



Excelsior

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Ethical Market Conduct Issues for Presidents and Senior Executives

Congratulations to these IMSA Companies!

Oxford Life Insurance Company, Phoenix, AZ, has renewed its IMSA qualification. "Oxford Life is proud of its IMSA qualification," said company President & CEO Mark Haydukovich. "Our IMSA qualification is a tangible demonstration of our commitment to treating our clients with honesty and integrity."

Boston Mutual Life Insurance Company, Canton, MA. "We are pleased to have achieved IMSA qualification," said Paul E. Petry, Boston Mutual President & CEO. "This is a concrete expression of our pledge to uphold stringent ethical standards and our continuing commitment to treat consumers with honesty and integrity."



Primerica Life Insurance Company, Duluth, GA, and its subsidiary, **National Benefit Life Insurance Company**, have renewed their IMSA membership. "We are proud of our IMSA qualification," said Jeff Fendler, CEO & President of Primerica Life Insurance Company. "It is a tangible demonstration of Primerica's continuing dedication to ethical business practices."

"Our IMSA qualification shows our clients National Benefit's commitment to integrity," said Raul Rivera, President & CEO of National Benefit Life.



IMSA Standards Forum

It was great to get up to Washington on Wednesday, February 21, 2007 for a gathering of key company people and QIA's for an excellent forum on IMSA challenges. After a welcome from IMSA CEO and President Brian Atchinson, we discussed market conduct and compliance issues, including replacement, suitability and monitoring of independent producers. These were fruitful discussions and a consensus emerged that we would be wise to prepare a short descriptive narrative of just how the IMSA standards address each of these issues.

After a break, the forum went on with what I thought was the best news of the day, presented by John Dohmen. This was a progress report on IMSA's work with GAMA, NAIFA, NAILBA and other producer organizations to adapt the IMSA standards to agency, IMO or other distribution channel entities and to recognize their compliance with these standards by some sort of certification or associate IMSA membership. This is an exciting prospect, and while there were a good number of questions, I came away with the sense that the group firmly endorsed this endeavor.

There were also good discussions on certification of third-party compliance with IMSA standards, guidance on ACLI suitability certification forms and processing certification (electronic processing

system and apples business).

At lunch we heard from Elisse Walter, NASD's Senior Executive Vice President for Regulatory Policy & Programs, who discussed current NASD Activities, starting with their merger with the NYSE. "The open exchange of ideas and information that happens at meetings like this one helps promote a healthy marketplace," she said.

The afternoon continued with breakout sessions covering the Independent Assessment Manual, testing requirements and the supplemental report. There was again discussion of adding claims and underwriting to the assessment process and further discussion of privacy as it impacts long term care and privacy issues more generally.

The forum endorsed the IMSA Best Practices meeting being planned for September in Chicago and produced some volunteers to help field a constructive program.

The afternoon ended with the topic of regulatory recognition and discussion on how regulators use the IMSA information and how we can help educate the regulators and communicate better the workings of the policies and procedures that support the standards.

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Please Mark Your Calendars!

IMSA is planning another Best Practices Workshop in Chicago on Sept. 19-20, 2007. *Be sure to put it on your calendar.*





Suitability Key to Meeting Fixed Annuity Compliance Challenges

What follows below is a statement by Brian Atchinson given at the NAFA Press Conference, January 30, 2007

The explosive growth of sales in fixed annuity products has brought new attention to the sales and marketing of these products. With millions of Americans looking for financial products that meet their need for income and security during retirement, it is critical for the industry to have in place stringent standards for suitability of sales so that consumers can make appropriate buying decisions.

Some of the challenges for the fixed annuity marketplace include

• Suitable sales.

Annuities can be complex products requiring adequate education and explanation so that consumers know they are getting an appropriate product to meet their individual needs. A careful needs-based analysis of a consumer's long-term financial goals and needs should be conducted to assure that a sale is suitable.

• Various distribution channels.

Fixed annuities are distributed through a variety of sales channels that can create a challenge for the insurance company and the consumer. It's important for companies to have in place policies and procedures to help assure that sales are being conducted properly no matter who is making those sales.

