reinvented itself, it is PIMA. It used to be a relatively small and well-knit group, which attended the meeting. Now there were nearly 300 people in a crowded room with many new PIMA and prospective members. There was more content to the sessions and a very enthusiastic audience.

PIMA, in case you don't know, is an organization consisting of three classes of members: insurance companies, third party administrators (TPAs) and allied partners (vendors). PIMA's members are involved in the association group and similar markets. The composition of PIMA is now very close to equally divided among the three membership categories. Many NTM members are employed at PIMA member companies and there were several other actuaries in attendance.

One of the most informative features of the meeting was the breakfast roundtable discussions held each day prior to the beginning of the formal sessions. Each table concentrated on a different topic. The topics included products, services, media production and other matters relating to the businesses of PIMA members.

PIMA is becoming more and more active in sponsoring general programs for its members. For example, one of the major credit card companies has set up a turnkey program for PIMA members to use for premium collection. Programs of this type not only make it easier for PIMA members to improve their services, but there are probably price advantages that accrue to PIMA members from having negotiated a more global contract.

The formal program included presentations on topics of interest to NTM members:

- Using the Internet for market research
- New product challenges and opportunities (I was part of this panel)
- Marketing and administrative matters

Because 2004 was a national election year, the Friday morning session included a debate-style forum between legislative representatives of both the Republican and Democratic parties. From my perspective, the speakers echoed traditional party lines and did not convey any new information. It is unfortunate that the lack of new information seems to be the norm for political party presentations, considering the number of important issues the United States is now facing.

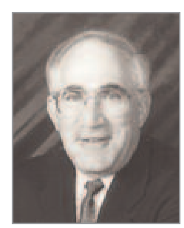
The closing session featured Marilyn Carp (another NTM member) and Dave Dunn discussing the outlook for the future of the direct response insurance business. This panel generated many interesting questions from the audience as it dealt with a topic near and dear to the hearts of PIMA members.

PIMA…is an organization consisting of three classes of members: insurance companies, Third Party Associates (TPAs) and allied partners (vendors).

The meeting included the ritual golf tournament, but it was organized in such a way that most of the players were able to meet at least a couple of new people. The meeting concluded with a banquet honoring long-time PIMA members (including Michael Fox, FSA) and those who volunteered their time to put on a very enjoyable program.

Many NTM members work for PIMA member companies. I'd urge NTM members to contact their company PIMA representatives and ask to see a copy of the program for next year's PIMA annual meeting (to be held in Tucson, Ariz.) or the several other working meetings, which PIMA conducts each year.

Anyone who wants to learn more about PIMA should contact the association's membership director, Gail Gallagher at *gailgallagher@pima-assn.org*.



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A SEARCH ENGINE PRIMER

BY NOEL ATKINSON

According to the Search Engine Marketing Professional Organization (SEMPO), search engine marketing (SEM) is: "The act of marketing a Web site via search engines, whether this be improving rank in organic listings, purchasing paid listings or a combination of these and other search engine-related activities." It may sound technical – and it is – but it also can be a key part of an effective direct marketing strategy.

...there are between six and 10 billion searches annually by Americans with the specific intent of eventually purchasing an item or service.

Search activities are the second-most common activity on the Internet, after e-mail. Internet users are seeking information on average of 336 times per year, and if there are 100-150 million Americans old enough to actually do a search online, it translates to 30-50 billion requests for information from search engines every year from U.S. residents alone.

A November 2003 survey by Nielsen/NetRatings showed that 21 percent of all search engine usage is to either comparison shop for a product or service (11 percent) or to make a purchase online (10 percent). Therefore, one could extrapolate that there are between six and 10 billion searches annually by Americans with the specific intent of eventually purchasing an item or service.

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Given the enormous number of commercial searches, it is reasonable to assume that a direct marketer could increase their pool of leads by engaging in search engine marketing. Within the insurance industry, a search engine marketing strategy can provide new potential customers that are currently seeking insurance plans. The search terms used by the seekers can also help insurance companies identify the optimal type of plan for the searcher. For example, a person entering the search term "insurance smoker age 35" provides some very significant information that can help a search engine marketer quickly direct the lead to the right type of insurance policy for them. Significant numbers of searchers providing the same information in the search terms can also identify niches that have been underexposed or are ripe for a more attractive offer.

Most of the media's and Wall Street's attention to SEM has focused on the ability of the search engines to generate revenues from targeted keyword searches. However, it seems clear that the rise of SEM has presented a new campaign channel with many of the benefits that direct marketers have come to expect. An SEM campaign targets individuals and businesses at the one-to-one level, driven by the perceived desire of the searcher to find relevant information.

SEM is passive and non-invasive, and driven by the potential customer rather than the marketer. An SEM campaign requires payment to the search engine only when a lead is generated by a searcher clicking on the marketer's link, limiting unnecessary spending. The marketer can directly track a prospect through the lead acquisition and purchasing process, to understand bottlenecks in the system. The SEM campaign also permits the marketing to accurately calculate return on marketing investment. Finally, an SEM effort provides the direct marketer with the ability to continually test and refine each campaign to minimize costs and maximize results.

The Credo Group, a leading digital insurance agency specializing in creating alternative distribution channels for insurance carriers, has made great strides using search engine marketing. Their clients, among them RBC Liberty, Mutual of Omaha, Aegon and Globe Life & Accident, have successfully incorporated SEM into the overall marketing mix. Globe Life, for instance, reports that Internet marketing efforts now represent as much as 10 percent of its direct marketed book of business.

SEM remains a small portion of overall advertising and marketing campaign expenditures in the United States, but it is believed to be its fastest-growing component. However, those companies that are still considering making SEM part of their marketing strategy – and there should be few, if any, exceptions – should first take a little time to better understand the basics of the SEM medium.

The majority of total SEM revenues is being generated through the paid-placement auction-style cost-per-click procedure. Direct marketers will likely be most interested in paid-placement SEM, because paid-placement guarantees that a Web site will appear in response to a given keyword search, so long as your bid for that keyword search query is high enough. Unfortunately for marketers utilizing this medium, as more participants enter the bidding process it is likely that the average winning bid will grow as well.

