Society of Actuaries

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FEATURES

BY BRIAN L. LOUTH, EDITOR OF THIS ISSUE

SPOTTING GREAT QUOTES FROM THE PAST

The other day in preparing for a presentation I came across a great quote on change by George Bernard Shaw, "The only man who behaved sensibly was my tailor, he took my measurements anew every time he saw me, while all of the rest went on with their old measurements and expected them to fit me." With only slight modifications to the words I can quickly spot the opportunity for this to apply to just about anyone, especially if you are developing a new product or launching a new marketing program.

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Change is certainly a theme to embrace in this edition of *NewsDirect*. From Chairperson Rob Stone's plans for the Nontraditional Marketing Section and how we integrate with the new look of the SOA, to doing things differently by assessing Trends in Direct Marketing, fitting programs to targeted cohorts, telemarketing in the do-not-call list environment, leveraging brand advertising with direct response, integrating interactive voice messaging technology and even finding ways to work effectively with attorneys when they review marketing programs.

The Product and Process Innovation awards are all about embracing change. Looking at what is going on and finding a new angle that builds success requires a 'sensible tailor' as Shaw would say. This year three entries were recognized at the Professional Insurance Marketing Association annual meeting. Jay Jaffe has summarized them in PIMA = 12 Dogbones. Take up the challenge and build an entry to the 2005 awards.

Think back to the words of George Bernard Shaw. Have you really taken the new measurements to try to make something fit, or are you trying to figure out why it just doesn't fit anymore?

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.

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BY ROB STONE

THE ESSENCE OF NONTRADITIONAL MARKETING

Your section council finds itself at an interesting point in time. The Society of Actuaries is undergoing structural change and has asked each section council to restructure section activities to reflect the redesigned vision of the Society. (A brief overview of this was included in the Chair's piece for the last newsletter.) It just happens that this change coincides with a time of introspection within the section. Over the last few years, the NTM Section, or at least the NTM section council, has become interested in increasingly diverse topics. This interest has led the council to the collective question, "Who are we?" It's possible that our section is not the only one doing this kind of introspective thinking. Reasoning for this statement lies in the fact that, like NTM, other sections have interests that overlap those of a second, third or fourth section. Despite areas of overlap, there appear to be countless topics outside the stated focus of any section.

Before anyone thinks this is going to devolve into philosophical ranting, permit me to ask a different question. What does nontraditional marketing mean to you? In my opinion, it has historically meant looking at distribution channels other than agent-sold business: banks, worksite, Internet/e-commerce, preneed markets and credit insurance to name a few. Let's stop for a moment to consider these. It could be said that the bank channel has become common enough to border on traditional. Likewise, a process like simplified issue underwriting, which has been a key part of several of the channels listed above, is quite prevalent in agent-sold business as well. Internet marketing, which in its infancy was about how to get 100 percent completion of the sales process online, is now more about effectively using the Internet to facilitate the sales process in whatever way makes sense. At the same time, agents routinely make arrangements to offer product in banks and at the worksite. It would seem the line between traditional and nontraditional is somewhat blurry.

A reverse line of thinking is also worth pursuing: we have focused on nontraditional marketing in our section, but where is the focus on traditional marketing within the SOA? None of us would deny that one of the significant trends in all types of insurance and financial products in the last 25 years has been the growth in marketing and related customer-focused services. The growth of marketing functions within the industry has occurred simultaneously with (not to imply causality) a relative de-emphasis on the financial management and risk management functions historically performed by actuaries. If actuaries are to continue to play a meaningful role in the future, we need to become more involved in the marketing side of the business. We can no longer leave this vital function to be split up among multiple SOA sections (at best) or to be mutually exclusive with the realm of actuaries (at worst).

The growth of marketing functions within the industry has occurred simultaneously with a relative de-emphasis on the financial management and risk management functions historically performed by actuaries.

Your section council is considering these very issues. There seems to be a wealth of interesting topics to address with respect to not only the various channels in which products are distributed but also the many different processes, technologies and innovations that make product offerings possible. And perhaps at a time when the Society of Actuaries is asking our section to reorganize, it is also a good time to consider closely what our section wishes to pursue. It may be that some section refocusing should coincide with the new structure. As the council winds through its discussions on these issues, don't be surprised if you find that some nontraditional thinking has led to a new mission and moniker.

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TRENDS IN DIRECT RESPONSE MARKETING

BY PATRICK T. LEARY

Direct response marketing has been an integral part of financial services distribution for many years. However, recent changes in the regulatory environment, advances in technology, and changing consumer preferences have caused direct writers to rethink their marketing and distribution strategies. LIMRA International and JCG Group, Ltd. recently joined forces to survey top direct response life and health insurance writers to explore these issues. This article summarizes some of the results.

Industry Trends

There are many industry trends that impact direct distribution. While some trends point to a more receptive market and enhanced business efficiencies, others present challenges to direct marketers. Most of the trends that will have a positive impact on direct distribution have a common theme—technology (Table 1). Technology will play a major role in the marketing and administration of business sold directly, generating cost-savings and building efficiencies for sales and service. Straight through processing—the electronic illustration, application, processing, scheduling and issuing of a policy with minimal human intervention—has the potential to streamline business processes and result in increased savings.

Many carriers feel that changing demographics will also have a positive impact on direct marketing. The aging population plays into the hands of direct marketers as older consumers are more likely to buy insurance products—especially life insurance products—through a direct response method. Changing lifestyles also make consumers more likely to consider a direct response approach. Consumers are strapped for time and it has become more difficult and less convenient for consumers to purchase insurance face-to-face "over the kitchen table." This is especially true of middle-market consumers as traditional distribution channels have focused their efforts on affluent markets, leaving a large underserved middle-income market. Direct methods provide the opportunity for these consumers to purchase the insurance coverage they need on their own terms.

