



2011 Spring Conference Report

NATIONAL ALLIANCE OF LIFE COMPANIES *An Association of Life and Health Insurance Companies*



The NALC held its 2011 Spring Conference April 27 - 29, at the Longboat Key Club & Resort, Longboat Key, Florida. Following are summaries of presentations by participating speakers.

Commissioners Panel

- **Ralph Hudgens, Commissioner**
Georgia Office of Insurance and Safety Fire
Commissioner
2 Martin Luther King, Jr. Drive
704 West Tower
Atlanta, GA 30334
- **Roger A. Sevigny, Commissioner**
New Hampshire Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301
- **MaryBeth Senkewicz Deputy Commissioner**
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399

The three regulators made a joint presentation to the NALC, including a lengthy question and answer session with the membership. Regulators in attendance were: Roger Sevigny, New Hampshire Insurance Commissioner and former NAIC President, Ralph Hudgens, Georgia Insurance Commissioner, and Mary Beth Senkewicz, Florida Deputy Insurance Commissioner.



Gov. Jim Hodges and Ralph Hudgens



Roger Sevigny and MaryBeth Senkewicz



Commissioners Panel

Commissioner Sevigny led off the discussion by talking about the Dodd-Frank bill. He noted that the Department of Treasury wanted a larger voice in insurance regulation during the legislative debate. Treasury was unable to convince the Congress it could do a better job regulating the industry than state regulators. Word in Washington is that a bill to provide for the federal regulation of insurance will not get a hearing this year. The Commissioner is concerned that as the Financial Services Oversight Panel or FSOP prepares its report on the financial system, it will be missing the important perspective of insurance regulators and the industry. Only one regulator serves on the FSOP group.

The Commissioner did express gratitude that former Illinois Commissioner Mike McRaith had been appointed to head the Federal Insurance Office (FIO). This entity will collect and provide information regarding the industry, and be involved in the drafting of the report on state insurance regulation as part of the overall FSOP report. Additionally, former Maryland Commissioner Steve Larsen is running the Office of Insurance Information within the Department of Health and Human Services, an entity that is working on implementation of health care reform.



Anne Renfrow, Jim & Carol Caldwell

Commissioner Hudgens of Georgia expressed a concern about health reform provisions which limit the administrative costs of health insurance plans (the medical loss ratio or MLR). His concern is that current language counts agent commissions against the maximum administrative cost, which will effectively limit or remove agents from the process of selling exchange based policies. He feels the agents are a valuable source of information for consumers. Commissioners Sevigny and Hudgens discussed the importance of addressing cost issues if health reform is to be successful. Commissioner Hudgens believes that medical malpractice reform must be a part of the solution.



Shirley Grossman and Roger Sevigny

Deputy Commissioner Senkewicz talked about the Florida Unclaimed Property hearings. The issue is whether life insurance companies are or should be using the same tools to find deceased insureds with life insurance policies as they use to find deceased persons with annuities (and stop payment). A task force has been created by the NAIC to take a broader look at insurance practices around the country, and she expects the group to be active.

The Deputy Commissioner also discussed the growing problems with long term care policies. The issue is how to maintain the proper balance between solvency and rate stability, and make certain a competitive, vibrant market exists to serve consumers.

De-Risking Pension and Other Non-Qualified Liabilities with Partial Risk Solutions

Speaker: *John Kvernland, Senior Sales Director, MetLife*

MetLife presented an overview of its Annuity Specialty Markets and provided an indepth look at its Charitable Gift Annuity Solutions. As a leader in the annuity market, MetLife offers a flexible solution that addresses both the income needs of Donors and the risk management and administrative needs of the non-profit organization (e.g. Charity, Foundation, University, etc).. Benefits of reinsuring Charitable Gift Annuities through MetLife's Charitable Gift Annuity Reinsurance program can include a transfer of risks, such as investment and longevity risks, access to excess reserves prior to a Donor's death and relief of administrative burdens. Partnering with MetLife to help manage the risks and costs associated with Charitable Gift Annuities allows the Charitable organization to focus on its primary mission.



Suzanne Loomis and Governor Jim Hodges



Friday Night Entertainment



Friday Night Fun

International Financial Reporting Standards

Speaker: *Doug Barnert, Owner, Barnert Associates*

Why are we talking about IFRS?

1. IFRS benefits capital markets:
 - Credibility of local market to foreign investors;
 - Greater cross-border investment;
 - Efficient capital allocation;
 - Comparability across political boundaries; and
 - Facilitates global education and training.
2. IFRS benefits companies:
 - Lower cost of capital;
 - Integrated IT systems;
 - Easier consolidation;
 - ‘One set of books’;
 - Assist in raising capital overseas;
 - Understand financial statements of overseas suppliers, customers, subsidiaries.