The insurance segment has been one of the most expensive for an SEM strategy, primarily because fly-by-night agencies have been driving up the bids on the most basic relevant search terms (such as "term life" or "insurance"), in hopes of garnering a lead with a relatively high lifetime value. Thus, a careful strategy is necessary to get the biggest bang for the placement buck. It is not always necessary to be the top bidder, as the top three or four bidders are displayed in the first page of search results. Another method is to focus your bids on more targeted keyword searches, especially those that incorporate more than one word – use "nonsmoker term life" rather than just "term life." There are literally billions of keyword combinations that can be tested and evaluated to provide traffic that is both low-cost and qualified. The number of leads may be less, but the cost of each lead will be far cheaper and the Web site result provided can be much more targeted to the searcher's needs.

Another way to reduce SEM costs is to broaden the campaign beyond just the market leaders Google and Yahoo! For instance, a maximum bid on the keyword "insurance" on Google was $12.73 as of March 22, 2004. This price went down to $3.09 on Overture, $0.48 on FindWhat and $0.20 on Search123 (ValueClick). This is not to suggest that Google or Yahoo! are not unimportant parts to an SEM strategy – but rather that it may be worth investigating savings that can be realized by also using a second-tier search engine.

The search engine market remains in its infancy, and usage rates of the search engines can differ a lot from quarter to quarter. For example, Overture (Yahoo!) was the first market leader in SEM, but Google has overtaken Yahoo! during the past couple of years. Microsoft, whose MSN site used to use Yahoo! to power its paid and free search results, is readying its own search engine technology and paid-placement SEM program. As the market evolves, direct marketers using SEM campaigns could benefit by watching which search engines are the up-and-coming stars.

Paid-placement is currently the preferred way to gain leads through search engine marketing, but a company can obtain leads from the free search results as well. On a page of search results, the top part of the page shows the paid-placement results and the bottom part shows the best results from the free listings. In theory, if a company could get its listing shown at or near the top of the free listings, the firm could obtain a healthy number of leads for far less than even a low-cost paid-placement campaign.

There are two types of free Web search methods – keyword search and directory search. Keyword searches are those with which people are most familiar (such as Google). The searcher enters one or more

| CONTINUED ON PAGE 18 |

| SEARCH ENGINE PRIMER ... CONTINUED FROM PAGE 13 |

keywords that are most relevant to the item or topic requested. The search engine utilizes highly complex algorithms to power "spiders" or "crawlers" that surf the Internet to build a database of relevant Web sites for given keywords, which then can be very quickly provided to any search request. These searches work well for most purposes for well-trafficked Web sites.

Yet the Internet is growing very rapidly, and the algorithms utilize a number of criteria for inclusion of a Web site into a database. Moreover, people do not know in advance the search terms that will provide the optimal results. It is therefore reasonable to assume that a lot of keyword searches do not turn up any or all of the relevant sites (or the truly most relevant sites) to the searcher's needs. Google's algorithms incorporate a number of known factors that help improve a firm's Web site relevance to a keyword search, including placement of the keywords in the title of the Web page, more links from respected Web sites to the company's Web site, a greater frequency of updating of information on the Web site, and listing of the Web site on a human-edited Web site directory database.

SEM is not expected to entirely replace other marketing campaign channels, but it can be a very effective and seemingly passive method of reaching potential leads that are actively seeking a specific product or service.

The directory search (or index search) method adds a human touch to the search engine. With this method, Web site owners send a request to the directory, such as Yahoo!, AOL, LookSmart or the Open Directory Project (ODP) for inclusion in a relevant list. Human editors examine the code and content of a potential inclusion and decide whether or not to add the Web site to the database of relevant listings. Yahoo! charges an annual fee to remain within the directory, while the ODP does not. Google's keyword search algorithms place a substantial amount of importance on the inclusion of a Web site in Yahoo!'s or the ODP's databases, so a keyword search strategy probably should incorporate an attempt for inclusion in these directory search databases.

SEM is not expected to entirely replace other marketing campaign channels, but it can be a very effective and seemingly passive method of reaching potential leads that are actively seeking a specific product or service. Campaigns can be nationally or geographically targeted and can be incorporated on large or small budgets. Most firms utilize a third-party agency specializing in SEM campaigns that can provide tracking and targeting capabilities, as well as the ability to create, test and manage a campaign that can encompass tens of thousands of different keyword combinations. Most importantly, marketers employing SEM campaigns should make sure their Web site links work, the sales channel is operating correctly (be it a handoff to an agent by phone or e-mail or an e-commerce transaction), and the Web site is appealing and easy to navigate.

This article is excerpted from The Keystone Equities Group's recently published SEM white paper entitled "Search Engine Marketing 1.0: The Importance of Being Found."

MAIL WITH ATTITUDE TO MAXIMIZE MARKETING ROI

BY SANDY McCRAY AND PETER STEIN

This article is based on a presentation made by Sandy McCray and Peter Stein at the 2004 summer conference of the Professional Insurance Marketing Association (PIMA).

In today's world, it is the intangibles of life that are considered signs of success, and it is attitudinal data that are keys to successfully marketing an intangible product such as insurance. With the change in consumer attitudes has come a change in the direct marketing landscape. Direct marketing has gone from a fertile, prospecting orchard, to a relative drought land where marketers have to work a lot harder to identify and cultivate good prospects and to achieve lifts in response. This has never been truer than it is right now in the insurance and financial services industry.

On one hand, marketers have developed more sophisticated methods for acquiring and retaining the right customers. Through sophisticated modeling and cooperative databases, they've maximized mail order universes, allowing access to the right households, but the gains being achieved are growing smaller and smaller. This is the result of the absence of a critical element of the marketing equation: understanding the hearts and minds of the consumers. To make an ever-critical emotional connection, marketers must understand the values and attitudes of the people with whom they seek to develop and maintain relationships.