The continued decline of the career agent channel is seen as providing more opportunities for other distribution methods. According to LIMRA research, sales of individual life insurance by affiliated agents now represent less than 40 percent of first-year premiums. While sales through affiliated channels have declined, sales through independent agents, securities reps, banks, worksite and direct response have increased. There has been a decline in the overall number of career agents and companies have exited career distribution in favor of other channels. Those still distributing through career agents now have a smaller field force under contract. These trends, therefore, provide an opening for direct response and other forms of distribution.

IMPACT OF VARIOUS TRENDS ON DIRECT DISTRIBUTION
POSITIVE TRENDS

	NUMBER OF COMPANIES CITING TREND	LEVEL OF IMPACT		
		MAJOR	MODERATE	MINIMUM
Straight through processing (STP)	19	7	10	2
Technological advances (marketing)	19	8	10	1
Technological advances (underwriting)	19	8	10	1
Technological advances (administrative)	18	4	10	4
Improvement of carrier Web sites	18*	5	4	8
Changing of U.S. population demographics	16	4	9	3
Continued decline of career agent force	16*	2	10	3

* One company did not specify the level of positive impact for this trend

TABLE 1

The trends that will impact the direct channel negatively are most often related to the regulatory environment. With the emergence of consumer privacy/ "opt-out" legislation, a National Do-Not-Call list in addition to a number of states' existing Do-Not-Call legislation, many feel that these regulatory issues will significantly impact the direct response industry. However, DNC has been a non-issue for many companies so far. Companies may have been ahead of the curve in anticipating legislation and have adjusted their practices accordingly. Many may have avoided using contact centers in their insurance distribution strategy, and instead focused on other methods of direct distribution. Therefore, DNC is not an issue for these carriers. Some feel that Do-Not-Call Legislation will actually enhance marketing efforts, providing a more focused list of prospects; outbound efforts would not be wasted calling consumers who do not wish to be solicited over the phone.

The Impact of Technology

Technology has played a major role in the marketing and distribution of financial services products. As mentioned earlier, advances in technology is the trend that many feel will have the greatest impact on the marketing and distribution of financial products directly. Two areas in particular—the Internet and straight through processing (STP)—are playing crucial roles in the direct efforts of many carriers.

The Internet

While the typical profile of an Internet user now reflects that of the general population, insurance purchased over the Internet has been slow to emerge. One of the great challenges in marketing directly is getting consumers to recognize the need for insurance. This issue clearly exists for Internet sales. Carriers marketing auto and homeowners insurance are having more success as these products are better understood by consumers. Products such as life insurance continue to be a struggle. LIMRA research shows that while consumers will use the Internet to research life insurance, at this time, they are reluctant to purchase life insurance over the Web. They see it as too important a decision to make without consulting a professional. Some carriers and aggregators however have found success in marketing life insurance to niche purchasers who are comfortable buying insurance without consulting a financial advisor. Some position simple offerings to supplement a consumer's existing coverages. This highlights a major challenge for direct carriers: how do you educate and inform consumers to the point where they are comfortable buying life insurance on the Internet without consulting an advisor? How do you get them to identify the need? The more they can learn without consulting an advisor, the more likely they will be to purchase online. Education therefore is an important part of any direct marketing approach. Despite their concerns, carriers are confident about the future of the Internet as both a marketing tool and as a source of sales (Table 2).

IMPACT OF THE INTERNET ON DIRECT RESPONSE MARKETING

	NUMBER OF COMPANIES	
	AS A MARKETING TOOL	AS A SALES SOURCE
Major impact	11	8
Moderate impact	6	8
Minor impact	2	3
No impact	0	0

TABLE 2

CONTINUED ON PAGE 6

| TRENDS ... CONTINUED FROM PAGE 5 |

Straight-Through Processing

Straight-through processing (STP) is the electronic illustration, application, processing, scheduling and issuing of a policy with minimal human intervention. The securities and banking industries are ahead of the curve when it comes to STP due to the transactional nature of their business. Insurance carriers are looking at and have implemented STP to some degree, implementing some, but not all of the individual components of STP (Table 3). Companies have focused on the tail ends of the process: on the front end electronic application, validation and transmission of the application; and on the back end submission for processing and having a status report. Carriers are currently working toward the more advanced components—those involving the application service provider.

From a product perspective, most companies start slowly implementing STP, focusing on their simplest products—such as term life—those that require little underwriting. More complex products can be added once the system is established. In this study, all but one company is at least considering STP, with many having a pilot system in place. Some have already gone "live."

Many challenges surround the implementation of an STP system. Working with carriers' legacy systems makes it difficult to fully integrate STP technology. Resource availability within companies—both financial and technical—is another issue. STP requires coordination among several areas of the company, and this presents a challenge as well. Consumer adoption is a concern, as STP requires the consumer to

The securities and banking industries are ahead of the curve when it comes to STP due to the transactional nature of their business.

