NEWSDIRECT

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NUMBER 35 FALL 2000

Worksite Marketing — A Channel Whose Time Has Come?

by Mark L. Trencher

Editor's Note: This article is reprinted with permission from the Conning Commentary, a publication of Conning & Company

Conning & Company recently collaborated with Eastbridge Consulting Group in exploring the topic of worksite marketing, examining in detail what it takes to be a worksite winner, including case studies of both failure and success. This article summarizes a few of the key findings from this study, "Worksite Marketing - Reality versus Promise." For more information, readers should call Conning at 1-888-707-1177.

Distribution continues to be the major focus for life insurance industry top management. Executives continue to search for the most efficient and cost-effective ways to deliver products to targeted markets. Tillinghast-Towers Perrin's 1999 survey of life company CEOs confirmed this finding, with 85% of industry leaders ranking "distribution channel productivity" as one of their top three strategic issues.

As insurers enter the 21st century, new distribution methods — many involving the Internet — are certain to emerge and compete with existing channels. It also is likely that enterprising companies will find ways to fulfill the promise of existing channels, especially ones whose effectiveness is dependent on the technology solutions that the Internet can provide. Worksite marketing is one such channel.

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Chairperson's Corner

Farewell...

by Carl E. Meier

As I write this column, my three-year term on the Nontraditional Marketing Section Council, as well as those of two other Council members, Grant Hemphill and John Yanko, is fast winding down.

It's been an exciting time for our Section. Developments in bancassurance and Internet marketing have brought many actuaries to the realization that the "nontraditional" is fast becoming the norm in our industry. In keeping with the mission statement we adopted last summer, our Section has sought to provide valuable additional information on important and timely subjects such as these, through presentations at the spring and annual SOA

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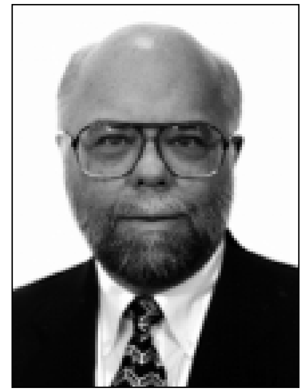
meetings, articles in *NewsDirect*, and via special seminars.

For those of us with a background in direct marketing, the concept of "lifetime value of a customer" is a familiar one, but many others are just learning about it, as "customer relationship marketing" has become the "next big thing." You can expect other ideas and skills from direct marketing to gain more prominence in the coming years. That's part of the reason that our Section has scheduled a seminar entitled "Magic or Science: Quantitative Marketing for Actuaries" in November. If you'd like to learn more about database marketing and the predictive modeling techniques used by successful direct marketers, this seminar is an absolute must.

Even in what some might call a very staid area, credit insurance, there have been developments in which our Section has recently played a valuable role. Besides informing Section members on a topic of interest to many of them, our publication of a paper entitled "A Credit Disability Morbidity Table" in a special supplement to the previous issue of this newsletter was an important first step in the lengthy process of getting the NAIC to adopt a new valuation standard for credit disability insurance.

The Section Council is continually looking for different ways to add to the value of Section membership. In the spring of 1999, we conducted our first ever product and channel survey to get information on how the different products life insurers are selling are being distributed. In the fall of last year, we published the results of that survey in the *Product and Channel Directory*. This summer we put a searchable version of the *Directory* online at our Web page for anyone to use. Shortly, we will be gearing up for a second survey, which will update and expand the information available, and which we hope to have online by next spring.



Carl E. Meier, FSA

NEWS DIRECT

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NewsDirect itself is in for some changes as well. Following the publication of this issue, Joe Brennan, who has served as our editor for the last two years, is turning over the duties to two new co-editors, Chris Hause and Julie Tani. Chris and Julie have expressed a great deal of enthusiasm, which should be an indicator of good things to come.

While three of us will soon leave the Council, there are several experienced Council members who will remain, and they will be joined by three people who were elected this summer (see the article elsewhere in this issue to find out more about the new Council members). This coming year is perhaps one of the brightest in a long time in that regard. The returning Council members have made many significant contributions to the Section already, and I believe that the varied backgrounds of the new members will add some valuable new perspectives to the mix.