Why is this connection so important? It may be painfully obvious, but consumers are increasingly resistant to marketing messages. The poster child for this resistance is the Federal Do Not Call (DNC) Registry. Many industry supporters and veterans complain that the DNC list is duplicative of the state lists and DMA's Telephone Preference Service, *but that's not the point.* More than 62 million consumers have seen the DNC list as an opportunity to communicate their displeasure with marketers' methods and practices. THAT is where marketers – regardless of industry – should be focused. These consumers, roughly the same number who bought through a telemarketing channel over the last 12 months, took control – and they sent a message that all marketers need to hear. Consumers told us that we're no longer communicating to them in the right way, not offering them what they want. And they aren't going to accept it anymore.

The Challenge: Getting into Consumers' Heads

Consumers' heads are in a different place today. The acquisition of "stuff" has lost its allure, replaced instead by a desire for experiential buying. What's more, consumers KNOW how much marketers know about them, thereby changing their expectations. They're still willing to provide information, but they now expect to get something in return for it.

What's the reason for consumers' changes in attitude? Shifting personal priorities coupled with the tremendous overload of marketing messages coming at them in a multitude of media formats. The bottom line: consumers are tired of tactics and ploys, and they're taking matters into their own hands. Unless marketers do things differently, consumer displeasure and push-back will only get worse.

So what are insurance and financial services direct marketers to do? First, they need to dig deeper than ever into customers' lives to understand what motivates and inspires them. What are their core values? What is important to them? Next, they must apply those attitudinal insights to database initiatives.

| CONTINUED ON PAGE 20 |

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| MAIL WITH ATTITUDE ... CONTINUED FROM PAGE 19 |

Smart marketers are creating messages and offers that spark an emotional connection with consumers. Only by delivering relevant messages and leveraging individual attitudes, motivations, values and passions will a marketer get into the hearts and minds of today's consumer and influence a purchase decision.

Reaching Hearts and Minds with Attitudinal Versioning

As an example, many aging baby boomers with children are concerned with saving for their children's educational needs. Demographically, these targets are hard to distinguish – similar ages, presence of children, and the like. However, within this target exist some unique groupings of customers with underlying views of the world that are quite different. By targeting and messaging to them differently, response rates increase.

For instance, a group of boomer parents we have identified as "new traditionalists," are optimists, are very socially active and community focused. They like to provide their children (and themselves) with cultural experiences. This group researches purchases in a variety of ways before buying, so information-rich communications highlighting price – in addition to benefits, brand and company reputation – are important when crafting a marketing message to them.

On the other hand, "family centereds," another boomer parents group, aren't as connected to new trends/styles and are, therefore, not interested in big excitement. Rather, they tend to be more focused on protecting their families and providing for loved ones. Name brands aren't as important to them as a straightforward offer that demonstrates how the financial services product cares for their family. And interestingly, if that product fills a specific need, the "family centereds" will not be as price sensitive as "new traditionalists." As you can imagine, speaking to these two distinct groups requires different messages, tones and creative executions.

At a tactical level, versioned direct mail pieces can be developed for an insurance offer targeting various groups. To "new traditionalists," for example, a direct mail envelope might read, 'Just rewards for safe, responsible drivers like you… save $200, $300, or more on your auto insurance!'

To target "renaissance masters"– an attitudinal group comprised of mature consumers that are outgoing and active – a marketer would be wise to focus on reliability, quality, knowledgeable sales people and solid service, which will win out over a lower price. The envelope teaser copy here might read, "Now it's time for you to cash in on your long-term clean driving record…your financial responsibility…your ability to recognize value and quality."

The letter targeting "renaissance masters" would encourage the prospect to call a service representative to get the individual service attention they want and need. The "new traditionalist's" letter, however, would drive prospects to the company's Web site to gather the details needed to make a purchase decision.

The versioning may seem subtle, but in our experiences, direct-marketing campaigns following the best practices of attitudinal versioning and targeting have created lifts in response from 15 percent to 60 percent and more!

The insurance and financial services environment of today may be challenging, but not an impossible place to play and win. Those marketers that get consumers to respond through an emotional or attitudinal, appeal – one that goes beyond the benefits of insurance to the intangibles that solve life problems – will be the ones to succeed.

PRENEED INSURANCE

BY ERIC BROEDEL

Nontraditionally marketed products often are thought of as being direct-marketed, e-marketed or bank-marketed (to name a few channels). It is easy to forget, sometimes, that preneed products fall under the NTM umbrella as well. As it is not something encountered in every company, perhaps the preneed market deserves a bit of introduction. But what is preneed insurance? To help understand this lesser known nontraditionally-marketed form of insurance, let's look at the following example.

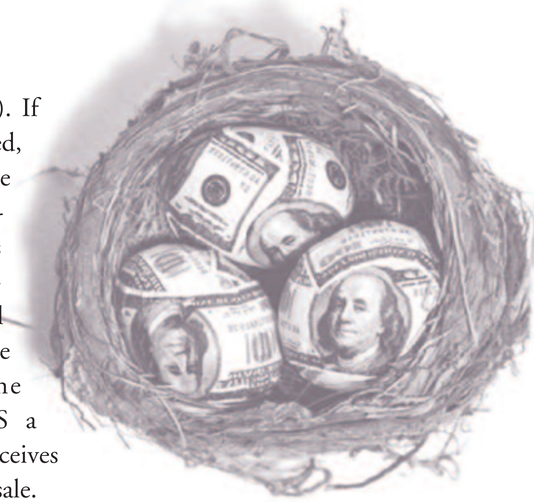
What is Preneed Insurance?

Because he either knows he's ill or he simply doesn't want to burden his loved ones when the inevitable happens, Joe goes to his local funeral home to prearrange his funeral. He selects the goods and services with the help of his funeral director (casket, plot, ceremony, etc.). He either pays for this up front or in installments. The funeral director often guarantees that when Joe dies, he will get everything he selected, regardless of what actual costs are at the time of death. Even if he doesn't guarantee the funeral, the funeral director would like to be able to fulfill Joe's wishes since the alternatives are: (a) go back to a grieving family and ask for more money, or (b) offer an inferior package, or (c) eat the cost difference. The goods and services and delivery thereof are spelled out in a preneed contact between Joe and the funeral home.