STRAIGHT-THROUGH PROCESSING STEPS IMPLEMENTED

	NUMBER OF COMPANIES	
	HAVE IMPLEMENTED	UNDER CONSTRUCTION
Application	11	1
Validation	10	1
Transmission	8	2
Request for EFT	7	2
Background check	4	4
Screening	5	4
Submission	8	2
Status	7	1

TABLE 3

complete the application process electronically. Companies also need to see a measurable return. Technology was oversold in the '90s, and as a result companies now need to see a real measurable benefit before an investment of this magnitude will be taken on. How will STP contribute to the bottom line? Companies need to answer that before moving forward. The current status of e-signatures also presents a challenge. From a regulatory perspective, there is still ambiguity regarding the validity of e-signatures. Many companies do not accept e-signatures at this time, and are waiting until the rules become clearer before implementing e-signature technology.

Conclusion

Direct response marketing will continue to play a major role in insurance distribution. Environmental, industry and other trends point to direct response as a key distribution channel for several product lines. Technology will play a major role in building efficiencies in direct distribution, particularly as it relates to leveraging the Internet and straight-through processing. But technology will also be a challenge as companies struggle with incorporating new processing with existing systems. And those methods that leverage technology will play an increasingly important role in direct distribution. Despite these challenges, direct response will continue to play a key distribution role in the future.

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SOA INTER-COMPANY EXPENSE STUDY:

We're looking for participation from companies focused on nontraditional products and/or nontraditional distribution too!

The Society of Actuaries' Committee on Life Insurance Company Expenses is continuing its series on inter-company studies of expenses. This series of studies began with a study of 2001 insurer expenses for individual life insurance and annuities, subdivided by type of product and distribution channel. A copy of past studies can be downloaded from the Experience Studies part of the Research & Publications section of the SOA Web site.

Its objectives include the development of publicly available inter-company expense benchmarks. We are interested in obtaining expense contributions in several areas of interest to members of the nontraditional marketing section, including those associated with direct response marketing for life insurance and annuities and specialty channels for annuities, including stockbrokers and financial institutions. Only through adequate contributions can these studies provide meaningful information.

We are now seeking contributions for the 2004 calendar year. You can find the description of and data templates for contributions on the Experience Studies part of the Research & Publications section of the SOA's Web site. If you have questions about this study, please call Steve Siegel at the SOA's office or send him an e-mail at *ssiegel@soa.org*. We welcome additional contributions.

Sam Gutterman
co-chair, SOA's Committee on Life Insurance Company Expenses

MARKETING TO MY GENERATION ... AND YOURS

BY CHARLES D. SCHEWE

Editor's Note: This article is based on a presentation made by Charles Schewe, Ph.D. at the Professional Insurance Marketing Association (PIMA) MarkeTTech[SM] Symposium. Schewe is a professor of marketing at the University of Massachusetts at Amherst and a principal in Lifestage Matrix Marketing. He can be reached at 413-256-0914 or schewe@mktg.umass.edu*. Visit the Professional Insurance Marketing Association at* www.pima-assn.org.

Suppose someone asked you to describe what life was like at 18. It's probably safe to say your answer would be peppered with words like "exciting, scary and emotional." But that's where all assumptions end. If you are now 65, then *your* 18 was a whole different ball of wax from that of someone who's now 40. Likewise, today's 12-year-olds will have an 18th year that's different from both.

Furthermore, you have a lot in common with other Americans who hit that milestone year along with you. That's because you all shared the same "defining moments"—say, Pearl Harbor or Kennedy's assassination or the fall of the Berlin Wall. Now, take off your "nostalgia" hat and put on your marketing one. There's money to be made from tapping into the latent feelings and values of the various groups of generational cohorts that make up American society.

The essence of the cohort approach

We are now just understanding the breadth of the impact of shared experiences that happened while we were becoming economic adults, roughly between the ages of 17 and 23. These are impressionable times, times when our social antennae are operating at full throttle. What we experience, and experience with others sharing these late adolescence/early adulthood times in the way of environmental events, creates values in us that we hold with us throughout our lives. We all know of people, now in their eighties, who came of age during the Great Depression and who still save their money. That is the way they faced life during their coming of age times and it is their value still today.

Defining moments, defining markets

Defining moments and markets through cohort analysis provides a way to look at customers not just as flat statistics on a page, but as multi-dimensional beings, motivated and driven by a complex matrix of demographics, physiology and emotion. Generational cohort analysis is the key to multi-dimensional marketing. It provides information about the defining moments and values during a cohort's coming of age experience [defined as the period between the ages of 17 and 23]. These core values typically don't change over time, so they provide a reliable way to connect with people again and again on a very personal level.

But cohort analysis is only part of the picture. There exist five factors that influence buying behavior and which make up multi-dimensional marketing. They are:

Cohort Values

The people who are about our age and with whom we share important life experiences when we were young adults are members of our cohort. These shared experiences help shape our cohort's long-term values, which we carry through life virtually unchanged. And these values color the way we react to the other four factors. Let's take a look at each of these factors and look at how today's Baby Boomer cohort, for instance, might react.

Lifestage

These are the roles we take on, or act out, over our lifetime, such as spouse, parent, divorcee, retiree, and so on. Lifestages define our attitudes, outlooks and daily activities, but different cohorts often react to the same lifestage in completely new ways. Consider grandparenting. If the Baby Boomers gave us "latch key" children, wouldn't it follow that they would be even less engaged with their grandchildren? Or because they missed the chance to nurture their own children, perhaps they will be disproportionately more nurturing of their grandchildren.

Physiographics

These are changes in bodily appearance and function as we age. For example, older people are more likely to suffer from reduced grip strength, while middle-aged people are just beginning to notice gray hair. Do you think those who came of age during the Great Depression would have used botox if it were available to them when they turned 50? They were not fixated on holding on to their youth like today's Boomers.