In closing, I'd like to thank a group of people who have been perhaps one of the most important, but least heralded, reasons behind the successes our Section has enjoyed these past few years. This is a group known as the "Friends of the Council." I won't name names, because the makeup of the group is constantly changing, and I wouldn't want to leave anyone out. The Friends group generally consists of 6 to 10 people who have been members of the Section Council in past years, and who voluntarily make themselves available to the current Council members to help in any way they can.

There are usually several members of the Friends group on each of our teleconferences, ready and willing to share their wisdom and experience. They provide invaluable assistance in locating and recruiting program participants, and they frequently participate themselves when we are in need and have no one else to turn to. Finally, they are a valuable source of the enthusiasm that drives the Nontraditional Marketing Section.

As I said at the beginning, it's been an exciting three years for my soon-to-retire colleagues and me. And, if only a small portion of the membership-at-large can match the kind of enthusiasm that is so evident among those who will be leading the Section in the coming year, then we truly "ain't seen nuthin' yet!"

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Worksite Marketing — A Channel Whose Time Has Come?
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Profiling the Market

Worksite – also known as voluntary payroll deduction – is a sales method that has reached workers since the 19th century. The concept has always appealed to employees, employers, and insurers. Employees like the convenience of making insurance purchases at work using payroll deduction for the premiums. Employers like the good will resulting from offering an almost cost-free benefit. Finally, insurers like the lower selling costs and expanded market that worksite distribution provides for their products. In the late 1970s and early 1980s, traditional career agents abandoned the lower- and middle-income markets. Many life insurers looked to worksite marketing as a way to distribute their products cost-effectively to these abandoned segments.

Worksite sales in 1998 totaled an estimated $2 billion in new annualized premium, with an estimated $9 billion of in-force premium. These premiums come from a wide range of life and health products — including universal life, term life, annuities, short-term disability, long-term disability, hospitalization, dread disease, dental, and vision.

Two insurers — AFLAC and Colonial Life & Accident — account for roughly 35% of new worksite sales, but the current market is very fragmented, with few insurers having a market share over 2%. In fact, the top ten competitors in the worksite arena control barely half of the total market.

Additionally, only a handful of companies are devoted exclusively to the channel, as witnessed by the names of the companies among the top ten worksite sellers. Most carriers see the worksite simply as one of many ways to reach potential customers. Many insurers have dabbled in the worksite channel instead of committing themselves to it — and, as a result, have contributed little to solving the channel's distribution and operational weaknesses, because the channel is not their full-time focus. Consequently, the market can be divided roughly into three major categories of worksite marketers: large traditional worksite carriers, large diversified insurance companies with worksite efforts, and regional or niche worksite players.

Among the large traditional worksite carriers are companies such as AFLAC, American Fidelity Assurance, American Heritage (recently acquired by Allstate) and Colonial Life & Accident (now part of UNUM-Provident). In the second category — large diversified insurers with worksite efforts — are companies like AEGON, Conseco (with four

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subsidiary companies), Fortis, GE Capital, Metropolitan, ReliaStar, and Trustmark. Finally, in the niche players category are many smaller firms such as Baltimore Life, Employers Modern Life, Loyal American Life, and Rocky Mountain Life.

Conning predicts that, with no changes in the business model, worksite-marketing sales will more than double by 2003, reaching $4.3 billion. New premiums will double in both the middle and upscale markets (as defined by household income and assets), but the middle market will continue to account for approximately three-fourths of the worksite-marketed business.

While these projections indicate that worksite strategies have enjoyed some success, the channel has not flourished. Today, worksite marketing accounts for less than 2% of all insurance sales — a small portion of total industry premiums. Further, there remain as many as 1.4 million untapped employer accounts for new worksite programs, with tens of millions of workers waiting for the opportunity to buy supplemental insurance products in the workplace.

Weaknesses in the Method

Worksite marketing's current unrealized potential is due to lack of adequate distribution capacity, which results in bottlenecks, and the inefficiency of current enrollment approaches. In large part, the distribution bottleneck is caused by the multiple-party nature of the worksite sale. Enrollment inefficiency is the result of relying on producers to handle enrollment. Both of these stumbling blocks can be overcome by emerging advances in technology.