• Supervision and monitoring.

Another important element of suitable sales is the proper supervision and monitoring of the sales force. Companies should have in place a set of rigorous standards for their sales force – standards that are measured and enforced. An important element of a company's

compliance program should be adequate, up-to-date training for the field force and those in other distribution channels.

• Appropriate disclosures.

Making sure the customer receives the proper disclosures at the point of sale is essential. Many companies have developed standard disclosure forms to help their sales staff provide this important information. Some groups have been exploring a universal disclosure form that could help standardize the information consumers receive.

Page 16 of the NAFA White Paper notes that Fixed Indexed Annuities are designed for people in a position to hold the product for a number of years. These products would not be suitable for people – regardless of age – who are only expecting to keep the product for the short term.

There are many factors a consumer should consider before purchasing any insurance or financial product including a company's financial strength and commitment to ethical business practices.

High standards in the marketplace are essential for consumers and to promote healthy competition. In 2006, the Iowa Insurance Division approached IMSA as the premiere standards-setting organization for the insurance marketplace and requested that IMSA quickly develop enhanced standards for the marketing, advertising, sales and customer service of indexed annuity products.

In a matter of months, IMSA developed standards to address important issues regarding suitability, agent training and disclosure. By the end of 2007, nearly 60 percent of the marketplace will be covered by these standards.

In 2006, IMSA also put into place enhanced suitability standards for all annuity sales that incorporate the essential elements of the NAIC model for suitability. Again, these standards apply nationally to IMSA companies no matter where they are domiciled or sell their products and protect consumers purchasing products from IMSA-qualified companies.

This kind of cooperative effort to address compliance challenges can benefit regulators, companies, producers and consumers. In the end, a healthy marketplace is good for everyone.

AARP's Hansen Joins IMSA Board of Directors



Bethesda, MD (March 7, 2007) -- IMSA announced on March 7 that AARP Group Executive Officer Christopher Hansen has joined the organization's Board of Directors.

"We are pleased to have Chris join IMSA's Board," said Timothy F. Kneeland, President of Life Investors Insurance Company of America, a member of the AEGON Group and IMSA Chairman. "He brings an important perspective to IMSA's work as the premier standardssetting organization for the life insurance marketplace.

"AARP is an important voice on issues affecting consumers and the financial services marketplace. We welcome his participation in IMSA's important work to promote a healthy competitive marketplace where consumers can make sound and appropriate decisions about their financial and insurance well being," Kneeland added. "I am proud to serve on the Board of Directors of this important organization," Hansen said. "IMSA plays a critical role in developing and deploying standards. IMSA's work helps protect the interest of the nations' consumers."

Hansen is AARP's Group Executive Officer for State and National Initiatives. His responsibilities include government relations, advocacy, management of AARP offices in every state, public outreach on key programs, and volunteer management and support. He assumed that position in mid-January 2003, after serving as the organization's Senior Managing Director of Government Relations and Advocacy since March 2002. Before coming to AARP, Mr. Hansen worked for 16 years for The Boeing Company as Senior Vice President, Government Relations. Prior to his work with Boeing, Hansen spent 11 years with General Dynamics.

IMSA Standards Forum

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There is some interest in having an NAIC assessment of IMSA independent assessment which the IMSA staff is developing.

“These sessions are a unique opportunity for the nation’s leading compliance professionals to discuss with their peers the key issues of today and to hear perspectives from leading authorities such as Elisse Walter,” said IMSA CEO & President Brian Atchinson. “The topics we have been discussing will assist us as we work to enhance IMSA standards, strengthen the market and protect consumers.”

Information gathered at IMSA’s Standards Forum will be used to develop the next generation of IMSA standards for possible inclusion in IMSA’s compliance certification program. For more information, visit www.IMSAethics.org.

Best Practice Corner

February

Two companies we have assessed have developed ongoing programs that hook up field people, generally GA’s or top agents, with home office executives. These folks become partners or buddies and keep in contact with one another on a regular basis, sometimes weekly, sometimes monthly. This serves a few important purposes. It keeps the Home Office folks attuned to what’s going on in the field, and gives the field people a voice in the Home Office. Both companies have found it very useful. The President and CEO told me he’d never felt so connected and free to ask his buddy about his concerns and about other issues that he had no way of knowing about before this useful program. It’s a low cost, easy to implement system that can only do you good.

