Worldwide

A Newsletter for International Financial Services Companies

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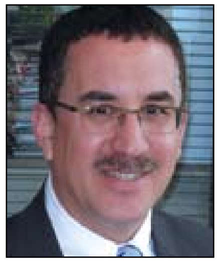
LIMRA newsletters are designed to emphasize our total commitment to you, our members, and to serve your research, consulting, compliance, and assessment and development needs. Whatever your products, markets, and distribution systems, LIMRA International is available to help wherever you are, whenever you need us.

Global Operations Network Model From Best Practice to Success Transfer



By Robert Epner
Consultant, Global Operations/IT

Transferable Success:

From my experience as Chief of Staff and Regional COO for ING Asia/Pacific Region, the second largest insurer in the region, we learned that we needed a strategy and structure to explicitly realize the value of best practice synergies and standardization across multiple countries. In our case we tackled the IT and Operations back office of the region through an approach called the Global Operations Network Model. Using this model we achieved a transformation in back office operations producing the following results:

- **Operational efficiency improved by 15 percent in key client processes while still supporting business growth of over 30 percent a year across 10 countries.**
- **Simultaneously we reengaged back-office employees and raised morale.**

The ING experience of developing best practices collaboratively — across international businesses — is a model of great value to other multinationals. Rather than transfer practices from one country to another, this approach stresses the need for communication and partnership. This is achieved and facilitated through a common language for each element of the model — "Planning, Process Management, Problem Solving, and People. . . the 4Ps." The result is that the whole is larger than the sum of the local "best practice" parts. The approach creates additional value, innovation, and buy-in, producing an elegant solution to a complex problem that is highly transferable to other organizations.

What is the advantage to being a multinational company?

While there are many advantages to being a multinational, an important one often cited is the ability to reap the benefits of what are called "Best Practices." These are successful initiatives that emerge from a company's various and often far-flung operations. The drill is to identify the best practice — such as an innovative product, an efficient IT system, or a fast delivery process — then copy it across the full organization to maximize the impact. The company, in effect, raises the whole organization up to a new, more standardized "best practice level" of performance. Who could argue with the desirability of this concept? Clearly, a company's investors and customers assume this sort of thing happens all the time. The only problem is that it doesn't.

And it is indeed a problem. By not replicating successes the company not only "leaves money

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Worldwide

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Patricia Ash
Phone: +1 860 285 7853
Fax: +1 860 298 4202
Email: pash@limra.com

Worldwide
P.O. Box 208
Hartford, CT 06141-0208
Fax: +1 860 298 3904

Managing Editor
Patricia Ash

Contributors
Gary Aluise
Bolivar Arosemena
Bill Bambara
Jennifer Berlin
Tom Caraher
Robert Epner
Susan Foster
Ingrid Goodenow
Chris Heath
Khor Han Heng
Nicola Moss
Bernadette Nadeau
Patty Nelson
Patricia Sasso
Cindy Shaw
Ruthine Williams-Baron

Change of address?
Fax changes of address to Patricia Ash, LIMRA Headquarters, at +1 860 298 4202 or email them to pash@limra.com

Worldwide thanks all the authors for contributing to this issue. The goal of Worldwide is to remove regional barriers and provide an open forum for the exchange of information. If you would like to contribute an article for a future issue, please contact Patricia Ash at pash@limra.com or +1 860 298 4202 (fax).

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Global Operations Network Model From Best Practice to Success Transfer

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on the table," it also misses an opportunity to build a more integrated and manageable organization as best practice becomes standard practice — a way of doing business. The benefits of a more integrated organization can range from increased scale efficiency to better support for global product launches to tighter risk management. Risk management is particularly important given the current financial crisis. A more integrated organization across business and country boundaries is more transparent and less likely to have isolated and perhaps even rogue operations.

Best practices are not easily shared, for many reasons. Some objections often voiced inside companies include: "our business line is different"; "our country is different"; and "our regulations are different." Unspoken reasons may include the "not invented here" refrain and perhaps conflicts with lesser initiatives already underway. While these concerns often contain some slight truth, they are used more often to create roadblocks than to find solutions.

A Common Language

The Global Operations Network Model grew from the recognition that in order to identify and deliver a standardized best practice solution for back office operations, we needed a standardized structure to foster our implementation. In other words, we first needed a "common language" to work together.

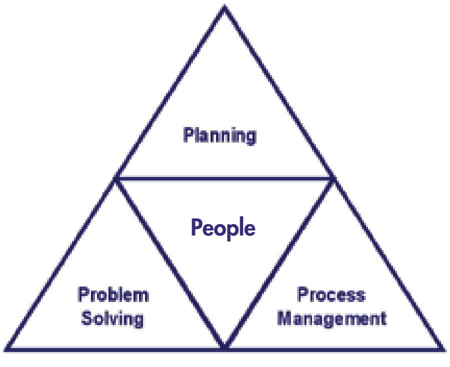
As Regional COO, I developed a broad business model for "Planning, Process Management, Problem Solving, and People" — "the 4Ps" — and put the model in place for all the countries in the region using our "Operations Network" of local COOs. By adopting the "4Ps" approach we created a common language not only to share best practices but also to jointly develop new regional processes as a cross-country "network of operations professionals."