Worksite marketing usually involves not one, but several sales targets — the producer, the employer, and finally, the employee. Only a handful of the largest worksite insurers employ dedicated career agents (e.g., AFLAC, Colonial). Most rely on brokers as their primary producers. As a consequence, the insurer's first task is to "sell" the producer — convince the broker to push the insurer's products. This "sell" is difficult because the industry has much more product manufacturing capacity than distribution capacity. Because it is easier to manage product offerings than producer relationships, most worksite insurers focus on products rather than producers — resulting in a scarcity of skilled, successful producers. Worksite sales will soar only when the manufacturing/distribution imbalance is righted.

"Insurers have little or no control over how the enrollments are conducted. Because enrollments typically are handled by independent agents, producers can do and say what they please. They can play up their 'brand' and/or downplay or hide the insurer's."

Subsequent to the producer sale, the worksite insurer must sell (via the producer) the employer and then the employer's employees. Numerous factors are important for these sales — innovative product design, competitive pricing, superior marketing material. However, the most important expertise is enrollment — actually signing employees up for the insurance coverage.

In today's worksite business model, the producers who open new employer accounts are primarily responsible for enrolling employees, either by doing it themselves or outsourcing the task. Unfortunately, producers' enrollment procedures often do an inadequate job of educating and counseling employees about their benefit choices and often do not support the application process well (e.g., leaving employees to fill out their own forms). The result is that employee enrollment often falls below target goals, raising unit costs and threatening the insurer's profitability — for the customer and the worksite channel as a whole.

Additionally, re-enrollment — returning to the worksite to sign up new employees or ones who declined the coverage on the first go-around — also is a problem. Producers have little incentive to conduct re-enrollments within existing accounts. There are always more new customer opportunities, which offer higher premium potential and, consequently, higher commissions. Under the present system, it does not make economic sense for producers to resolicit existing accounts, even though writing more business would be highly profitable for the insurer. (For this reason, worksite insurers often employ a strategy of regularly introducing new products to existing accounts to make it economically worthwhile for the producer to return to the account.)

Insurers have little or no control over how the enrollments are conducted. Because enrollments typically are handled by independent agents, producers can do and say what they please. They can play up their "brand" and/or downplay or hide the insurer's. They can use technology or not use it. And they can respond — or not — to employee inquiries, depending on their schedules.

Fortunately, today's business model — where worksite insurers are faced with insufficient distribution and little or no control over the enrollment process — is on the brink of change. The development and implementation of advanced technologies has the potential to literally sweep away the enrollment constraints under which insurers have labored since the 1950s, and also will enable more producers to sell worksite services, expanding the current distribution "bottleneck."

Re-engineering Worksite Marketing

To achieve an exponential increase in worksite sales (rather than the gradual growth projected under the current model), companies need to use technology to substantially re-engineer the entire enrollment process. The result: increased quality at the point of sale and more effective leveraging of client relationships over time. Under the new system, producers still would pursue and close new accounts — their strong suit — then hand off enrollment to the insurer, freeing the producer to open additional accounts. Insurers then could use technology to pursue the remaining employees in the account, eliminating the economic barrier (high solicitation costs) to re-enrollment.

Two new technology-enabled trends are emerging to accomplish this task: web-based employee communications and web-based benefits marketing. Web-based employee communications can substantially improve pre-enrollment employee communication, a prelude to increasing employee sales. Web-based benefits marketing replaces the often suboptimal enrollment procedures that producers have used with direct Web site marketing, supported by call centers, to the employee population.

Conning believes that the emergence of worksite marketing from a small niche of the insurance market to a major distribution channel depends on the integration of new technologies with traditional distribution methods. This new marketing and sales platform will generate substantially higher sales and customer satisfaction — at reduced costs.

The future prospects for the worksite channel are extremely promising. The emergence of new technologies promises to move the industry from today's "distributor-centric" business model to a much more successful "technology-enabled" model. But competing in the worksite arena today requires more than just the ability to do worksite marketing. Commitment and focus are needed, but are not enough to guarantee success. Top-tier companies must rise above the masses and become identified for what they "bring to the table."