Doug Barnert and Fred Meese

Class Action Litigation Against The Life Insurance Industry

Speaker: *Markham Leventhal, Partner, Jordan Burt LLP*

Markham R. Leventhal, a litigation partner at Jordan Burt LLP, spoke about class action litigation developments affecting the life insurance industry. Mr. Leventhal discussed the development of large scale class action litigation against the industry beginning with “vanishing premium” litigation in the 1990s. Over the past fifteen years, the life industry has become a major target of the class action plaintiffs’ bar, and today, class action litigation has affected almost every product sold by life companies. Class action cases in the past eighteen months have involved variable, fixed, and indexed annuities, cost of insurance claims on universal life insurance, retained asset accounts, stranger-originated life insurance (STOLI), “revenue sharing” and excess fee litigation involving group annuity contracts and retirement plans, 412(i) plans, long term care insurance, and supplemental health insurance policies.



Markham Leventhal



*Tracy Kelly, Bill Scarborough
and Lisbon Hardy*

One of the most significant class action results for the industry was a major victory by Allianz in the trial of a certified national class action in Minnesota federal court involving annuities, which resulted in a defense verdict for the company. Results in numerous other cases were discussed during the presentation. (A copy of Mr. Leventhal's paper summarizing the decisions in dozens of cases is available upon request.)

Mr. Leventhal concluded by discussing four important class action cases to be decided by the U.S. Supreme Court this term, including AT&T Mobility v. Concepcion (a recent 5-4 decision invalidating California state law holding that a class action waiver in an

arbitration agreement was unenforceable); Smith v. Bayer Corp. (whether a federal court that had denied class certification could enjoin a duplicative class action subsequently brought in state court); Wal-Mart Stores v. Dukes (whether the certification of a massive nationwide class of current and former female employees alleging sex discrimination was proper); and Erica P. John Fund v. Haliburton (whether a plaintiff in a securities fraud action must prove loss causation in order to certify a class).

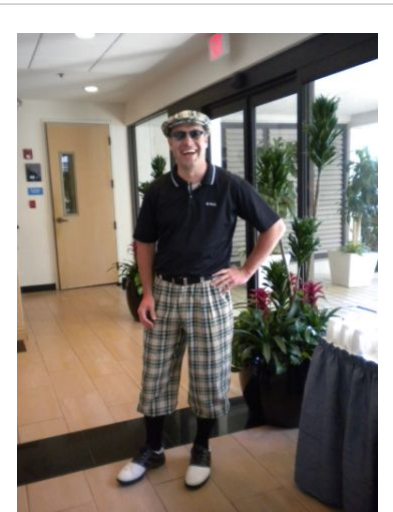
Recruiting, Retaining, Motivating the Independent Insurance Agent

Speakers: *Ted Baran, Business Development Director, NAPA*

Lou Marinaccio, Senior Benefit Consultant, NAPA

There are many important issues that companies face today in recruiting agents to distribute their products. Companies may not think it important - but agents have benefit needs also.

The National Association of Professional Agents (NAPA) has 20+ years of experience in assisting sponsoring companies with assisting agents to have direct and personal access to benefits like; health insurance, life insurance, dental, vision, property & casualty, and E&O insurance. Today's independent agent is most likely being recruited from a non-insurance background. NAPA eases the agent's transition into being an independent agent by creating a platform that allows agents to create their own personalized benefit package.



Classic Mark



Lou Marrinaccio and Ted Baran

NAPA's success is primarily due to its technology platform that agents can access benefits easily online. Why does NAPA continue to invest in programs and services? Because it works for the agent, the sponsor and most important, the agent's family.

A happy agent is a successful agent and NAPA wants their agents to be productive and utilize the NAPA benefits platform.

Asset Liability Matching

Speakers: *Greg Curran, Vice President, AAM*
Jim Toole, Vice President and Director - Life & Health, MBA Actuaries

Jim Toole of MBA Actuaries and Dan Byrnes of AAM Insurance Investment Management tag-teamed to give a spirited talk on asset liability matching and the importance of good communications between actuaries and asset managers to ensure best practices in investment portfolio construction.



Jim Toole & Dan Byrnes

Save the Date!

2011 Fall Conference

September 21 - 23, 2011

Hotel Park City, Park City, Utah

<http://hotelparkcity.com/index.html>



Complete conference information will be available on the NALC website at <http://www.nalc.net/conference/registration.htm>.

Coming soon:

- Online Registration
- Conference Schedule
- Sponsorship Opportunities
- Hotel Reservation Form