It is important then for the funeral director to find a way to be sure that Joe's actual payments are sufficient to cover the actual costs at the time of death (i.e., he needs an inflation hedge).

There are two main ways he does this: (a) put Joe's payments into a trust and hope it grows sufficiently, or (b) use Joe's payments to buy a preneed insurance policy.

One of the main reasons that trusts are used is that funeral directors don't want to deal with the requirements to be a licensed life insurance agent (e.g. continuing education). If a preneed policy is used, then mechanically Joe purchases the insurance policy and does an irrevocable assignment to the funeral home. Under these circumstances, the funeral director IS a licensed agent and receives a commission for the sale.



This is different from final expense, which is often confused with preneed. Final expense is a small level face amount policy sold by an agent to a policyholder, so there will be funds available to cover final expense at death. There is no underlying preneed contract; the beneficiary can use the death benefit for whatever he chooses.

Typical Product Features

The typical preneed insurance product is a limited-pay traditional whole life product with increasing death benefits. Specific features are discussed below.

1. Underwriting

The product is usually available on a pure guaranteed issue or a simplified issue basis. The guaranteed issue version asks no health questions, while the simplified issue version only asks three to five questions designed to weed out the near term deaths. Typical questions cover recent heart, kidney or liver problems, cancer, Parkinson's or ALS.

2. Average Size

Average size is around $5,000. The funeral director typically has two options (1) use all of Joe's payments (which equates to his current funeral cost) and buy a policy with an initial face amount a little higher than the current cost, or (2) charge Joe a little less than actual cost and buy a policy with an initial face amount equal to current cost.

3. Premiums

About 60-70 percent of sales are single pay. Three, five, seven and 10 pay are also used, although some

| CONTINUED ON PAGE 22 |

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| PRENEED INSURANCE ... CONTINUED FROM PAGE 21 |

companies only offer multi-pay on a simplified issue basis.

Anything longer than a 10 pay is very rare. Premiums are almost always unisex. Single premiums are nearly equal to the underlying face amount and total premiums paid may actually exceed face amount for multi-pay plans.

December tends to have a low incidence [of deaths] followed by a spike in January... many imminent deaths tend to hang on for Christmas and one last family get-together or to see the start of one more year.

4. Death Benefits

Death benefits are the initial face amount increasing over time with inflationary increases. These increases can be guaranteed but are normally discretionary. Even if increases are discretionary, companies try to credit enough to keep up with inflation. Once an increase is given, it cannot be taken back. A few states mandate that these increases be guaranteed and linked to an index (e.g. Michigan-Detroit CPI). Most companies include a limited death benefit in the first couple of years on guaranteed issue sales. Normal limits are a return of premium for at least six months, increasing to full face over time. Limits are in place for at least one year for a three-pay plan, and two to five years for longer pay periods.

5. Commissions

Commissions are almost always paid at issue as a percentage of face amounts, although there are some companies that pay as premiums are received. They are almost always charged back on first-year terminations.

Critical Assumptions

The most critical assumption, as one would guess, is mortality. This business, once written, is not interest-sensitive, since the underlying policyholder has already purchased his funeral and has no incentive to surrender his policy. The interest-sensitive part of this business is new sales. It's a very competitive market so if discretionary growth rates drop below competition, sales may go elsewhere.

Mortality varies dramatically between guaranteed issue and simplified underwritten business. Underwritten business comes in around 75-80 percent of census mortality (e.g., the U.S. Life Tables) grading to 100 percent over five to 10 years. On the other hand, single-pay guaranteed issue averages about 300-400 percent in the first year, grading to 100 percent over five to 10 years. Multi-pay guaranteed issue is even worse and can range as high as 800-1,000 percent or even higher in the first year. That's why the limited death benefits are a crucial part of the product design in the early years.

You also will see first year deaths on guaranteed issue business heavily skewed to the first few months. As much as 60 to 70 percent of total first year deaths can occur in the first five to six months. Finally, there's also a seasonality factor. Winter months typically have more deaths. One interesting trend is that December tends to have a low incidence followed by a spike in January. As you probably could guess, many imminent deaths tend to hang on for Christmas and one last family get-together or to see the start of one more year.

Evaluating Profitability

The best way to analyze results is to view this product from a source of earnings perspective. Statutory profit is defined by the following:

Interest Margin
\+ Mortality margin
\+ Surrender margin
\+ Expense margin
– FIT
– Cost of capital
= Statutory gain

Each of these is discussed below.

1. Interest Margin

This is equal to the difference between investment income on assets supporting reserves and the combination of tabular (valuation) interest on reserves and the inflationary credits given to total death benefits. A typical product will actually have a negative gain such as the following:

6.0 percent investment earning rate
– 4.5 percent valuation rate
– 2.5 percent death benefit growth
= (1.0) percent

For products where the death benefit growth is guaranteed and reflected in the projected benefits used to calculate statutory reserves, the death benefit growth term above would be excluded and a positive gain would result.

It is also worth noting that while it is customary to view it this way, the actual gain is even lower since death benefit growth is applied to death benefit and not to reserves. Reserve levels are typically about 70 percent of death benefit.

2. Mortality Margin

This is defined as the difference between tabular (valuation) mortality and experience mortality.

For guaranteed issue business, it is negative in the first few years, then slightly positive thereafter. For underwritten business, it is slightly positive in all years.

Although it is not common, some companies, use a substandard valuation mortality on guaranteed issue plans, recognizing that actual early year experience mortality is far worse than standard valuation tables.

3. Surrender Margin

This is defined as the difference between cash value paid on surrender and reserve released. For the typical product, this is a zero gain/loss in all years.

Since surrenders are usually not an issue with this business, it is common to set cash value equal to reserve, both for administrative ease as well as for tax efficiency as discussed in the FIT section below.

For indexed business where Actuarial Guideline XXV requires prefunding some future death benefit increases, the cash value will not prefund due to Section 7702, and there will be a gain on surrender.