So, what will it take to be a winner in worksite marketing?

Focus, Not Supplement

As insurer management focuses more and more on the "correct" distribution choice (i.e., how best to sell to the company's target markets), an increasing number of carriers considered to be large diversified insurers with worksite efforts are taking another look at worksite marketing to decide if the channel makes sense for their strategy. As a result, the pace of shake-outs, consolidations, and roll-ups in the worksite arena has quickened in recent years. A number of companies have exited the market — Security Life of Denver (left the business due to poor financial performance), John Hancock (demutualization pressures), and Jefferson-Pilot (lack of critical mass).

At the same time, many smaller companies have been acquired and integrated into larger organizations interested in the worksite channel. As far back as 1994, UNUM acquired Colonial Life & Accident in order to add a worksite capability. GE Capital, for similar reasons, acquired First Colony, Union Fidelity, and Professional Insurance Corp. Recently, GE announced the purchase of Phoenix Home Life Mutual's group insurance operations, a move designed to add products and scale to its existing worksite efforts.

Other notable combinations included Conseco's acquisition of Capitol American, Allstate buying American Heritage, AEGON buying Trans-america Assurance and Metropolitan buying the worksite business of Business Men's Assurance, (BMA). Median valuations for worksite companies are in the 15% GAAP earnings range. Conning expects consolidation to continue over the short term, with most companies finding it cheaper to acquire worksite products, existing accounts and distributor relationships rather than building these capabilities from the ground up.

Pitfalls to Overcome

The decision to pursue employee worksite distribution is not the same, however, as pursuing it successfully. Distribution and enrollment roadblocks make successful implementation of the current worksite business model difficult. There are also potential pitfalls for management. A successful worksite marketing approach requires adoption of three strategic imperatives: intent, focus, and differentiation. Failure in any one of these areas generally results in an unsuccessful or, at best, mediocre program.

The starting point for any successful worksite marketing strategy is establishing the intent to be a worksite marketer. This means that the company must focus on worksite as a discrete business — not just a supplementary program to sell more insurance, to rationalize excess underwriting and/or manufacturing capacity, or to follow the lead of competitors. Companies must fully commit to the business — developing the producer relationships and investing in the operational systems that will enable them to compete successfully. This is especially true now, as new communication and enrollment technologies change the ways that carriers interact with producers, employers, and employees. If treated as a marginal or "side" business, worksite marketing produces only marginal results.

Strategic Focus

Once a company commits itself to the worksite business, it must determine its strategic focus. Rather than attempting to be all things to all people, it should focus on one of three potential worksite strategies:

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- Being product-driven — offering innovative, competitive products
- Being market-driven — understanding and meeting the needs of a given market segment
- Being distribution-driven — catering to the requirements of targeted worksite distributors

Focusing on one major strategy generally is the best course in worksite marketing, a conclusion supported by the fact that the top worksite carriers typically have a single strategic focus that they are known for. This is not to say that a company cannot attempt to do all three — product, target market, and distribution are all areas critical for worksite success — but one strategy must be primary and the others secondary. There are many examples of companies that tried to be all things to all people and ended up doing no single thing well as a result.

Differentiation Creates Success

Despite a full commitment to worksite marketing and focus on and execution of the right strategy, success still is not guaranteed. Given the intensity of the competitive rivalry in worksite marketing today, carriers must bring one other thing to the table — strategic differentiation.

This involves creating a value proposition within the company's strategy that is so compelling that it lifts the company head-and-shoulders above its competitors. Differentiation can occur in a variety of areas, such as being the market leader in product innovation, offering the highest commissions, providing the best back-office support, or establishing trusted brand-name appeal. However, the insurer's differentiation strategy must be consistent with its overall strategic focus, regardless of the specifics of the differentiation strategy. (For example, offering the highest commissions would be a differentiator in a distribution-driven strategy, but would be inconsistent with a product-driven strategy.)