Emotional/Affinity Effects

Our age affects our attitudes about a wide range of issues. For example, teens tend to worry about their appearance, while new parents tend to put their child's needs ahead of their own. In youth, we strive for independence…and again in toward the end of our lifelong journey. Nostalgic memories for Boomers include reflecting on their days as social revolutionaries while those now in their eighties find nostalgic thoughts of baking bread and cookies.

Socioeconomics

This includes our financial, educational, career, marital and other social and economic states. While important to keep in mind, a person's socioeconomic status tells us little about the underlying motives for consuming behavior. Boomers reaching their peaks in income production surely don't show the concern for saving money that their parents still do!

Cohorts Defined

Now let's look at cohorts and how they impact marketing efforts. Cohorts are groups of individuals born during the same period and "travel through life"—together. With characteristics that are much more significant than birthdates, generational cohorts center on the social events that took place during their "coming of age."

Depression Cohort

(Born from 1912 – 1921; Came of age during the Great Depression; Aged 84 –92 in 2005): This group's coming of age experience consisted of economic strife, elevated unemployment rates and having to take menial jobs to survive. Financial security—what they most lacked when coming of age—rules their thinking.

Nostalgic memories for Boomers include reflecting on their days a social revolutionaries while those now in their eighties find nostalgic thoughts of baking bread and cookies.

World War II Cohort

(Born from 1922-1927; Came of age during World War II; Aged 78-83 in 2005): Sacrifice for the common good was widely accepted among members of this cohort, as evidenced by women working in factories for the war effort and men going off to fight. Overall, this cohort was focused on defeating a common enemy, and their members are more team-oriented and patriotic than those of other generational cohorts.

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Post-War Cohort

(Born from 1928-1945; Came of age after WWII; Aged 60-77 in 2005): These individuals experienced a time of remarkable economic growth and social tranquility, a time of family togetherness, the Korean conflict, McCarthyism, school dress codes and moving to the suburbs. Overall, this cohort participated in the rise of the middle class, sought a sense of security and stability, and expected prosperous times to continue indefinitely.

When you consider the core values of each cohort, you realize that the marketing approaches won't work in the future.

Leading-Edge Baby Boomer Cohort

(Born from 1946-54; Came of age during the turmoil of the '60s; Aged 51-59 in 2005): This group remembers the assassinations of John and Robert Kennedy and Martin Luther King, Jr. It was the loss of JFK that largely shaped this cohort's values. They became adults during the Vietnam War and watched as the first man walked on the moon. Leading-edge Boomers were dichotomous: they championed causes (Greenpeace, civil rights, women's rights), yet were simultaneously hedonistic and self-indulgent (pot, "free love," sensuality).

Trailing-Edge Baby Boomer Cohort, or "Generation Jones"

(Born from 1955-1965; Came of age during the first sustained economic downturn since the Depression; Aged 40-50 in 2005): This group witnessed the fall of Vietnam, Watergate and Nixon's resignation. The oil embargo and the raging inflation rate and the more than 30 percent decline in the S&P Index led these individuals to be less optimistic about their financial future than the Leading-Edge Boomers.

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Generation X Cohort

(Born from 1965-1976; Came of age during a time of instability and uncertainty; Aged 29-39 in 2005): These are the latchkey children of divorce and have received the most negative publicity. This cohort has delayed marriage and children, and they don't take these commitments lightly. More than other groups, this cohort accepts cultural diversity and puts quality of personal life ahead of work life. They're "free agents," not "team players." Despite a rocky start into adulthood, this group shows a spirit of entrepreneurship unmatched by any other cohort.

N Generation Cohort

(Born from 1977-?; Came of age during the "Information Revolution;" Aged 28 and under in 2005): We call the youngest cohort the "N Generation," or "N-Gen," because the advent of the Internet is a defining event for them, and because they will be the "engine" of growth over the next two decades. While still a work in progress, their core value structure seems to be quite different from that of Gen-X.

They are more idealistic and social-cause oriented, without the cynical, "What's in it for me?" free-agent mindset of many Xers. When you consider the core values of each cohort, you realize that the marketing approaches that may have worked in the past probably won't work in the future. Today's insurance consumers—just like all consumers in general—are more sophisticated than ever, demanding personal attention and products that suit their lifestyle. They do not want to be encumbered with mistargeted or misguided products and promotions. A multi-dimensional marketing approach can provide a sense of familiarity and personal appeal to these savvy consumers, bringing them one step closer to making a purchase and providing the groundwork for building long-term relationships. Understanding each cohort's unique set of values can go a long way to unlocking the best ways to build relationships with different customer cohorts.

A BRIGHTER FUTURE FOR TELEPHONE SALES CALLS

BY JIM HAMILTON

In years past, telemarketing was fairly straightforward. Consumers were happy to be rid of door-to-door salesmen. And, when the physical boundaries disappeared, the potential efficiency and productivity of contacting multitudes of prospects right from their office was embraced with open arms by salespeople who no longer had to get their "foot in the door." All they needed was a telephone to transport them directly into their prospects' homes.

As the number of calls a consumer received during the dinner hour increased, consumers began to think that their best interests were no longer foremost in the minds of their vendors. Telemarketers, on the other hand, were understandably enamored of the medium which produced sales and profits at a reasonable cost. Predictably though, consumers became angry at an industry that seemed to have little regard for their privacy.

It is our job as responsible salespeople of the new millennium to change the consumer's perceptions of the telephone sales call and to give them back their right to privacy and choice. This can be accomplished in a number of ways but, most importantly, marketers must remain in compliance with the legislation that has resulted directly from the cries of angry consumers. These regulations include the national and state and company-specific Do-Not-Call lists, as well as rules regarding when and how people may be contacted.

