



SOCIETY OF ACTUARIES

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## To Infinity and Beyond! The Future of Insurance

by Steve Konnath

*Editor's Note: This article is reprinted with permission from the DMA Financial Section Newsletter, Spring 2000 issue.*

**T**he future for the insurance industry offers huge challenges and opportunities. The current portfolio of products and distribution methods will continue to dominate for many years, but there will likely be some dramatic changes. New processes and products, including how contracts are created and prices and benefits determined, will influence even the traditional products and distribution methods. The following is a discussion about future products, distribution, insurance laws, and contracts. Some ideas might not be possible today, but it is offered as food for thought.



The old axiom about insurance — it's sold, not bought — is still true, but it is not quite as black and white as it once was. Term insurance, Medicare supplement, and annuities have all moved toward becoming commodity products that are bought. With the slim profit margins of commodity products, target marketing, expense management and market share will determine successful players. Economies

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## Chairperson's Corner

### What's Up for This Year?

by James B. Smith

**W**hen it becomes difficult for me to find the time to write an article (such as this), I get my inspiration by reflecting upon the efforts of so many Council members/friends who give unselfishly of their time to our section. This article will focus on some of these people, and the activities being sponsored by our section during 2001. I am hoping that you might also choose to participate in an activity that interests you. Volunteers are always welcomed!

At the spring meeting in Toronto, our section will sponsor a track (series of sessions) on customer relationship management (CRM). The customer is often overlooked by actuaries due to the intense focus on products and distribution channels.

The track will cover a broad array of topics — including basic principles, modeling, case studies, privacy issues, and new distribution channels. **Mike Presley**, who is serving as coordinator for the spring meeting, is also planning insightful sessions on hot topics covering bancassurance, virtual insurance companies, and credit insurance.

The planning for sessions at the Society's annual meeting in October is just beginning. If you have any suggestions for topics or would

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like to participate as a speaker, **Howell Pugh** will be eager to hear from you. If you prefer to procrastinate for a few months, **Steve Cooperstein** and **Tom Bakos** will be coordinating sessions at the Society's meetings in 2002.

Given our previous success with a bancassurance seminar, our Section sponsored another seminar for a target audience of actuaries and bankers. **Steve Ostlund** and **Maria Thomson** spearheaded this effort, which was held in February. This seminar covered successful bancassurance models, sales strategies, legal environment, proper product selection, pricing matters, and facts/fiction of the English experience.

In April, our Section will co-sponsor a seminar on international nontraditional marketing. The seminar will offer a stimulating blend of presentations by experts, as well as hands-on case studies of Europe, Asia, and Latin America. (Maybe they should name the seminar "2001; A Case Odyssey") Topics will include business expectations, financial/resource commitments, regulatory matters, product development, target customer insights, and "success stories."

**Theresa Resnick** is co-leading the development of the seminar.

An intriguing activity is the launch of the first Product Development Actuaries Symposium, which will be held in May. I suspect that the co-sponsored symposium may develop into an annual event, much like the Valuation Actuaries Symposium. **Jay Jaffe** and **Theresa Resnick** are leading the efforts for our section, and will welcome your ideas and participation, as they focus primarily on distribution issues.

Our new co-editors for *NewsDirect* are **Chris Hause** and **Julie Tani**. They are planning newsletter publications for January, March, June, and September. They are welcoming both veteran and first-time authors who will share their wisdom on nontraditional marketing topics. Previously published articles in non-actuarial periodicals may be suitable for re-publication in the newsletter.

In 1999, our Section published the first edition of the Product/Channel Directory. For each participating company, the directory shows the product/channel combinations that they currently utilize. Examples include variable annuities distributed by broker dealers, and (better yet) pet insurance sold through banks! The directory was

originally published in hard copy and is now also available via the Society's Web site. **Mike Fix** is managing our Section's efforts in updating the directory so that it will continue to be useful for product/channel actuaries.

Our Section is also involved with the Course 7 Committee, which sponsors seminars on applied modeling for the Society's 8-exam education system. The seminar involves a hands-on business project that requires the participants to use modeling techniques to solve business problems. **Steve Konnath** is reviewing the project, and is providing input into its design.

These are the people and activities that provide inspiration as I energize my efforts in behalf of the Section. My thanks to these people, and I am hopeful about your active involvement with the section during 2001. I wish you and our Section a grand new year.

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