Applying the "4Ps" in a global context means having a common language for each of the following:

Planning Business plans have quantitative targets for each staff area, with the measures defined consistently for all countries. This allows easy and clear communication across staff areas and across countries.

FIGURE 1

The "4 Ps" Approach



Process Management Countries are required to achieve a basic level of process sophistication. All countries are expected to define process scope — from start to finish — consistently and to monitor and share process performance measures. Key processes with performance below target are candidates for improvement projects.

Problem Solving Once process performance gaps are identified, a problem solving methodology will be applied to reach objectives. Lean Six Sigma* methodology is used as the process problem solving methodology for the region. By having all countries use the same methodology it is easier to collaborate and easier to share new improvement initiatives.

People Employees are developed through Lean Six Sigma training and from shared leadership in regional workstream teams. The workstream teams are established for major process areas such as for the claims process. These teams have explicit responsibilities and accountabilities to share best practices and develop regionwide initiatives.

How to Transfer Success

What we accomplished in ING Asia/Pacific is particularly relevant in today's economic environment as businesses begin to look for ways to grow and rebuild while still controlling costs and improving employee morale.

- The steps we took are not easy and took considerable time and effort to refine.
- However, the structured nature of the approach is clear and repeatable.
- With senior management support and the right leadership, this model is highly transferable to other companies.

This article is an excerpt of a longer article appearing in Summer 2009 LIMRA MarketFacts.

* Lean Six Sigma is a data-driven process improvement methodology to reduce nonvalue-added steps and establish tight quality control.

Epner is a global operations/IT consultant based in New York with special expertise in guiding multi-national and rapidly expanding organizations to achieve broad productivity improvement, cost efficiency, and organizational effectiveness. He has held multiple leadership positions at ING, most recently as Senior Vice President and Chief of Staff for ING Investment Management in New York. Prior to this, Epner was based at the ING Asia/Pacific headquarters in Hong Kong from 2002 to 2008, where he held the positions of Chief of Staff and Regional Chief Operating Officer, covering 12 insurance companies across 10 countries with more than 3,000 back-office employees. Epner can be reached at 347-635-2232 (email, bob.epner@gmail.com).

International Research

Call Center Operations in China

By Ruthine A. Williams-Baron, M.S.

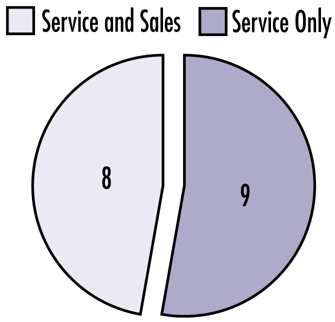
Analyst, International Research, LIMRA

In many countries, as the number of full-time agents continues to decline, companies employ alternative distribution channels to remain competitive. Many companies in China use call centers as distribution channels, and about 47 percent of these companies actually sell products through this channel (Figure 2).

FIGURE 2

Call Center Function and Focus

Number of Companies (N=17)



The insurers who do so generate an average of 12 percent of their revenue through call centers. Smaller and more recently established companies tend to use sales call centers to compete with larger insurers that have been in business longer. Companies that operate both service call centers and sales call centers tend to operate stand-alone units at different locations. Insurers in China tend to centralize their service call center operations to save on operating expenses, while they are more likely to operate sales centers at the provincial level.

Sales versus service call centers

Sales call centers and service call centers differ not only in their functions but also in the way they conduct business. On average sales call centers in China employ more reps than service call centers do, and in 2009 sales call centers have increased their recruiting goals by nearly 16 percent

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TABLE 1

Characteristics of Sales Call Centers and Service Call Centers

	Sales Call Centers	Service Call Centers
Top product supported	Individual life insurance	Health insurance
2009 average hiring goals	398 reps/center	67 reps/center
Top recruiting strategy	Word of mouth/employee referral	Internet job board/company web site
Average tenure	7.5 months	18 months
Licensing requirements	License required	License not required
Training requirements	Less than 15 days	Up to 60 days
Challenges	Recruiting and retention	Retention, recruiting, and compensation

above their 2008 goals. While word-of-mouth is the preferred recruiting method for call centers in China, service call centers have experienced success using Internet job boards or the company's Web site as recruiting sources (Table 1). Although word-of-mouth is accepted as a best practice for recruiting call center reps, in China retention is still a major problem for both sales call centers and service call centers.