Top 10 Worksite Marketing Companies
Based on Estimated 1998 New Sales Premium
($ in millions)

Carrier	Premium	*Market Share %*
AFLAC	$450	*22.5%*
Colonial Life & Accident	220	*11.0%*
Metropolitan	95	*4.7%*
American Heritage Life	80	*4.0%*
American Fidelity Assurance	45	*2.2%*
Conseco	45	*2.2%*
Guardian	35	*1.7%*
Transamerica Assurance	30	*1.5%*
Provident	29	*1.5%*
ReliaStar	29	*1.5%*
Top 10 Total	**$1,058**	***52.9%***
Industry Total (est.)	**$2,000**	

Source: Eastbridge Consulting Group, Inc.

Worksite-Driven Consolidations

($ in millions)

Year	Buyer	Target	Transaction Value	GAAP P/E	GAAP P/B	STAT P/B
1994	UNUM Corp.	Colonial Life & Accident	$ 656	–	–	6.0×
1995	GE Capital	Union Fidelity Life	26	–	–	1.4×
1996	Conseco	Capitol American	709	15.4×	2.4×	7.5×
1996	GE Capital	First Colony Life	2,170	14.3×	1.5×	4.1×
1998	Provident Life & Accident	UNUM Corp.	5,000	16.5×	1.3×	3.8×
1999	AEGON	Transamerica	9,700	13.7×	1.7×	5.2×
1999	Allstate Corp.	American Heritage Life	1,100	29.0×	4.1×	7.4×
1999	GE Capital	Professional Insurance Corporation	48	–	–	6.8×
1999	GE Capital	Phoenix Home Life (group insurance operation)	N/A	–	–	–
2000	Metropolitan	BMA (worksite division)	N/A	–	–	–
	Median			**15.4×**	**1.7×**	**5.6×**

Source: Conning proprietary database

NAIC To Consider Credit Disability Standards

by Steve Ostlund

Partially due to the publishing of “A Credit Disability Morbidity Table” in the Spring 2000 issue of *NewsDirect*, the National Association of Insurance Commissioners has taken up the development of new valuation standards for Credit Disability Insurance. Historically, valuation of Credit Disability has been based upon gross unearned premium reserves. With the development of methods detailed in this paper, it is possible to perform a valuation which does not rely upon gross premiums, but rather is based upon an underlying standard morbidity. This then allows regulators to assure that, regardless of the premium rates being charged, adequate reserves are being held to protect policyholders.

The Society of Actuaries has appointed the “Task Force to Recommend Morbidity Standards for Valuation of Credit Disability,” reporting to the SOA’s Committee for Health Benefit Systems Research and the Health Benefit Systems Practice Advancement Committee. It is anticipated that the task force will make a report to the NAIC Accident and Health Working Group of the Life and Health Actuarial Task Force at their December meeting in Boston. The task force will rely upon work previously performed by the Society in developing margins for valuation tables based upon stochastic measures.

For more information you may contact Steven Ostlund at *osteve22@aol.com.*

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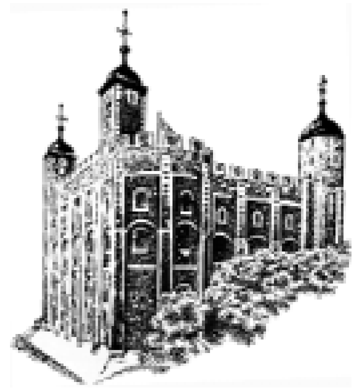
Successful Bancassurance Sales Model from England

by Maria Thomson and Alan Wade



We traveled to Spain and England this summer to see if we could observe successful bancassurance operations and learn about what makes them work. We have learned a lot. In Spain, for example, we discovered that there has never been any requirement for separation of financial services institutions, so the Spanish industry has evolved into one in which large institutions do it all — banking, insurance, and securities. Their models, we quickly decided, did not seem to fit with our environment.

In England, however, we found that development has proceeded more closely to our U.S. system; that is, at least until the British government passed a version of financial services deregulation law that finally made bancassurance possible 20 years ago. Thus, they have had 20 years to work through those issues that our banks and insurers are struggling with today.