4. Expense Margin

This is THE source of earnings for preneed products. It is defined as the difference between gross premiums charged and the sum of (a) tabular (valuation) net premiums in the underlying reserves and (b) expenses incurred. It is typically 30 percent of single premiums and 40-70 percent of multi-pay premiums.

5. Federal Income Tax

Normal FIT (excluding DAC tax) is typically a company's effective tax rate time pretax earnings. This is because by setting cash values equal to statutory reserves (as mentioned above), it follows that tax reserves will also equal statutory reserves.

For products with cash values that are lower than statutory reserves, the tax reserves will also be lower than the statutory reserves, creating a tax inefficiency.

Since this business is limited pay with a high proportion of single-pay business, premiums are large and there is a significant DAC tax impact. One mitigating factor is that a lot of preneed is sold on a group form so that the lower 2.05 percent capitalization rate applies.

6. Cost of Capital

If using an RBC approach to required capital, the product generates a large initial cost (because of the C-4 factor applied to the high premiums), which is then released rather quickly. The C-2 component is small since reserves are high and thus net amounts at risk are low.

7. Statutory Gain

Statutory gain, then, is the net of the above margins. It's worth noting the various earnings patterns for single pay / multi-pay / discretionary growth / guaranteed (indexed) growth products. The typical pretax patterns are briefly described below.

(A) Discretionary Growth / Single Pay

This scenario is characterized by a large gain in the first year (heavy load) followed by losses thereafter (interest margin).

| CONTINUED ON PAGE 24 |

| PRENEED INSURANCE … CONTINUED FROM PAGE 23 |

(B) Discretionary Growth / Multi-Pay

In this situation there is usually a first year loss, followed by gains through the remaining premium paying years, followed by losses thereafter. The first year loss is caused by the large commission paid wholly at issue. The subsequent gains are from premium loading with the losses thereafter from the interest margin.

(C) Guaranteed (Indexed) Growth

The patterns are similar to those for discretionary growth except for (a) a large first-year hit due to prefunding in the reserve, and (b) the interest margin losses are replaced by interest gains.

You should also note that all of this discussion is based on the current investment environment. When these products were first introduced, net earnings rates were 7-8 percent or higher, so the interest margin was positive. Unfortunately, this market can't make the needed drop to death benefit growth rates to keep pace with falling investment rates. Similarly, because of the history and competitiveness of this market, it's equally difficult to alter commission levels or to spread them instead of paying them up front.

What does all this mean? Very slim profit margins.

Typical margins (PV profit as a percentage of funeral value sold) after-tax and cost of capital are 1 percent or less on single pay and 3-5 percent on multi-pay. This also can vary significantly by issue age.

Even though overall margins from issue may be positive, the earnings pattern can be a cause for concern. As the earnings patterns described above suggest, when you look at a block of business, the "future profits" decrease significantly and even turn negative as the block ages. Profits are generally made during the premium period with losses thereafter.

Summary

This is a brief overview of preneed insurance and its pricing. It touches on the high points, providing a flavor for the market. For those unfamiliar with preneed business, hopefully this article suffices as an introduction to this lesser known, nontraditionally marketed product.

MANAGERIALLY SPEAKING

BY MARCEL GINGRAS

In previous editions, I've noted one factor that inhibits the effectiveness of organizations is the absence of good control over internal meetings. I am sure many organizations do an excellent job controlling meetings; however, I have seen several organizations that lack the discipline to optimize time spent in meetings. This article summarizes the issue, identifies some symptoms to watch for and identifies tangible actions that can be taken to bring control over financial resources being invested in meetings.

Why is This an Issue?

Meetings are not bad, per se. In fact, they are a very good way to communicate, arrive at decisions with proper input and create a shared mindset within the organization. In fact, physical meetings may be much more efficient than e-mail meetings, which may also be time consuming, create unnecessary communication problems and ineffectively deal with issues.

Meetings sometimes lack the proper structure and discipline that may exist for other activities in the organization. Most companies need to set clear spending guidelines when it comes to hard cost items where a physical disbursement needs to take place. However, when it comes to meetings many organizations are reckless at accounting for the meeting's cost and holding people accountable for the results. In reality, every day there may be thousands of dollars wasted on meetings that do not need to take place, meetings that last too long, meetings attended by too many people or worst case scenario, meetings that fail to produce any tangible results.

The unspoken feeling is that as long as it is an internal meeting, there is no cost to the organization, as people are paid regardless of the way they use their time. In reality, internal meetings pose a great cost to the organization. Organizations could operate with fewer people in the absence of wasteful meetings. They could be more effective dealing with other issues or people could simply shorten their work day and be less exhausted from spending long days in the office. If people are not exhausted, they can be more creative.

Some senior people are so booked up in meetings that they have little time to do their job and deal with client issues and employee issues. For many people, corporate life is an ongoing flow of meetings during the day followed by a mad rush back to their office to make or return phone calls, late departures for dealing with crisis situations and evenings or weekends spent at catching up on e-mails that have piled up while they were sitting in meetings. Hence, any positive step toward improving management of meeting time is likely to produce a huge incremental impact on the effectiveness of any organization.

In reality, every day there may be thousands of dollars wasted on meetings that do not need to take place.

Some Symptoms that You May Have a Meeting Issue

I am sure that every one of you has been in contact with organizations where people are totally unreachable. Essentially, the answer is that people cannot be reached because they are in meetings. The problem is too many meetings that last too long. If one can cut 25 percent of meetings and cut 25 percent of the time in each meeting, this is a 44 percent time savings in meetings. Even a 10 percent/10 percent reduction (quite achievable) is a 19 percent reduction in time spent in meetings. So, if people are always in meetings, maybe they don't need to be!!

Another symptom of an issue with meetings may be obvious if you attend too many meetings where the material is not organized, people are not prepared, there are no stated deliverables for the meeting, you never see minutes, etc. A good clue that you have a major problem is when you attend a meeting and people have a problem determining who exactly called the meeting and who is running the meeting. If this has never happened to you, you are very fortunate indeed.