Some best practices:

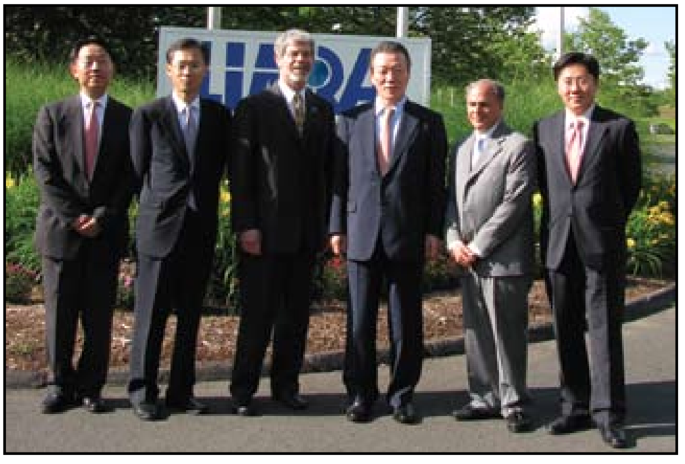
- Use a variety of recruiting strategies to increase the pool of applicants. Call center operation success lies in finding the candidates with the right skills and abilities and, ultimately, in retaining those individuals.
- During the interview present a balanced picture of the job. Provide the applicant with positives, benefits, and opportunities along with the challenges of the job. For example, have applicants tour your center at busy times and listen to tapes that demonstrate various conversations.[1]
- Provide representatives with a work environment that values people, team spirit, and promotes fun and job enjoyment. If you offer a fun culture, communicate your culture as part of your recruiting message.
- Address compensation and use flexible pay scales and job levels that serve as incentives for delivering effective customer service. Pay scales and job ratings that are too flat can act as hindrances for delivering customer service.[2]
- The supervisory team should consist of experienced reps who have transitioned into management positions — who possess the necessary skills and knowledge of the center's operation. These managers should be motivated and empowered to drive effective customer service. Supervisors should embrace the overall culture so it resonates in their service center rep leadership.

How can LIMRA help?

- Participation in LIMRA's research will help you identify areas for improvement and provide you with the tools to help you achieve business objectives.
- LIMRA's Assessment Solutions Group focuses on helping you identify and retain the best personnel.

For more information about this study contact Ruthine Williams-Baron at rbaron@limra.com.

[1] *Licensing in Service Centers: How Much?* LIMRA, 2009.
[2] *Why Customer Service Matters,* LIMRA, 2008.



On a recent visit by executives from Samsung Life Insurance Company [Korea] to LIMRA headquarters, pictured from left to right are Jaeyo Lee, Director - NY Representative Office, Samsung; Sang-Mook Lee, Senior Vice President – Head of International Business, Samsung; Robert Baranoff, Senior Vice President – Member Benefits, LIMRA; Soo-Chang Lee, President and CEO, Samsung; Robert Kerzner, President and CEO, LL Global; and InHwan Kim, Vice President – NY Representative Office, Samsung.

The Retail Distribution Review — Engineering Versus Evolution

By Chris Heath
Research Manager
LIMRA Europe, Africa, and the Middle East

Background — From Polarisation to Depolarisation

In the UK of the 1980s a number of scandals created a desire to reform the financial services marketplace. Once it began, however, the process became continuous — a market that was continuously engineered rather than allowed to evolve, as had happened elsewhere in Europe.

Leading up to the Retail Distribution Review (RDR), a debate had been going on for a number of years as to the merits of the "polarisation" regime that had been in existence since the Financial Services Act 1986, whereby every adviser had to act as either an independent financial adviser (IFA) or a tied agent. This clear-cut division made it easier in theory to apportion blame as a result of inappropriate advice that resulted in an inappropriate product purchase — if it was advice given by a tied agent, then it was the product provider's responsibility. If it involved an IFA, then the IFA was responsible. As the years went by, however, emphasis changed, and criticism of the polarisation regimes' anti-competitive effects, particularly from the Office of Fair Trading, became more widespread. And in the background were always the nagging concerns associated with commissioned sales. Polarisation had done nothing to reduce commission payment, and the feeling remained that the potential bias it created was damaging to the industry.

This dissatisfaction with the status quo inspired the Financial Services Authority (FSA) to publish a report titled *Reforming Polarisation — Making the Market Work for Consumers* in January 2002. CP121, as it was commonly known, proposed the abolition of polarisation and creation of a two-tier system of advisers, with a lower tier advising on a limited range of lower risk products and unbundling the cost of advice from the cost of the product. In addition certain constraints were suggested to apply to those who advertised themselves as independent financial advisers, including:

- Remuneration should be on a defined payment basis (effectively, fees) to remove the potential for commission bias.
- Any stake that a provider company had in an independent firm should be disclosed to the consumer.
- IFAs should streamline the advice process and create a "buyers guide".

By 1 December 2004 the polarisation regime was gone, replaced by a system where advisers could select from the whole of the market, a limited number of providers or a single provider.

RDR: The Early Years

But by the time the depolarisation process had been fully implemented, it was already clear that a number of problematic issues were unresolved. Consequently the FSA launched the RDR in June 2006 in an attempt to identify and address the many problems that still existed within the UK retail investment market.

The first two and a half years of the RDR have been spent seeking and analyzing input from a wide range of industry practitioners, consumer representatives and other stakeholders on the issues to be addressed and potential solutions. A Discussion Paper published in June 2007 included contributions from many parties. This in turn provoked significant feedback which unsurprisingly was rather polarised, depending on which part of the financial services industry was being represented.