Success Principles

Some of the successful principles in operation in England that we discovered include:

1. **Appropriate compensation plans – critical to bancassurance success**
   Use of the traditional salary-plus-bonus plan for bankers and a mainly commission plan for agents will not make for bancassurance success, we were told. Instead, a hybrid plan, one that rewards everyone for good results created by all, works best.
2. **Complex products and underwriting must go**
   The best approach is a limited portfolio of simply designed products. And it's time to move underwriting into the 21st century. One company in Europe, for instance, does ALL its underwriting on-line, approving 96% of the applications.
3. **ONE person can (and must) sell all products – insurance, investments, banking**
   We've a few regulatory hoops to jump through in this country in order to make this happen, but clearly this is the model to follow. It will, of course, demand from us both simple products and excellent training.
4. **Banks are the key to the middle markets**
   The middle income market has been abandoned by most insurers in the U.S. as most companies try to position themselves in the small and over crowded affluent market. But both Spain and Britain have demonstrated that the middle market can be lucrative and that it can be developed effectively by banks.

The Sales Model

Most members of the NonTraditional Marketing Section understand the middle market. Thus, the requirement for simply designed products, more efficient underwriting, and faster application processing will not surprise you.

The conundrum is how to develop an effective sales model. This is where we found the British examples most instructive. They are developing fully integrated financial services operations in which bank tellers often refer customers to the bank's financial planners. In the first meeting, a full financial questionnaire usually is filled out. The adviser then discusses products that would be appropriate for the client: securities, mortgages, CDs, insurance, ISAs (like our IRAs). The key to their ability to do this is training and product simplicity. Interestingly, they do not have computer tools to aid them in the sales process.

As we see happening here, British banks are trying to drive transactional business out of the lobby by encouraging the use of ATMs and the Internet. The result will be bank offices staffed primarily with financial advisers. To enable banks to succeed with this new model, it is essential that compensation policies encourage promotion of the banks' products and services and that all personnel receive appropriate training.

Clearly, in the United States we cannot have insurance sales people also taking loan applications. However, we believe they can recommend a mortgage to their client and refer them to a loan officer.

And what is particularly interesting is that unlike here in the U.S., most banks in England are not yet targeting the affluent market for their financial planning services and investment/insurance products. They still see this as the province of independent agents. A few banks are just now considering developing an advanced cadre of advisers to work with the affluent (partly by moving up their better existing financial advisers). They apparently view this as a secondary market, rather than as their primary market. Ultimately, this may well prove to be the surest route here as well.

Maria Thomson, FSA, MAAA, and Alan Wade, CLU, are Principals of Thomson Management Solutions, Inc. (TMS), a nationwide consulting firm based in Brimfield, Massachusetts, specializing in financial services expansion for the insurance and banking industries. E-mail TMS at: mthomson@tmsolutionsinc.com.

Nontraditional Marketing Sessions at the Chicago SOA Annual Meeting

by Michael L. Fix

We hope that you were able to make it to some, if not all, of the six sessions that the Nontraditional Marketing Section sponsored (or co-sponsored) at this year's annual SOA meeting in Chicago. As always, we tried to address some of the important issues facing our industry, with two sessions devoted to aspects of banking and insurance, one on technology and e-insurance, and one on how the Internet is impacting more-complicated products such as long-term care insurance. In addition, we sponsored a lecture by a noted University of Chicago economics professor at the University's downtown campus and a wine and cheese reception for Section members.

In case you weren't able to make all of the sessions, here is a brief outline of what you missed. *The Record* containing transcripts of the sessions listed below. Other than the lecture at the University, should be available at the SOA Web site early next year.

Session 4PD – Financial Services Modernization – "What's the Impact on Banks and Insurance Companies?"

Moderator:
James B. Smith, Jr.,
senior vice-president & chief actuary,
American General Life and Accident Insurance Co.

Panel:
Steven D. Lash,
senior consulting actuary,
Ernst & Young LLP;

E. Kenneth Reynolds,
executive director,
Association of Banks-In-Insurance

Now that the Financial Services Modernization Law is about a year old, how are banks and insurance companies repositioning themselves? The session covered the following topics:

- What new or modified strategies are banks and insurance companies following?
- Are there any imminent changes in the federal law?
- Have legislative efforts shifted to state laws?
- What is the status of the state privacy laws? How does this impact customer segmentation?
- What trends are shown in the "Leading Banks-In-Insurance Report" (published in October 2000 by the *Association of Banks-In-Insurance*)
- How will products, distribution, and competition for the insurance industry be redefined?