January

This month’s Best Practice is a very simple one. It just involves extending an invitation to a meeting already scheduled. For years registered representatives have had to attend an annual compliance meeting as a part of their continuing education. Why not extend that to your life producers who are not registered? This is what one forward thinking company is doing, and it is having very positive results. First of all, the life producers no longer feel left out. The WANT to go! What a great opportunity for you to bring

ALL your producers up to date on the issues you think are important. Best practices don’t have to be complex. In fact, the more simple, the more powerful!

December 2006

One of the key standards for a company’s success is its standards for selecting distributors. The best companies put lots of thought and analysis into their recruitment process because they have learned that if they start out on the right foot, that is, when they bring people into the company who have high standards of integrity along with the good characteristics they need to achieve success, they not only avoid problems but position themselves for excellence. There are a wide range of practices in our small universe, but one best practice that can be used by everyone is simply listing the standards of the front of the applicant’s licensing file. One company has done this with a check box after each qualification so that no one comes on board unless they have met the standards. This also keeps the standards fresh in everyone’s mind. It’s a simple best practice, but one that really helps us keep our eyes on what’s important.

You can get these best practices monthly by signing up for our monthly electronic update. Just send you email address to kenkalis@gmail.com.

Consumers Should Carefully Consider Decision to Replace Life Insurance Products

IMSA-qualified companies offer protections that safeguard consumers

Bethesda, MD (Feb. 13, 2007) – Before making a decision to replace a life insurance or annuity product, consumers should ask questions and fully consider the long-range result, advises the Insurance Marketplace Standards Association (IMSA).

“Is replacing one financial service product with another always a bad idea? No. There can be very valid reasons for considering the replacement of one product with another,” said IMSA President & CEO Brian Atchinson. “However, that recommendation by an agent, bank employee or other sales professional should be made only after careful consideration of a client’s long-term financial objectives and insurance needs, and an explanation of the new product features and the impact of exchanging one product for another.”

Consumers need to understand what they are buying and whether a particular financial or insurance product meets their financial goals and needs. The consumer will want to compare their existing policy or product with the proposed annuity or life insurance product. He or she

may want to ask such questions as:

1. How do the many provisions (benefits, options, cost, and/or limitations) of the existing and proposed replacement insurance policy or annuity compare?
2. What advantages, if any, does the new policy or annuity offer?
3. Will the benefits of the new product outweigh the new and possibly higher costs?
4. Is there a surrender charge, fee or penalty to get out of my old annuity or life insurance policy?
5. Do you understand the annual fees and surrender charges associated with the new product?
6. Will there be a new surrender charge period for the new product?
7. Are there tax consequences to replacing one product with another?

One way to help avoid problems with replacement of insurance products is to look for companies that have stringent policies and procedures for replacement sales. This is a key to the qualification criteria for IMSA-certified companies.

“IMSA standards require that companies carefully monitor replacement activity to help avoid issues of inappropriate replacements,” said IMSA Chairman Timothy F. Kneeland, President of Life Investors Insurance Company of America, a member of the AEGON Group. “Consumers who buy from IMSA-qualified companies can rest assured they are getting this additional protection when they shop for products to meet their long-term financial goals.”

A True Story About My Return from an IMSA Assessment

On Wednesday I was in New Haven, CT. When it began to snow, I called the airport in Hartford (about 60 miles north of New Haven) to see if I could get an earlier flight. I could not. They told me my 7:30 flight from Hartford was the only one available. About 1 pm, I drove up to Hartford in the snow. It took about 2 hours. I then returned my rental car, went to the terminal and stood in line for half an hour. When I got to the counter, the Delta representative told me my flight had been cancelled. There would be no flights back to Florida until Monday or Tuesday.