The FSA published an interim report in April 2008 in preparation for the November publication of proposals. At this stage of proceedings, the FSA was leaning towards a simpler landscape, offering a clear distinction between "advice" and "sales". The system suggested three components:

- **Advice —** All advisers would be independent in both status and practices (remuneration decided without provider input and products sourced from the whole market).
- **Sales —** Nonadvised but regulated.
- **Money Guidance —** A national service providing information that would be nonregulated.

The other major change mooted was that IFAs and their customers would have to agree on the cost of financial advice up front, in an effort to break the link between IFA remuneration and the insurance provider. Having received further feedback, the FSA outlined its key proposals in November 2008, the main thrust of which is to refine the distinction between independent advice and sales advice:

- **Independent Advice —** Recommendations that are unrestricted and unbiased, considering all investment providers from across the market

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- **Sales Advice** — Recommendations of products from one or a limited range of providers, but meeting the same professional standards as independent advisers.

The End Is in Sight

The RDR is scheduled to finish by the end of 2012 and has now effectively been replaced by the Retail Distribution Implementation Programme. But in the meantime the FSA is particularly keen to emphasise the significance of changes to the remuneration system, with the Head of Retail Distribution Review Amanda Bowe stating in 2008, "We are absolutely clear. This is the end of commission as we know it". The favoured description for this nonprovider influenced system is now "adviser charging". And to make sure that the RDR transition period is not abused, the FSA has warned providers not to try to boost commission by saying that they are offering remuneration flexibility to advisers by "closing down" commission deals.

After all of the discussion papers, feedback and proposals, the FSA has now set out the broad measures that it views as key to delivering desirable market outcomes:

Clarity of services — Achieve this by distinguishing between independent advice and sales advice (recommending the products of one or a limited range of providers). Firms will also embed the characteristics of the Money Guidance Service (a basic information service).

Remuneration — The cost of financial advice is to be agreed on up front between the adviser and the customer, and the cost of advice must be disclosed separately from the cost of the product.

Professional standards — A Professional Standards Board should be created, requiring the same levels of competency from both independent and nonindependent advisers.

Prudential requirements for personal investment firms — Firms should have enough capital to cover three months of relevant annual expenditure, subject to a minimum of £10,000 to £20,000 for all firms.

Where Will It Leave the Industry?

Throughout the RDR observers have predicted that the changes discussed will adversely affect the number of independent advisers remaining. Add to this the problems associated with the current economic climate and things start to look grim. Financial analysts Plimsoll say that up to 1 in 7 IFA firms could change ownership, concluding that the market could be set for a prolonged period of consolidation.

Another potential by-product of the RDR is that life offices might move towards more direct-based sales models, essentially reducing business with IFAs. A recent poll of advisers found that 59 per cent of advisers said life offices are using more direct sales models, in effect squeezing advisers' business volumes. One industry member said he had become aware of life offices reducing the number of agencies with IFAs, perhaps for poor volume reasons, with some life offices dealing only direct.

The real key to the perceived success of the RDR as far as the FSA is concerned will probably come down to the impact it has on commission payment. About 80 per cent of the work done by Britain's 35,000 IFAs is still on a commission basis, according to estimates from unbiased.co.uk, the professional advice website. A further 50,000 financial advisers, who work as tied or multi-tied agents of banks and insurance companies, also operate on commission. For many the move to fees will be inappropriate for their current business models and also for many of their customers.

In conclusion, the original aim of the RDR — to identify and address problems within the retail investment market — is a difficult brief to analyse when it comes to success and failure. On the one hand, consumer protection is improving through higher professional standards and more robust capital reserves within adviser firms. But it is difficult to see any significant impact on consumer confidence and understanding of the products and services offered. Various attempts have been made over the years to create better understanding of the different types of advisers available to the public, a process that still continues. Ultimately it may be that despite all of the attempts at engineering, it is the rather more evolutionary nature of the Internet that creates the biggest drivers of change to the financial services world through product comparison sites and social networking.

Are Agents Surviving in Malaysia?

By Ingrid R. Goodenow, FLMI
Senior Analyst, International Research
LIMRA

How is the agency system faring in Malaysia? Despite the rapid growth of bancassurance in Asia in recent years, the agency channel is doing just fine. In fact, tied agents are still the most important distribution channel for many of Malaysia's insurers.

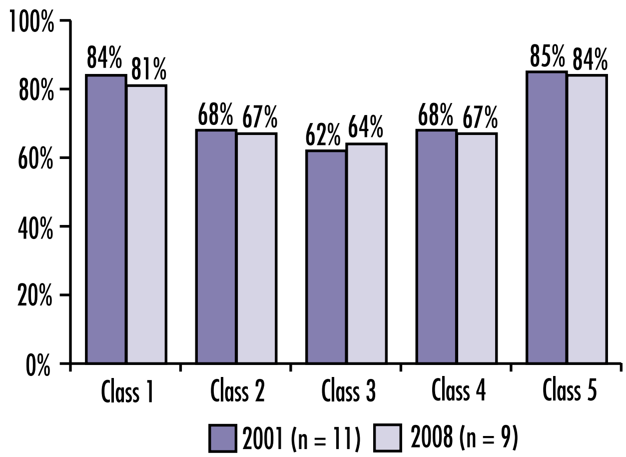
LIMRA's Agent Production and Survival study explores retention, turnover, and productivity for agents in their first years of service, or classes. Agent productivity is measured using first-year commissions and the number of policies sold per agent. These productivity measures are collected and examined for two categories: life policies and all policies sold by agents to individuals.