Session 52PD – Internet Marketing of Needs-Based Products

Moderator:
Gregory A. Gurlik,
LTC consultant,
John Hancock

Panel:
Jym Barnes,
executive vice-president,
Navisys, Inc.;

Howard B. Passman,
principal,
USA Insurance Marketing, Inc.;

Diana Scott,
vice-president,
e-Business@retailpartnership,
John Hancock Financial Services, Inc.

Direct and/or Internet marketing is often associated with commodity-type products or products for which the need is generally recognized. Some insurance products, long-term care, for example, have more complicated product design and sales processes.

This session discussed designing products that can be effectively sold in the Internet environment. Topics covered include the unique challenges of educating, developing the need, and meeting the need in an Internet sales process.

Session 71L – Technology: The New Business Models

Lecturer:
James Valentino,
Interactive Insurance Practice Leader/ Chairman of the
ECOM Forum Agency.com

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Nontraditional Marketing Sessions at the Chicago SOA Annual Meeting
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This session provided an opportunity for attendees to learn about:

- The new battleground: e-insurance business
- Who owns the customers? E-intermediaries — friend or foe?
- New integrated models — clicks vs. clicks and bricks

Included in the presentation was a discussion of new e-insurance models, including insurance portals and vortals, in which attendees participated.

Session 81FT – University of Chicago Lecture

Lecturer:
Robert E. McCulloch,
Professor of Econometrics & Statistics
Graduate School of Business, University of Chicago

Professor McCulloch spoke on topics from his research interests, including data mining, the value of information, and using data for target marketing.

Session 119PD – Tailoring Products and Services for the Bancassurance Market

Moderator:
Maria N. Thomson,
managing principal,
Thomson Management Solutions, Inc.

Panel:
Belinda Monat,
president,
Financial Administrative Services, Inc.

Alan Wade,
Principal,
Thomson Management Solutions, Inc.

The speakers — an actuary, an insurance administrator, and a bank insurance agency head — discussed how products and services are tailored for in-bank insurance sales. The presentation placed particular emphasis on the middle-income market. Specific issues discussed included product design, underwriting, issue, sales support, and field and customer access to the home office for service.

* * *

We wish to extend our thanks to the outstanding group of presenters who participated in the various sessions. As you can see, we had a wide range of viewpoints and backgrounds involved, including actuaries and representatives from other disciplines within our industry, people from banking and from the academic community, as well as leading-edge technology developers.

Make a note to check the SOA Web site around the first of February next year so that you can catch up on any of the sessions you missed.

PRODUCT DEVELOPMENT SYMPOSIUM

The Nontraditional Marketing Section will be co-sponsoring the Society's first Product Development Symposium to be held in February of next year. Planning for the symposium is currently underway, with a key objective being to provide value to seasoned product development actuaries as well as to other interested parties. It is anticipated that the symposium will also be available for those seeking Professional Development credits. The exact date has not been set yet, but we wanted you to know that it's coming. Keep a watch for further details!

MAGIC OR SCIENCE: QUANTITATIVE MARKETING FOR ACTUARIES
A SEMINAR SPONSORED BY THE NONTRADITIONAL MARKETING SECTION

Do direct marketers have some special magic they use to get a good response rate? Or do they base their efforts on quantitative techniques similar to those actuaries use? The answers to these questions and many others will be revealed to you in the one-day seminar entitled ***"Magic or Science: Quantitative Marketing for Actuaries"*** to be sponsored by the Nontraditional Marketing Section on **November 10th** at the **Hilton Times Square in New York City.**

But what if your company is not involved in direct marketing? Would attending this seminar hold any value for you? The techniques presented in this seminar can be utilized *not only* by actuaries involved in direct marketing, but also by *any* actuary involved in product development or marketing. Here are just a few specific examples of situations where the knowledge you will acquire could be applied:

- Improving the cost effectiveness of direct marketing promotions
- Increasing the efficiency of agent lead generation programs
- Improving policyholder conservation programs

The seminar will be presented by David Shepard, founder of a firm that has been providing direct marketing and database consulting services to nearly 100 direct marketing firms, advertising agencies and Fortune 500 companies for almost 25 years. Mr. Shepard is also co-author of the text ***"The New Direct Marketing: How to Implement A Profit-Driven Database Marketing Strategy,"*** which has been described as the classic work on the art and science of direct marketing. All meeting participants will receive a copy of the latest edition of this book. This is a $79.95 retail value and is included in the meeting registration fee.