This wasn't an option for me, I had to get home, so we located a flight out the next day, Thursday, at 12:45 from Kennedy Airport in New York City, about 120 miles from Hartford. I drove back through New Haven and on to New York, arriving at Kennedy about 9 pm. Unfortunately, there was only one room available among all the hotels there, and that was a room at the Ramada Inn for \$599. I drove around and finally found a room by LaGuardia Airport for \$188 and checked in.

On Thursday I drove to Kennedy at 10:30 am only to find my flight had been cancelled. The attendant and other passengers told me there were no flights to Florida until Monday, but I stood in line anyway until 2:30. When I told my tale of woe to the Delta representative, he said the best he could do was to put me on the stand-by list for the 4:45 pm flight to Orlando. With so many people displaced, however, it was pretty "iffy" that I would get on. I was number 8 on the stand-by list.

With my stand-by boarding pass, I went to the Delta Crown room and sat down. I realized that I had not really prayed about this

and decided to do so. A Chief Compliance Officer from an IMSA Company had given me a book called "Prayers that Avail Much" that has a prayer for Protection for Travel. Before I prayed it, I asked the Lord for His help and made this notation at the top of the page: 2:15 pm, 2/15/2007, #12 on stand-by list (I had dropped 4 places during my walk from the counter to the Crown room). I prayed this prayer and asked God for His help and His mercy.

At 4:15 pm, I went to the gate where there were 67 people on the standby list. But I was number 3! But it looked like there were only 2 seats available, and I continued praying. Just as they were about to close the door, they called my name, and my heart leapt! I was on! Seat E18, a middle seat in the emergency exit row, but Hallelujah, I was on.

When I went to E18, there was a woman already seated there. We called the flight attendant and she went up to the front of the plane to confer. There were no more seats, but for some reason I remained calm. The plane was ready to take off, there were no more seats, and I was standing in the aisle! The attendant came back: "Are you Mr. So and so?" she asked the man sitting in the window seat. When he said he was, the attendant told him he had been upgraded to first class seat 4A.

"Well, I don't want to leave my wife," he said. "Why don't you let this fellow take it?" So there I was suddenly, in first class, with plenty of room, and thanks in my heart. I told the story right away to the man sitting next to me who just smiled. I'm telling it to you now just to share a real life story about the power of prayer. Try it some time. You may be pleasantly surprised at the results!

What We Are Up to at the Kenneth J. Kalis Company

We are up to lots of IMSA assessments. We have just completed assessments of eight companies under the 2007 standards and one under the previous cycle.

A top priority is the updating of our KP4 IMSA Software before the next round of assessments begins. We are available in the late spring and summer for facilitating self-assessments or conducting independent assessments. Just give us a call at 386-462-1074 or reply to this email. You can also get a quick cost estimate with no obligation by going to our website kkalis.com.



Patrica Kalis: All Rights Reserved

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IMSA+ Services Now Available

On-site Training: Need a better understanding of all the 2007 standards? Want to bring your whole IMSA team up to date on the latest changes to the IMSA Handbook for 2006? One day training by Qualified Independent Assessor and IMSA Standards Review Committee member Ken Kalis now available.

Reorganizing for Topic Based Approach: Want to get ready for your assessment but have your data organized according to the IMSA Principles? We can help you reorganize into our new 2007 KP4 IMSA Software tool that will make best use of your past evidence and reformat your old indicators into the new Topic Based Approach.

Facilitating Self-Assessments: Not sure how you're going to get your self-assessment moving, or WHO is going to do it? We can help. One half day kickoff and 3 one-day facilitating sessions with Qualified Independent Assessor Ken Kalis will get you on track!

Conducting Independent Assessments: 100+ successful assessment with over 40 companies. Need we say more?

Best Practices: Need some new ideas on how to get that continuous improvement rolling? We'll share ours with you and/or help you implement some you already know about.

Project Management: Need some help putting together that long-overdue Compliance Manual? Need a Suitability form for your fixed annuities? Procedures for complaint resolution or advertising review? We can help!

Just check the box you of your interest and give us your name and phone number and fax this sheet to 386-462-1075. We will get back to you right away.

Name: _____ Company: _____
Phone: _____ Best time to call: _____