Agent Retention

Survival rates provide the percentage of agents who started the calendar year with the company who were still with the company at the end of the year. It is common to see survival rates drop in year 2 and then pick up again in years 3, 4, and 5. Malaysia's survival rates are fairly level for agents in classes 2 through 5 in 2001 and 2008 (see Figure 3).

FIGURE 3

Survival Rates by Agent Class



Agent Productivity

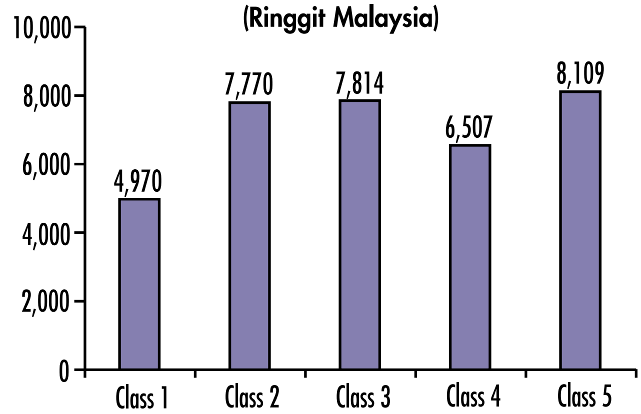
Two important measures of agent productivity are first-year commissions (FYCs) and number of policies sold. Class 2 agents in Malaysia sold an average of 17 policies in their second year with the company. Agent productivity typically increases with agent tenure and this was the case with Malaysia's agents in 2008, with Class 5 agents selling an average of 28 policies, a 22 percent increase over the number sold the prior year. The number of life policies sold also increased, but incrementally and not at the same pace.

Figure 4 shows the average first-year commissions (FYCs) per agent by agent class for all products. All companies report that commissions are paid on an earned basis. Class 4 agents saw a drop in production, though the number of policies sold had increased over the prior year. This drop could be attributed to sales of policies with lower premiums, or it could be a reflection of adjustments to agent compensation plans at the end of year 3.

FIGURE 4

2008 Average First-Year Commissions by Year of Service

(Ringgit Malaysia)



Agent Activity

A review of agent activity — the number of agents recruited, the number terminated and the number surviving — is one more way companies can identify areas of weakness that may require attention. In comparing agent activity in Malaysian companies to that in U.S. companies suggests that increases in agent recruiting would help Malaysian companies increase their base forces.

Malaysian companies recruited at a much lower rate than U.S. companies did. Even though they terminated a smaller percentage of agents than U.S. companies did, Malaysian companies ended 2008 with a 7 percent reduction in their base force, whereas U.S. companies realized a 5 percent gain.

What Does the Future Hold?

While we can't actually predict the future, LIMRA offers a program that forecasts 10-year projections of agent retention and average production. These projections are calculated using data supplied for the Agent Production and Survival

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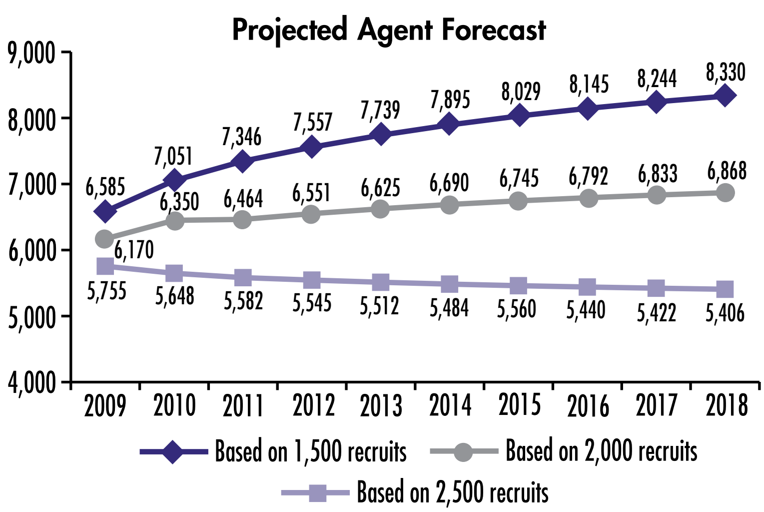
TABLE 2

Required model input	Sample data
Number of recruits	1,500
Number of agents starting the year (Classes 2-5+)	1,500; 900; 600; 2,900
Agent retention rates (Classes 1-5+)	83%, 69%, 63%, 69%, 86%
Production averages (Classes 1-5+)	10,000; 26,000; 29,000; 36,000; 62,000

FIGURE 5



study and can help companies that participate in the study gauge how adjustments to agent recruiting levels can affect their base forces 10 years out.