If you are an actuary involved in product pricing or marketing, you should think about attending this seminar. Don't miss out on this educational opportunity.

This seminar has been approved for 6 units of professional development credit.

For more detailed information, including a list of the specific topics to be covered, please go to *www.soa.org* and click on *Meetings/Seminars*.

THREE NEW MEMBERS JOIN NTM SECTION COUNCIL

Three new members were elected to the NTM Section Council this summer and began their terms of office at the Council's annual meeting held in conjunction with the just-concluded SOA meeting in Chicago. The new members are Tom Bakos, Steve Cooperstein, and Steve Konnath.

Tom Bakos is chief actuary with BISYS Insurance Services in Harrisburg, PA. He is responsible for the development of proprietary product and distribution strategies for BISYS, which is a full-service outsourcer of support and marketing services. Tom will be serving a full three-year term.

Steve Cooperstein is president of Steve Cooperstein & Associates in Pacific Grove, CA, through which he has operated for nearly 20 years as an independent inventor and market developer of financial products and services for individuals. Steve has also been elected to a full three-year term.

Steve Konnath is assistant vice president & actuary with the Physicians Mutual Insurance Company in Omaha, NE. He serves as the chief pricing actuary for Physicians Mutual's direct marketed life and health products. Steve will be filling out the remaining one year of an unexpired term which had been vacated in the spring.

In addition to the three new members, Theresa Resnick, assistant actuary for Combined Life Insurance Companies in Chicago, was elected to a full three-year term. (Theresa had been appointed to the Council on a temporary basis last spring to complete the remaining partial year of the unexpired term). Theresa's job responsibilities at Combined involve financial management of and technical support for the companies' international and domestic direct response programs.

Congratulations and a hearty welcome to the new Section Council members.

PRODUCT/CHANNEL DIRECTORY NOW AVAILABLE ONLINE

by Carl E. Meier

In the spring of 1999, the Nontraditional Marketing Section conducted a survey, asking companies about the products they were writing and the channels they were using to distribute them. Based on responses to this survey by over 230 contributing insurance companies and actuarial consulting firms, we created the ***Product/Channel Directory***, primarily as an aid to networking among actuaries and other insurance professionals.

The *Directory* was originally published in hard copy in August of 1999, with an addendum in February of this year. At the beginning of this August, the directory was made available at the Section's page on the SOA Web site. The electronic version of the *Directory* is in the form of an easy-to-use Microsoft Excel workbook which can be downloaded by anyone.

The *Directory* includes categories for life, annuity, health, disability income, credit, and niche products. Within each product category, there is information on many specific products — the life category alone covers 20 different products, for example.

The *Directory* also shows nine distribution channels: career agents, independent agents, banks, broker dealers, direct marketing, telemarketing, internet, worksite, and other channels.

For each company in the *Directory*, a contact name and his/her phone number are provided so that actuaries can discuss common issues that are not confidential.

The Section Council welcomes your comments and suggestions for future updates to the *Directory* (we've already started planning for the next edition, to be released sometime next spring), and hope you will find this electronic version a useful tool.

Carl E. Meier, FSA, MAAA, is second vice president and actuary at Pan-American Life Insurance Company in New Orleans, LA. He can be reached at cmeier@exchange.palic.com.

SECTION COUNCIL ELECTS NEW OFFICERS FOR 2000-2001

The Nontraditional Marketing Section Council recently elected new officers for the coming year.

Congratulations to Jim Smith, who is Chairperson for the 2000-01 year, Mike Fix, who was elected Vice-Chairperson, and Theresa Resnick, who will serve as Secretary-Treasurer. The new officers are looking forward to continuing and expanding on the Section's efforts to fulfill its mission to the membership-at-large.

Please feel free to let them hear from you if you have ideas for how the Section can better serve your needs.