Finally, if you are invited to meetings with no end time, it may be an indication that people should have more respect for other people's time. Again, I have

| CONTINUED ON PAGE 26 |

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| MANAGERIALLY SPEAKING... CONTINUED FROM PAGE 25 |

seen this on several occasions, especially in meetings where I had limited control over imposing an end time; as you may guess these were meetings called by more senior people or people from other parts of the organization.

Tangible Actions to Optimize Meeting Time

There are several ways to attempt to make more effective use of meeting time. I have indicated below some of the practical ways, and in the next section, I have attached a real-life example of meeting guidelines sent to one of the organizations for which I was responsible.

1. Tighten up controls over who can call meetings and accountabilities for time spent in meetings. At some point, I had toyed with the idea of asking people to identify the cost of specific meetings based on per-hour charges. We abandoned the idea because it was too complex. However, if people had to explain why they incurred a $2500 charge for a three-hour meeting or if their budget was accountable for the expense, I am sure meeting time and number of attendees would be reduced.

Have an agenda with beginning and end times for each item...it provides a sense of joint responsibility to stay on schedule.

2. Have an agenda with beginning and end times for each item. It does not mean that the meeting has to unfold exactly as scripted; however, it provides a sense of joint responsibility to stay on schedule. I introduced this with a board of trustees with high-level outside board members. At first, they thought it was strange and then they liked it as everyone understood when the meeting had to finish, and it helped plan the meeting content and their departure time.

3. Tighten up time allocation and encourage people to have a clear idea of the expected outcome. When running internal management meetings, sometimes we had people from lower down in the organization requesting to cover a specific item in person. Typically they would ask for 45 minutes out of three hours. The first step was to ask them to do it in 15 or 20 minutes and when they came to the meeting I would ask them to state clearly the purpose of their presentation and the expected outcome, i.e., information only, request for feedback or immediate decision, etc… This avoided having chat sessions as opposed to working sessions.

4. Have a clock in every meeting room. It seems too simple, but it works. Many people just lose sight of the time and at some point people realize they are out of time; at that point, people start leaving, there is no conclusion to the meeting and another meeting gets called two weeks later to continue the discussion.

5. Send a clear message to people that it is acceptable to decline to attend certain meetings. At some point, we issued meeting guidelines and told people that they could decline attending meetings if they only had a marginal contribution to make, and use colleagues or minutes to obtain the information they needed. All of a sudden, attendance at meetings started to decline as people started making a judgment on cost of attending versus expected benefits.

An Example

As mentioned previously, in one organization I was responsible for we had issued fairly detailed guidelines to help people assess the way they conducted meetings and also the need to attend such meetings. I have reproduced on the following page the covering memo, which provides a pretty good idea of the message we were trying to send to the organization.

Conclusion

Organizations are always looking for quick methods to increase their profitability and effectiveness. In

MEMO

RE Meeting Management
FROM Marcel Gingras

It's said that the only certainties in life are death and taxes… but most of us would probably add "meetings" to that list. While we can't escape the first two items, there is a lot we can do to manage meetings within the organization.

Meetings carry a heavy price tag, both from a financial and a productivity perspective. They cost so much per person, per hour, plus fixed costs, and the "productivity lost" costs are equally large. While you're attending meetings, your work is piling up and you can't take phone calls — which means often you work late to play catch-up.

We believe that meetings are an important tool to help us achieve our overall business goals and objectives. As part of our focus this year on improving leadership and management capabilities, the Leadership Team has adopted the following practices in order to establish consistency in our approach to meeting management.

Philosophy Regarding Meeting Management

- *Be discerning* – About the need for meeting; plan meetings with a purpose.
- *Prepare* – Release an agenda 24–48 hours prior to a meeting and clearly indicate any advance preparation that needs to be done.
- *Arrive on time* – With advance preparation done, and be ready to participate.
- *Finish on time* – Even better, aim to finish each meeting 15–30 minutes early.
- *Involve everyone* – As a meeting leader, ensure that you involve all participants and pursue opportunities to solicit input.
- *Participate* – As a participant, feel free to ask about the purpose of a meeting, the agenda, your role, etc. Be prepared to participate and be involved.
- *Eliminate* – Limit attendance to only people who need to attend. Don't hesitate to speak up if you feel you or others do not need to be involved.
- *Question* – The need for any meeting held on a regular basis or agenda topics that are the same, meeting after meeting.
- *Document* – Ensure someone is acting as a meeting recorder/scribe, who will then issue follow-up action items, accountability assignments, timelines, etc., ideally within 48 hours after a meeting.
- *Go with the flow* – Formal meetings that are well planned are important. So are informal meetings that "just happen." Know which type of meeting will best serve your purposes and achieve your results.
- *Silence is acceptance* – If you can't attend a meeting, provide input in advance. If you don't provide input, people will assume you are in agreement.
- *Support the outcome* – Often the goal of a 100 percent consensus is neither reasonable nor realistic. In such situations, strive for an 80 percent solution, 90 percent consensus and 100 percent commitment. Remember, whether you're in agreement or not, it is important to publicly support the group efforts.

We strongly encourage you to review these guidelines and carefully consider how they can be applied to how you manage your involvement in meetings. Hopefully this will give you an opportunity to consider your meeting schedule and make some changes.

many organizations, especially head office organizations or service type organizations, the human resources costs constitute a major expense item. For organizations in which people spend a significant amount of time in meetings, it might be wise for management to pay some attention to how such a significant time consuming item is being managed.

NONTRADITIONAL MARKETING SESSIONS AT THE 2004 NEW YORK ANNUAL MEETING

DO NOT CALL/E-MAIL LEGISLATION UPDATE

Session 10PD

BY CHRIS HAUSE

Those of you who were fortunate enough to sit in on this session were treated to an informative and enjoyable update on this and related privacy regulations and how companies are addressing them.

The session was moderated by Jay Jaffe, who set the tone early for a relaxed and easygoing discussion.