Based on the sample data (Figure 5), the projections suggest that if companies continue to recruit 1,500 agents annually for the next 10 years with no change in retention rates during that period, 5,406 agents will survive into 2018 — a 6 percent decrease from 2009. Results improve significantly with an 11 percent increase in the overall base force when hiring 2,000 new agents and better still with 2,500 recruits, projected to increase the base force by approximately 26 percent.

It is important for companies to look at their agents' levels of productivity in tandem with their agent retention rates. In addition to reviewing retention and productivity by agent class, reviewing trends in agent activity can help show companies how effective they are at building and maintaining strong sales forces. Finally, the ability to project agent retention and productivity gives companies an edge in determining the size and profitability of their base forces.

Welcome New Members

Bienvenido! Annyong Hasseyo!
Bienvenu! 欢迎！ *Benvenuto!*
Welkom! Wilkommen! Welcome! Yokoso!

Allianz Tiriac
Bucharest, Romania

Aviva zivotni pojistovna as
Prague, Czech Republic

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited
Gurgaon, India

Fortis SA/NV
Brussels, Belgium

Did You Know?

- Across Europe Internet usage is now the norm — over 178 million people (60 percent of the population) are online every week; over half of these are online every day.
- Over half of all Internet users now bank online — LIMRA's UK research found that the majority of consumers use Internet banking because it is convenient and log on to their accounts at least weekly, if not daily.
- Only 10 percent of companies participating in LIMRA's survey say it is currently possible to purchase protection products online, although almost half anticipate adding some form of online transaction for protection products by 2012.
- Few people are shopping for life insurance on the Internet and even fewer actually end up buying there. The many reasons for this include the difficulties in completing the buying process, concerns over security, and the Internet's impersonal nature.

For additional interesting facts, read the recently released Life *Online — Selling Through the Internet.*

Global Market Developments and Product Innovation

Susan Foster

Head of Information Services, LIMRA Europe

Are you interested in market developments and forecasts? Are distribution trends and product innovation in the life and pension marketplace something you need to track?

If so, you may find LIMRA Europe's Global Update, issued every two months on LIMRA's Web site, of interest.

Markets

Information on markets for the July issue includes the following:

- Swiss Re sigma study reveals falling life premiums in industrialized countries, but strong growth in emerging economies
- HSBC research reveals a "preparedness gap" in people's pensions planning
- Financial Times/Harris Poll examines attitudes towards retirement in Europe and the United States
- Singapore's life insurance sector feels the effect of the global economic recession
- India launches National Pension Scheme
- Insurance policies being cancelled to save money in the UK

Strategy

Additional sections cover products, distribution and strategy. Information on strategy includes the following:

- The majority of insurers plan to expand internationally in the next 12 months, according to Accenture survey
- Insurance executives are cautiously optimistic about growth prospects for the next 12 months according to research by KPMG and the Economist Intelligence Unit
- Three out of four CEOs surveyed at the 36th Assembly of The Geneva Association in May expect the recession to have only a mild or somewhat negative impact on their companies' bottom-line

You can view a copy at: http://www.limra.com/members/newsletters/whatsneweuro/Global200907.pdf

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Please let your colleagues know that this facility is available as part of the LIMRA Membership package.

Please address all contributions and comments regarding LIMRA Europe's Global Update to: susan.foster@limraeurope.com.

International News

Professional Development: Where Does Compliance Fit?

By Tom Caraher

Vice President, LIMRA Compliance

Most companies would agree that sales training is a necessary part of agent development. Developing sales talent is also a significant part of many company budgets. Yet the expression "developing sales talent" seems to focus mostly on the sale and the hoped-for sales results versus developing a professional who is capable of accurately and appropriately representing the company with the public. Developing a professional implies many more skills and awareness of more issues than product knowledge or understanding the sales process.

Recently LIMRA/LOMA and the Asosiasi Asuransi Jiwa Indonesia (AAJI) have entered into an agreement to jointly develop continuing professional development for life insurance agents in Indonesia. The program's coursework will be consistent with the Ministry of Finance in Indonesia's regulatory requirements, with a goal of raising professional standards. AAJI leadership should be commended for taking this aggressive step towards developing industry professionals and making certain that awareness of Indonesian regulation is part of the curriculum.

At the signing of the agreement between LIMRA/LOMA and AAJI are, from left to right, Gary Aluise, Senior Vice President and Managing Director, International Operations (LIMRA and LOMA); Eddy Berutu, Head of Training & Education, AAJI; Suellen A. Heintz, Global Project Manager, International Operations, (LIMRA and LOMA); Robert Kerzner, President and CEO of LOMA, LIMRA, and LL Global; David Beynon, Vice Chairman of AAJI; Joel Basarich, Vice President, LOMA International Solutions; Khor Han Heng, Managing Director, South Asia, (LIMRA and LOMA); Stephen Juwono, Executive Director, AAJI; Don Fuller, Assistant Vice President and Director Performance Improvement–The Centre for Professional Development (LIMRA).