But while many consumers find their homes quieter, they are also realizing that there were some valid offers made to them over the phone—offers that they cannot find anywhere else. Others are realizing that there were some calls that they didn't mind getting—and in fact may have even benefited from—but these calls are silent as well.

New technologies are now available to help recover these lost prospects.

Web-based solutions seem to be the most cost effective, requiring little setup costs, little-or-no systems integration, and minimal if any ongoing maintenance. These systems allow the caller to be online with a service that maintains up-to-the-minute DNC information and to verify whether or not a specific number is on one of the three lists (national, state or company) prior to making the call and it is all done instantaneously.

Those people whose numbers are not on the files may be safely called. Those numbers that are on one or more of the DNC lists are flagged and another media, such as mail, may be used to contact these individuals. This is known as "Permission Marketing" —a system whereby individuals on a DNC list are contacted via another media that offers them something of value (an insurance quote for instance) in exchange for agreeing to take a sales call or two.

The FTC's regulations regarding DNC lists include "Safe Harbor Provisions" that basically say that if a company can prove that it is in compliance, it will not receive a fine. But a firm DNC policy and evidence that it is being followed is the key and compliance as well as sound marketing practices should be of the utmost importance to companies who want to use telemarketing as an effective, productive and profitable marketing technique.

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COMPLIANCE FOR THE CAPITALIST: CREATING THE IDEAL RELATIONSHIP BETWEEN YOUR MARKETING AND LEGAL DEPARMENTS

BY SCOTT CALAME

Editor's Note: This article is based on a presentation made by Scott Calame at the Professional Insurance Marketing Association (PIMA) MarkeTTech℠ Symposium.

Today, a marketer at an insurance company somewhere in America will present promotional material to her legal department for review, comment and approval. Tomorrow, or a week later, she will be presented with a morass of red lines and frantic scrawls, some of which are legible and almost none of which work to improve the sales-effectiveness of the piece. The marketer will read the comments and notice that few, if any, are accompanied by any identifiable rationales. She will then proceed to make every one of the marked changes without question. The next conversation the marketer will have with the lawyer is when she walks through the lawyer's door with the next promotion to review. When the marketer's copywriter questions one of the changes, her reply will simply be something like, "Oh, legal made us change that."

The marketer will never fully understand which comments were intended to keep the CEO out of jail, which ones were a reasonable stretching of concern over some administrative rule, and which ones were a reflection of the attorney's English usage preferences or notions on marketing and salesmanship.

In a free market, with profit as our motivation, both marketer and compliance officer should agree on a common goal—the most effective promotional piece possible that still passes regulatory muster. That sounds like common sense, yet few financial service companies have established procedures trained on achieving that goal. This article will provide a four-step strategy for easing the burden of compliance by creating a more ideal relationship between two departments that often seem diametrically opposed.

Attorneys must adopt a marketing mindset.

As a corollary, marketers must also work to understand the attorney's position. However, most marketers have presumably already adopted the goal of maximizing sales by addressing consumer need. Of course, attorneys must fulfill their duty to protect the company from fines and criminal prosecution, but in their keen awareness of the regulatory environment, they often lose sight of the larger competitive marketing environment in which they are practicing.

The attorney and other compliance officers must accept that their role is not to keep overzealous marketers in check. Ideally, they exist to facilitate the activities of those marketers, not squelch them. The relationship between marketer and lawyer is not adversarial—it is symbiotic. An attorney who adopts this mindset will instantly raise his or her contribution to achieving the company's legitimate business goals without sacrificing on his or her duty to protect the company from regulatory threats. The attorney will also instantly become more approachable to the marketer, helping alleviate the intimidation factor that is often part of the marketer-attorney relationship.

Laypeople often perceive lawyers as professionals who wield their academic training like a big club and the ramifications for not following their advice to the letter can truly be severe. So an approachable attorney who makes it clear that she understands the marketing concept will facilitate a more honest and open dialogue focused not just on restrictions, but on solutions. This type of dialogue is a critical factor in building a more ideal relationship.

Attorneys and marketers should work together on compensating strategies.

The regulatory environment is becoming increasingly complex and it is not going to get simpler. Generally, when a law affecting the marketing of insurance is passed, the effect on sales is negative. Consequently, compensating strategies designed to overcome some of the deleterious effect on sales are needed, but marketers cannot design such strategies in a vacuum.

When new laws are passed, lawyers are the first professionals to clearly define what the marketers cannot do. Marketers need their attorneys to do that. However, marketers also need their attorneys to tell them what they can do. Whenever possible, an attorney's restrictive comment on marketing copy should be accompanied by a permissive one—a suggestion on what the marketer can say as an alternative. Marketers must respect the attorney's role, but lawyers must also recognize that the phrase "can't say this" is not really advice without an accompanying phrase that begins with the word "because."

Compensating strategies can involve not just alternative wording suggestions, but also the format of information sent to consumers. For example, say a new law is passed that requires several different long and complicated disclosure and waiver forms be sent to customers using prescribed wording. One possible compensating strategy would be to organize the various forms into a consumer-friendly booklet, with plain language prefaces introducing each of the various prescribed sections and a toll-free customer service number to call for help in completing the forms. The attorney must ultimately advise the marketer on the legality of such an approach, but nothing prohibits the attorney from coming up with such a creative solution himself.

The regulatory environment is becoming increasingly complex and is not going to get simpler. Generally, when a law affecting the marketing of insurance is passed, the effect on sales is negative.