The first speaker was Jon Hamilton, who is CEO of Authtel, LLC. He started with a brief history of telemarketing. He pointed out that telemarketing has always been with us, but predictive dialers changed the game (and volume) entirely. In response to limited reaction at the federal level, states began to adopt their own DNC legislation, prompting the national DNC list, which now contains 63 million numbers. While the end result is a reduction in telemarketing, certain other effects have been felt. First, although volume is down, response rates are up. Also, use of other media has increased.

The second speaker was Clayton Reeves of Aegon Direct Marketing. Reeves related some of the effects of the DNC list on his operation and shared some experiences and statistics. Reeves's area makes use of existing business relationships (EBRs) whenever possible. He pointed out that the combination of prohibiting cell phone calling and number portability has caused a problem. By utilizing cell number lists and permission marketing, this problem can be overcome. Reeves reported that the ultimate effect of DNC thus far has been a lower volume of sales and increased compliance costs.

The third speaker was Tara Reynolds, vice president of customer marketing at Prudential Financial. Reynolds discussed how DNC affects traditional agent relationships and conservation programs. Reynolds's response to DNC has been proactive, developing a customer marketing strategy that addresses an effective method to contact "vulnerable" and high-value "orphaned" policyholders. In addition, Prudential has learned how to make better use of the millions of daily contacts that policyholders make to promote service and additional sales.

Jon Hamilton took the podium at the end to discuss the idea of "permission marketing." The main limitations to this approach are that for telemarketing, it must be in writing and company-specific. People are also using interactive CD-ROMs that connect through a browser to attract interested buyers. Hamilton concluded by saying that telemarketing is shrinking, but evolving as it becomes more targeted.

BANCASSURANCE — BANK PURCHASES OF LIFE INSURANCE COMPANIES

Session 30CS

BY W. HOWELL PUGH

Steve Lash—Ernst& Young
Jeff Schlinsog—Chase Insurance Group

In his overview, Steve Lash emphasized the importance of distribution, which is the main role a bank can bring to an insurance company partnership. Banks currently have the largest distribution effect in annuities.

As banks expand further, they will use reinsurance to participate in underwriting activities. Lash's chart shows that underwriting fees now constitute about one-third of banks' insurance income.

The ownership of a life insurance company must fit the bank's strategy. It will increase the bank's share of profits while providing increased product control and compliance. It will decrease the speed to market.

Jeff Schlinsog gave us the view of a chief actuary within a large bank, which merged with a larger bank. Of the six largest banks in the United States only two—Chase and Citigroup—have insurance subsidiaries. The current view is that the life insurance subsidiary allows the bank to control the customer experience and achieve higher growth.

FROM WIDGETS TO INSURANCE — APPLYING THE SIX SIGMA PROCESS

Session 87CS

BY W. HOWELL PUGH

Speakers:
David Dickson—Project manager of the actuarial department, GE Insurance Solutions
Michele Weigand—Global new product development leader, GE Insurance Solutions

Six Sigma is a set of problem-solving techniques for good project management techniques (i.e., managing scope schedule and resources) with basic data mining and statistical analysis and prediction techniques.

There are two main methodologies:
Define, measure, analyze, improve and control (DMAIC), which typically is used to "fix" existing processes when there are one or (at most) two ways to measure the capability or success of the process.

DFSS: Design For Six Sigma => Define, measure, analyze, design, optimize and verify: which is typically used to design new products or processes or for redesigning existing processes when there are multiple ways to measure success, some of which may conflict with each other and therefore need to be balanced or optimized.

New products will use the DFSS technique. GE's process is a 14-step procedure. These steps fall into one of four Tollgates: Approval to Proceed, Approval to Build, Approval to Launch, and Post-Launch Review.

GE uses the process for changes to existing products as well. As a measure of Six Sigma's success, they have launched 10 products through October for this calendar year. Currently about 8 percent of their new business is derived from products initiated through Six Sigma.

W. Howell Pugh, FSA, MAAA, is a consultant.
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SIMPLIFIED ISSUE LIFE INSURANCE — CURRENT PRACTICES AND NEXT-GENERATION PRODUCTS

Session 59TS

BY CHRIS HAUSE

The session on simplified issue life insurance was designed to provide attendees with an understanding of the current state of affairs for simplified issue products in the marketplace along with an indication of emerging approaches and process for delivery of simplified issue products.

Allen Klein, Tillinghast-Towers Perrin, and Mark Swanson, Transamerica Reinsurance, provided a first look at the survey results from the recent Society of Actuaries survey of simplified issue products. Twenty-seven companies responded to the survey and Mr. Klein was quick to point out that these results were preliminary and might not be fully representative of the marketplace (This is certainly true for Canada, as there were no Canadian respondents to the survey.) The final survey report will go through a rigorous peer review process before it is published.

The survey was divided into four major sections: product information, underwriting, pricing assumptions and experience and the use of technology. The survey indicated an interesting range of products, features and riders across the 27 respondents. The survey results did not indicate a dominant target market or distribution channel for the programs. This reflects the customized and niche approaches used in this market. A significant portion of the survey covers the selection and underwriting considerations. The prevalence of medical and nonmedical

| CONTINUED ON PAGE 30 |

| SESSION 59 ... CONTINUED FROM PAGE 29 |

information including actively at work criteria, drug and alcohol abuse, avocation, driving record, prescription medication and the use of Medical Information Bureau (MIB) was reviewed in the survey. The assumptions and experience portion of the survey included questions on mortality, lapses, the process for receiving and processing the applications and experience studies including cause of death. The final section of the survey on technology included a review of automated underwriting systems and provided an excellent lead in to the presentation by Michelle Moloney.

Michelle Moloney, Transamerica Reinsurance, followed the presentation of the survey results with a view to the future for simplified issue life insurance. Ms. Maloney outlined how an electronic-enabled underwriting chassis can help leverage the short form insurance application information combined with prescription data, a motor vehicle report, MIB data and credit history to improve and speed the decisions for policies up to $250,000. A key to the change is the use of prescription data to draw inferences on an automated basis. This requires a three-pronged approach:

1. Looking at prescriptions in association to infer a condition from a prescription profile or from a combination of drugs.
2. Looking at drugs in groupings to isolate each individual condition since more than one condition may be receiving prescription treatment.
3. Relating the prevalence of a drug's use for a specific condition. This provides safety checks to be sure the inference from association and group analysis is consistent with isolated use of a drug, and it also helps integrate new drugs automatically since most new drugs are introduced predominantly for one use.