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Professional Development: Where Does Compliance Fit?

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From a compliance perspective, a truly dishonest salesperson is actually rarer than you might think. Most compliance problems are not a reflection of deceit or dishonesty but rather errors or lack of knowledge of either the requirement or the right thing to do. That's why compliance training is such an important part of professional development. Our industry and others are still challenged with regulatory and customer complaint issues. Compliance or market conduct training is one of those things that helps calibrate the moral compass and reinforce appropriate and ethical behavior.

For many years, LIMRA has been a leader in the industry not only in sales and management training, but in market conduct and compliance training. In recent years, we have expanded our courses and training into anti-money laundering and ethics for agents. Anti-money laundering (AML) is a great example of "awareness" training. By making agents aware not only of the rules and regulatory expectations but training that helps agents identify red flags that may indicate that a customer's request is suspicious. In North America, LIMRA is clearly the leader in AML training, with over 250 companies currently using our training for both agents and home office staff. In Asia, our market conduct training has been used by over 200,000 agents.

Is compliance training in your company a mandatory event at the end of your curriculum or part of the overall design of all training? By making ethics and market conduct part of every training course, your company can develop agents who understand that compliance is an important part of the entire sales process and a critical step in their professional development.

On July 29, LIMRA and LOMA welcomed members of the Dai-Ichi Life Insurance Company of Japan for an inaugural seminar on Global Best Practices and Trends in Compliance and Regulatory Services hosted by Tom Caraher, and Stephen Selby. Over the next year, Dai-Ichi Life will meet with experts from LIMRA and LOMA each month to discuss trends and best practices on a variety of topics, including recruiting and assessment, long-term care, and worksite marketing. Pictured below are the participants in the inaugural seminar at LIMRA's corporate office in Windsor.

Latin American and Caribbean News

By Bolivar Arosemena
Assistant Vice President
Latin America and the Caribbean

Since my last report we have just finished a round of executive board meetings in Chile, Argentina, Brazil, and Mexico. By far the chief topic of discussion was the current economic crisis, although some markets in our region have not been as affected as the United States market and perhaps some European markets have been. Some of the comments we heard in meetings with you apply to our whole region.

- We discussed the low penetration of life insurance in our markets, and members agree that it is largely an issue of culture. As to who is responsible for creating or developing this culture, members agree that it has to be a joint program between insurers and governments.
- At the same time, distribution is still key for most insurers: how to get the product to the consumer in the best possible and most affordable way. Traditional distribution still predominates, however more and more we are seeing alternate distribution channels, such as affinities in Chile, brokerage in Argentina, telemarketing in Colombia, and bancassurance in Brazil.
- There is also quite a bit of debate about microinsurance. Some companies in Colombia, Mexico, and Brazil are starting programs. However a big question for many is how to define microinsurance.
- Last but not least, productivity and persistency are big topics of discussion. Some companies have increased their productivity by focusing on simpler products, while others have done so by focusing their efforts on different markets. At the end of the day, low productivity, low retention, and low persistency still seem to be affecting a number of companies.

Even though they face challenges, companies are very optimistic about the future. They are not waiting to see what's going to happen, but with renewed efforts and strategies, they are focusing on the future and preparing for it.

Here at LIMRA, we are working to bring you the information you need. If you would like more information on bancasurrance, microinsurance, call centers, or other forms of distribution, please feel free to contact me at barosemena@limra.com.

Until the next time, remember always "think LIMRA First".

A View From the Road. . .

By Gary Aluise
Senior Vice President and Managing Director
LL Global, LIMRA, LOMA International Operations

"Are we recovering yet?" That appears to be the number one question on the minds of many as I write this in mid-August.

In Asia in June, during our individual member meetings or at our Strategic Issues Conference held in Kuala Lumpur, Malaysia, sentiment was reasonably good with some traditional product line sales showing improvement, although sales of most variable products were definitely underwater. Recruiting on the agency side was up considerably. Those involved in bancassurance were re-examining profitability metrics and attempting to realign their bank agreements where needed. In general, senior executives feel less affected by the market inflection than might be expected. Companies in Hong Kong and Japan were feeling pain however, and yet were optimistic about a pending turnaround. China, however, continues to chug away, seemingly oblivious to the economic downturn in financial services elsewhere in the world and more concerned with swine flu and manufacturing trends than with the economic crisis.

In early August in Latin America we found a slightly different picture. In fact there was a sense at our Executive Board meeting in Brazil that Brazil has eluded much of the economic downturn. The industry there is tightly regulated, and companies have few mortgage and foreign currency investments, so overall members are in fairly good shape. Our members in Argentina have high hopes and a strong expectation that the markets will recover there soon, and we were encouraged by recent consumer research that indicates that potential buyers are in the wings. Chilean members are looking at broadening their distribution channels, and they are looking for growth in both bank and independent channels. Clearly the Mexican industry is finding worksite marketing and bank distribution to be the growth drivers, yet many companies are also getting good traction from refinements in their agency channels. Throughout Latin America, there is palpable interest in microinsurance, and several of our members have asked us to assist them in setting up their programs.