Attorneys should also be open to examining what competitors are doing and how that might affect the way a proposed communication will be viewed by a common regulatory body. For example, if the attorney is nervous about using a certain phrase in a communication to prospective customers, seeing that a market-leading competitor consistently uses the same phrase to the same market may indicate that the lawyer is being overly cautious. Of course, the fact that "everybody is doing it" is not conclusive proof of legality, but such marketplace realities should not go unexamined.

Effective marketer-lawyer communication requires a framework.

In the first paragraph of this article, I described a common scenario: A marketer is left holding the legal department's comments with no real guidance regarding what must be heeded to remain within the law and what can be ignored without consequence.

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The marketer should strive to understand his or her regulatory environment, but without rationales for the legal department's comments, the understanding will be limited. Categorizing the comments according to their importance will help solve the problem but the attorney must be willing to take the time required to educate the marketer. With apologies to the Department of Homeland Security, I recommend the following five-level Legal Risk Assessment System. When the marketer receives comments back from legal, each comment should be accompanied by one of five Risk Ratings.

Regulatory Risk Rating		*Meaning for the Marketer*
5	Severe Risk	Explicitly illegal by statute or court decision.
4	High Risk	We've been sued and either lost or settled.
3	Elevated Risk	We've been sued, but easily defended.
2	Guarded	It's a hot legal issue that is getting some attention in the news.
1	Low Risk	I'm no marketer but I wouldn't do it.

This system does require a commitment from the attorney, but its impact on sales and the improved marketer-attorney relationship are well worth the effort. Of course, the specific risk level definitions and meanings can be adjusted to reflect the realities of your particular business, but this model is a good place to begin.

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Marketers must do their part to avoid compliance problems.

The best way for a company to avoid the negative effects of burdensome regulation is to not have the regulation enacted in the first place. In that regard, marketers are responsible for the single most important thing that can be done to avoid the burden —taking good care of customers.

The direct marketing industry wages a public relations battle based on individual stories. For every 100 consumers whose lives have been improved by a product or service purchased through direct marketing, there is one story of a little old lady bilked out of her savings by a fly-by-night telemarketing criminal. That one story is what makes the front page.

So provide a level of service that precludes complaints. Deliver fast and fair claim service with a goal focused not purely on loss control, but on making a good customer glad they insured with you. Empower front-line employees to solve customer relationship problems before a call to a legislator or plaintiff's attorney is made.

In sum, marketers must respect the attorney's role as a guardian of the company. Attorneys must understand that, when crafted by an experienced professional, individual word choices in a marketing communication are made with scientific precision and with no less professionalism than it takes to understand HIPPA.

A solutions-based relationship of mutual respect and collaboration is necessary to thrive, or even survive, in today's competitive marketplace. That improved relationship could start with lunch today. Go make it happen.

INTERACTIVE VOICE MESSAGING: THE MISSING PIECE OF THE MARKETING MIX

BY CAROL FERRARI

Editor's Note: This article is based on a presentation made by Carol Ferrari at the Professional Insurance Marketing Association (PIMA) MarkeTTech[SM] Symposium.

Imagine this scenario.

A marketer is leading a company's marketing initiatives—a mix of print and Web ads, direct mail, cross selling, etc.—and is generating an adequate return on investment. But it's not enough. The world has never been more competitive for insurance providers. The marketer is tasked with determining new, innovative ways to break through the clutter to achieve higher rates of customer response and sales conversion—but this needs to be done quickly and cost-effectively.

Sound familiar?

To compete effectively and help retain and win clients, marketers need a solution that enables them to promote customer loyalty, reduce churn, and add value to customers' perception of its service. Enter interactive voice messaging (IVM).

A sophisticated and flexible IVM solution can generate immediate, measurable impact on insurance companies' sales and marketing goals. It can be leveraged in a variety of ways, including for promotional offers and incentives, direct mail follow up, cross-sell opportunities and more. "So what?" you may be thinking, "We can do that with existing marketing programs."

What makes IVM unique is that it decreases marketers' cost-per-contact over other marketing vehicles like direct mail, while increasing customer penetration rates over traditional customer acquisition and retention initiatives, as it reduces wrong person reached and hang ups. It also allows marketers to consistently and cost-effectively deliver high-quality, branded messaging to help keep a company top-of-mind and differentiate it from competitors.

Think about the time wasted when a customer service representative reaches an answering machine, gets a busy signal or no answer, connects to the wrong individual or waits to connect with the right individual. IVM eliminates this wasted time and allows agents to speak only with those parties who are interested in an offer or promotion. And since it is an interactive solution, IVM can also enable immediate sales transactions, often without agent involvement.

A hosted, Web-based IVM solution, offered by an application service provider (ASP), provides additional benefits, as it can be leveraged whenever, and

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however often it is needed, with no technology investment of any kind. This allows marketers to seize opportunities as they emerge, and provides the ability to implement targeted programs "on-demand" without incurring the cost or headaches involved with hardware or software implementations.

With IVM, marketers have the ability to improve the efficiency and effectiveness of their communications iniatives.

IVM allows for message and offer testing—rapidly and at a low cost. Oftentimes, hosted solutions provide unlimited calling capacity, which allow messages to be sent with instant delivery. With nothing more than customer contact data and a sophisticated IVM platform, a marketer can develop flexible scripts that deliver a personal interactive experience for each customer receiving a call—regardless of the total number of customers being contacted.

Carol Ferrari is vice president of marketing for SoundBite Communications, Inc. Carol holds a B.S. degree in Marketing from Rochester Institute of Technology and a M.B.A. from Illinois Institute of Technology. She can be reached at (781) 359-2265 or at cferrari@soundbite.com.