Over 27 percent of the applicants who answered "no" to the questions on the application had a non-benign prescription profile. Further analysis indicates that for 2.4 percent of cases the prescription profiling would affect the decision. Ms. Maloney outlined the structure and process to bring this to the market and included some specific case studies to indicate how the prescription profiling can improve the underwriting decision.

Overall the session was well received with attendance in excess of 100 people. There were some good follow-up questions in both presentations. The survey information will be further reviewed, and a final report will be completed in the new year. Look to a future edition of *NewsDirect* for an in-depth discussion on the use of prescription data with simplified issue programs.

If you have any questions or would like to follow up with any of the presenters, you can reach them through their addresses in the SOA directory. Copies of the presentations are available through the SOA Annual Meeting Web site.

ARTICLES NEEDED FOR *NEWSDIRECT*

The Nontraditional Marketing Council is always looking for interesting and informative articles to publish in *NewsDirect*. Your ideas and contributions are a welcome addition to the content of this newsletter. All articles will include a byline to give you full credit for your effort.

NEWSDIRECT IS PUBLISHED AS FOLLOWS:

PUBLICATION DATES	SUBMISSION DEADLINES
May 2005	February 15, 2005
September 2005	June 15, 2005

In order to handle files efficiently, please e-mail your articles to the newsletter editor as attachments in either MS Word or Simple Text files.

NTM SESSIONS TO BE HELD IN NEW ORLEANS • MAY 23-24, 2005

NTM01 PD
Specialty Track: Nontraditional Marketing

Current Trends in Distribution Channels: "Where are Banks Headed?"

Panel Discussion

Panelists discuss the current status and outlook for bank distribution of insurance products.

Topics covered include:

- How has GLB changed things?
- What products are sold?
- What sales techniques and arrangements are used?
- Banks owning insurance companies – experiences
- Insurance companies owning banks – experiences

Attendees gain an understanding of new developments in bank distribution of insurance products.

NTM02 PD
Specialty Track: Nontraditional Marketing/Product Development

Current Trends in Distribution Channels: "New Underwriting for a New Millenium"

Panel Discussion

APSs and fluids are soooo 20th century! This session explores new underwriting criteria including the following topics:

- What's new in simplified underwriting?
- Speed to decision
- Electronic databases
- Tele-underwriting
- Prescription drug underwriting
- Additional UW as face amounts increase
- Results analysis: actual to expected underwriting (meeting your pricing assumptions)

- Implementation, processes and workflow.

Attendees gain an understanding of new developments in underwriting and underwriting automation.

NTM03 SM/BG
Specialty Track: Nontraditional Marketing

NTM Hot Breakfast: Current Trends in Distribution Channels: "What's the Buzz?"

This session is an open forum with "table topics" based on various distribution channels.

Topics discussed include:

- Where are banks headed?
- What's new in simplified underwriting?
- Direct Marketing – What's new in products?

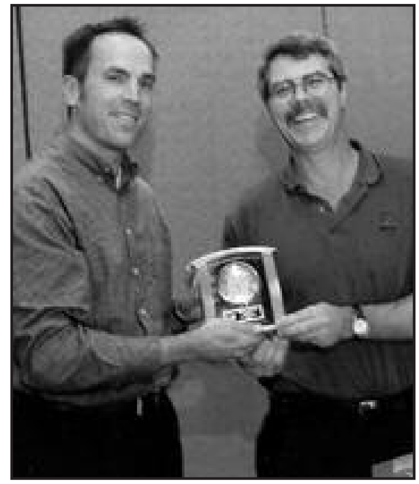
Attendees have the opportunity to join those with similar interests to discuss current trends and issues.

LIVE FROM NEW YORK!

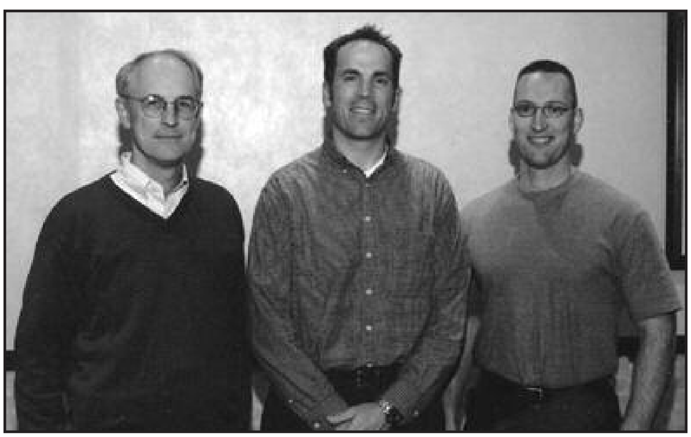
Gathering at the SOA Annual Meeting in New York, the Nontraditional Marketing Section Council and Friends posed for the camera.

STANDING - LEFT TO RIGHT - JOE BRENNAN, STEVE KONNATH, NANCY MANNING, LEONARD MANGINI, VAN BEACH, IAN DUNCAN, LOIS CHINNOCK (SOA SECTIONS MANAGER), JAY JAFFE

SEATED - LEFT TO RIGHT - ROB STONE (2004-2005 SECTION CHAIRPERSON), JULIET SANDROWICZ, CHRIS HAUSE (2003-2004 SECTION CHAIRPERSON), BRIAN LOUTH, DIANE MCGOVERN (2002-2003 SECTION CHAIRPERSON)



Thanks, Chris! Rob Stone, incoming section chairperson, presenting a gift of appeciation to outgoing chairperson Chris Hause.



The new Nontraditional Marketing Section officers - left to right - Ian Duncan (secretary/treasurer), Rob Stone (chairperson), Van Beach (vice-chairperson).

Enjoying the section's traditional wine and cheese reception – left to right – Ian Duncan, Jack Luff (SOA Staff Fellow) and Juliet Sandrowicz.