Overall throughout our trip CEOs identified their main challenges as having to deal with increased compliance and consumer demands, shrinking family incomes and reduced buying power, less trust in large financial institutions, and a general increase in the cost of distribution. On the positive side, our members see great opportunities in exploring new, much simpler products with guarantees, finding methods to counsel customers in retirement income planning, reaching younger customers in new ways, pursuing excellence in customer service via well-trained agents and call centers, and becoming proactive in self-regulation and compliance.

Our conferences in the Caribbean and in Asia this year drew excellent attendance given economic challenges, and indications are that our Annual Meeting and Latin American Conference this fall in New York will be well attended, too. We certainly hope to see you there!

Recently, LIMRA and LOMA colleagues inked an agreement with AAJI in Indonesia (see page 9) to assist them with the very best in continuing education there, and we look forward to supporting the industry in this very important endeavor.

Your good friend and colleague, Ram Gopalan, who many will remember preceded Jen Berlin as head of international research, retired from LL Global recently, and we wish him the very best in the next chapter of his life — a vacation back home to southeast India. Joel Basarich in our Atlanta office will now lead strategic learning solutions for you, our international members, and will also head our terrific translation team comprised of Marie Lavigne, Ines Valenilla, and Kai Zhao.

I look forward to seeing you all again very soon and to hearing your stories of how you are overcoming the current market conditions. Until then, we're all happy to serve you in the very best ways we can.

Much success to all!

From My Perspective

By Jennifer R. Berlin, LLIF
Corporate Vice President, International Research, LIMRA

The economic "Fall" was a topic of much discussion among senior executives in my travels through Asia in June 2009. Companies in South Korea, Taiwan, Hong Kong, Indonesia, Malaysia, and India were all feeling the effects of the downturn. While many executives felt that things were beginning to turn around, the unemployment cloud was growing in many countries, threatening to further drain their economies. The unprecedented financial crisis held many similarities across countries in the ways consumers and producers reacted.

To track reactions and outcomes over time, LIMRA studied consumers and producers periodically during 2008 and 2009. As of April 2009, only 25 percent of U.S. consumers had taken any action with regard to their finances. The good news was that the actions they took were fairly benign, with

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From My Perspective *(continued from page 11)*

many monitoring account values, changing asset allocations, or adding or withdrawing money from investments. So far, we see little or no withdrawal activity on retirement savings, life insurance, or annuities.

Communication was one key in determining whether consumers would take action. Fifteen percent of consumers spoke with financial advisors during this period, and nearly two thirds felt the conversation eased their concerns and worries. Three quarters were likely to recommend their advisors to others. Among producers who actively called their clients, the message was simple: stay the course, make some changes to investments, and know that you are with a company that is financially stable and that will be there for you. A simple calling program and phone script helped numerous producers reach out to their clients. Many consumers are still stuck today and not sure what to do. People are looking for someone to whom they can turn to discuss their fears and hopes. It's not too late to set up a call program to help your producers reach their clients in this time of uncertainty.

A special thank-you to all the executives who participated in discussing how "The Fall" has affected their companies. I wish you all much success in the near future. We are grateful to our hosts who provided the venues and refreshments for our meetings. Below is a picture of the Malaysia Executive Board hosted by Koh Yaw Hui, Director and Chief Executive Officer of Great Eastern.

Top Row from Left: Jacky Chan (General Manager — UniAsia Life), Clement Heng (General Manager — AmLife Assurance), John Leong (President — MAA Assurance), Kumaran Chinan (General Manager — MCIS Zurich), Jun Tokura (Deputy CEO — TM Asia Life), Tuan Haji Wan Mohd Fadzlullah Bin Wan Abdullah (EVP — Takaful Ikhlas), and Chuah Chin Seong (VP & Assistant GM — AIA)

Bottom Row from Left: Khor Han Heng (MD, South Asia — LL Global), Jennifer Berlin (Corp VP, International Research — LL Global), Koh Yaw Hui, Gary Aluise (Senior VP & MD, LL Global), and Rosalind Yu (Head, Retail Sales — ING)

Assessment & Development

ING Life Insurance in Korea Begins AMTC

LIMRA congratulates the 26 recently certified Agency Management Training Course (AMTC) moderators from ING Life Insurance Korea Ltd. These moderators (pictured here with Andy Cohen, EVP and CDO, Tied Agency Distribution, Asia Pacific Region, second row center) are currently leading AMTC classes. LIMRA plans an awards conference in 2010 to recognize the AMTC graduates' accomplishments.

AMTC is a 23-week skill-development course LIMRA offers to field managers worldwide. Through case studies, role play, and action projects, managers enhance their skills in critical managerial functions such as planning, recruiting, selection, training, and performance management. LIMRA statistics indicate that participating managers regularly achieve marked improvement in team size, advisor productivity, and retention upon completion of the course.

For more information on how your company can benefit from AMTC, please contact LIMRA's Centre for Professional Development at 860-298-3948 (phone) or TheCentre@limra.com (email).