IVM in Action

Consider the example of a major insurance company that needed to communicate with its customers after using an IVM system to determine customer satisfaction. By using a personalized, interactive message with a survey, the company was able to reach 84 percent of their customers, of which, 35 percent responded to the survey—generating results that led to a score of two points higher in their customer satisfaction index.

Another large insurance organization used an IVM application to help increase policy renewals and reduce churn. The company sent friendly reminders with right party verification that allowed customers to direct connect to a live agent. The results were more than double what was accomplished with direct mail for policy renewals; with agents spending an average of eight minutes on the call—truly providing a high level of customer service.

With IVM, marketers have the ability to improve the efficiency and effectiveness of their communications initiatives. With an ASP, Web-based solution, campaigns can be up and running in just a few days instead of weeks or even months at a fraction of the cost of other methods of customer communications. To increase the return on marketing investments and positively impact business goals, marketers should seriously consider the benefits of adding interactive voice messaging to the marketing mix.

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:

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BRAND IS FROM MARS, DIRECT IS FROM VENUS: HOW TO MAKE THE MARRIAGE WORK

BY ANDREW COHEN AND LEO TORALBALLA

Editor's Note: This article is based on a presentation made by Andrew Cohen and Leo Toralballa at the Professional Insurance Marketing Association (PIMA) MarkeTTech^{SM} Symposium.

Instead of motivating each other, the brand, direct, promotion, Web and PR divisions continue to speak of their own language and act in their usual ways.

John Gray, author of *Men are from Mars, Women are from Venus*, gives us hope that even when we perceive the same problem differently, we can still make things work. The marketing industry should consider adopting Gray's thinking in bridging brand advertising with direct response.

In theory, every advertiser wants brand advertising with a built-in ROI. Yet often the brand manager in a company perceives the direct marketing director of the same company to be from a different planet. And vice versa. After all, each has a separate budget and agenda with bonuses doled out according to their individual gains. Different mindsets blur a unified vision.

To help the team build that bridge, it's important to challenge the team to verbalize the balance between the role of brand and response in the advertising campaign. We call this the B/R (brand and response) ratio.

In a perfect world, the balance is 50/50 where brand-driven messages are followed by a call to action of equal length to spur sales. A recent GEICO ad that offered a 15 percent reduction on auto insurance to consumers who made a 15-minute phone call is one such example. In reality, however, most marketers do not adhere to this formula. For instance, prescription pharmaceutical ads use a B/R ratio of 70/30; 70 percent of the advertising focuses on the brand, 30 percent on the response. The hard core direct response ads for products like the AB Flex 2 employ a 1/99 B/R ratio.

A case in point is the work done for Fortis Health (FH). FH is the largest national issuer of individual health insurance, but because its products were always sold through a network of independent agents, it had no general consumer recognition. So, when Fortis decided to add direct marketing to its armory of marketing methods, it faced a significant challenge—how to persuade consumers to trust their healthcare to a company of which they've never heard.

The solution: to make sure that, in addition to classic direct marketing techniques such as providing multiple opportunities to contact Fortis and describing product benefits, the prospective customer also had to be provided with reasons to trust Fortis. In other words, a B/R ratio had to be established (in this case 40/60) that all involved parties agreed to and reflected their respective visions. This was accomplished by emphasizing things like the age of the company (more than 110 years), the number of people who are currently Fortis customers (more than 1 million) and the breadth of its products (designed to meet a broad variety of needs from short-term insurance to permanent).

This advertising was paid out of a direct marketing budget, so it had to justify every dollar spent in terms of new business written, but in the long term, it was designed to build a new consumer brand in a highly complex and competitive market and make later sales—whether direct or agent-driven—easier to accomplish. These are achievable goals, but only if strategies share a vision that closes the gap between brand and response.

Brand may be from Mars and Direct may be from Venus. But given the transition in the economy, consumer behavior and technology, companies that don't attempt to marry brand and response by establishing a B/R ratio are going to end up alone, in another solar system.

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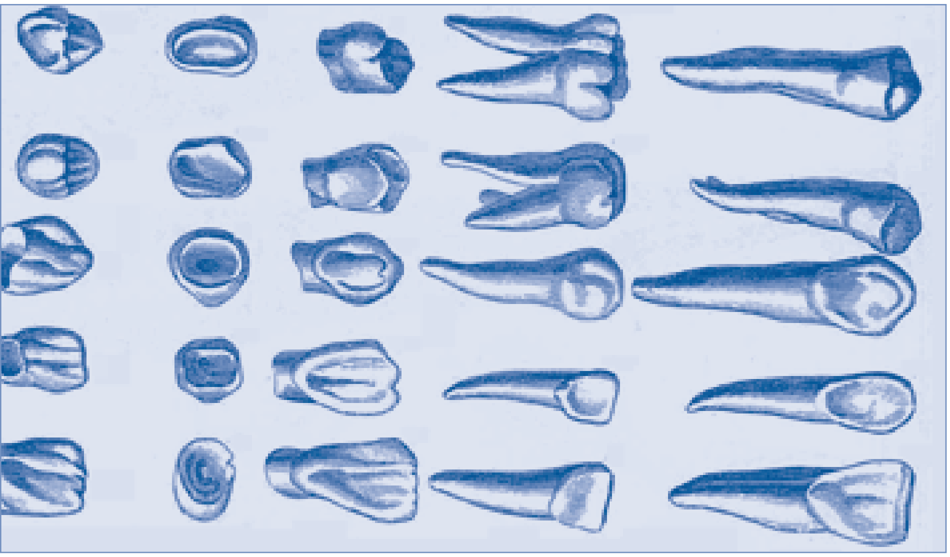

P^2IMA = 12 DOG BONES

BY JAY M. JAFFE

The first annual Product & Process Innovative Marketing Awards were presented at the February 2005 Professional Insurance Marketing Association (PIMA) annual meeting in Tucson. This award is co-sponsored with the Nontraditional Marketing Section (NTM) of the Society of Actuaries (SOA).

Any one who attended the PIMA 2004 Annual Meeting in Puerto Rico may recall that I presented my methodology for evaluating new products based on the premise that "the only thing that counts is whether the dogs eat the dog food." Accordingly, an outstanding new product is rated with four dog bones whereas a lesser product may only receive a single or even just a half dog bone.

The judges for the award were Don Neal from Marsh Affinity, Nancy Manning from AEGON Direct Marketing Services,and myself. The panel decided to have three co-winners for 2004 because each of the winners has potential value to PIMA and NTM Section members. Therefore, we awarded four dog bones to each entry or a total of 12 Dog Bones for 2004!

Two of the submissions described new processes and the other was for a new product. Two of the entries were from PIMA members and the other from a NTM Section member.

The purpose of this article is not only to report the award but also to expose the winning product and process concepts to PIMA and NTM Section members. A brief recap of each entry follows:

The entries were from:

- Authtel
- Marsh Affinity
- Acting Agent

Authtel:

Authtel has created an interactive CD called iCD (patent pending). This innovative marketing tool allows users to deliver compelling value propositions, including offers, trials and premiums, to their prospects.

To gain access to the content on the iCD, consumers are presented with a request for their ongoing consent for contact via a specific marketing channel, such as telemarketing. This begins a new relationship between the consumer and an insurer. The company may now communicate directly with the consumer utilizing the marketing channel the consumer has chosen. With this system, regulatory compliance is maintained and consumers are more receptive to the marketing message presented to them.

Authtel's system is based on their Company-Specific Permission (CSP) Engine. The CSP Engine is a database driven marketing system that checks for compliance with various "do not" lists and then initiates a permission campaign using the iCD and other marketing tools (postcards, e-mails, etc.). Names and contact information of consumers who give their consent are returned to sponsors and a permission audit trail is maintained. Ultimately, this process leads to more cost effective, consumer-friendly direct marketing.

Marsh Affinity Group Services:

Marsh created an Over Age 65 Short-Term Recovery Plan. The plan was developed to address the loss of thousands of insureds when the 2001 TriCare for Life legislation eliminated the need for Medicare Supplements for military retirees. As a result of research, Marsh determined that an at-home recovery coverage would help fill a benefit need of many individuals age 65 and over.

The Short-Term Recovery program is based on an HIP chassis. The plan provides benefits to cover expenses incurred at home during recovery of an illness and which may not be covered by Medicare. Benefits are triggered based on a Medicare-approved course of treatment following a hospital confinement.

Premiums for the product average $360 per insured per year. The product has been successfully sold to many of Marsh's military and other professional client members. First test marketed in January 2002, the program has grown to over $1.5 million in annualized premium in just over three years. The product is underwritten by The Hartford (another PIMA member).

Acting Agent:

The third entry was from Acting Agent, Inc. It is a distribution platform that makes each customer's motivations visible throughout a company. It is based on event prediction and guides each sale's interaction in a completely unique way. By synchronizing activity generation, solution creation and selling, action management and sales chemistry enhancement, Acting Agent aims to transform person-to-person distribution systems into a high-value, high-productivity model.

Better information usage, not information technology, is at the heart of Acting Agent. Acting Agent uses highly effective generalized learning mathematical models to predict and improve the success of each customer-agent interaction and also how such information is presented for effective usage.

...remind the questioner that you are a marketer and always looking for a new product idea worth four dog bones.

If you want more information about any of the three **P^{2}IMA** award winners, please contact them directly:

Authel: *Jon Hamilton at jon@authtel.com*

Marsh: Ed Ruth at *edward.j.ruth@marshpm.com*

Acting Agent: Rolf Running at *rolf.running@math-model.com*

We're already looking forward to the 2005 awards (to be presented in March 2006). An entry form can be obtained on the PIMA Web site (*www.pima-assn.org*) or contact *Jay Jaffe at jay@actentltd.com*.

The "take away" from this short article is to go out and buy a box of dog bones and place the box prominently on your desk. It will be a good way to start a conversation with visitors. The next time someone asks why you have the dog bones in front of you, remind the questioner that you are a marketer and always looking for a new product idea worth four dog bones. There's one exception to the suggested response: if the questioner has four legs and barks, be a nice person and slip your friend a few treats.

Jay M. Jaffe, FSA, MAAA, is president of Actuarial Enterprises, Ltd. in Chicago, Ill. He can be reached at (312) 397-0099 or at jay@actentltd.com.

NONTRADITIONAL MARKETING SESSIONS AT THE NEW ORLEANS SPRING MEETING

The Nontraditional Marketing Section is sponsoring three sessions focused on current trends in distribution at the spring meeting.

Current Trends in Distribution: Where are the Banks Headed?

In this session, 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.

New Underwriting for a New Millennium.

Moderator: Juliet R. Sandrowicz
Panel: Vera F. Dolan *, Robert J. Polilli

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.

Nontraditional Marketing Section Hot Breakfast: Current Trends in Distribution: What's the Buzz?

Chairperson: Juliet R. Sandrowicz

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.