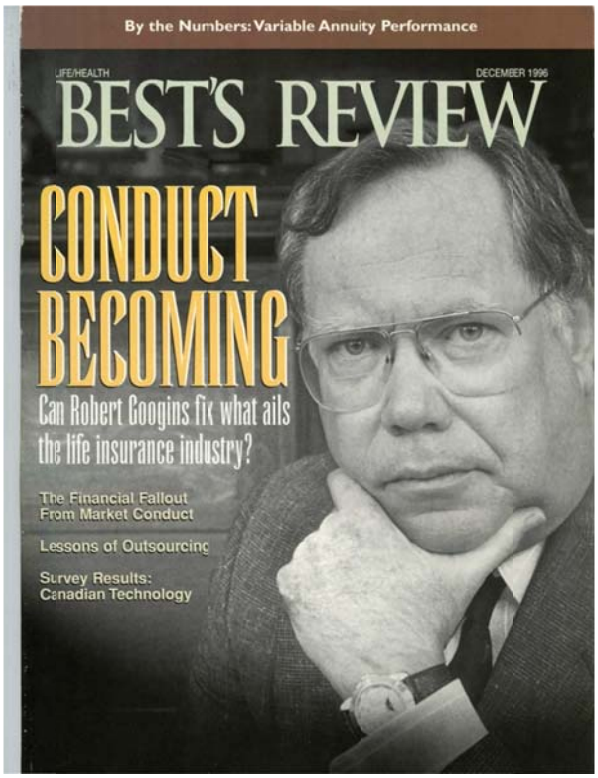
The Rise and Fall of IMSA,

A Short and Personal Memoir ***by Qualified Independent Assessor, Kenneth J. Kalis, CLU***

Part I, The Vision -- "It was the worst of times, it was the best of times," his favorite author once said. Bob Googins put it like this:

There's little question that over the past 10 years, the image of the industry has drooped. IMSA offers an opportunity to improve that image, but not just cosmetically. We'll have a mechanism to reinforce a company's commitment to improve and an infrastructure to implement that improvement, rather than simply a pontifical declaration of good intentions.

The times were the last two decades of the 20th century, where scandal over unethical practices hung over the life insurance industry ominously. The public's view of the industry was worrisome:



- In 1967, 79% of respondents to a survey said that the life insurance industry was "humane and understanding" in its dealings with the public; in 1994 only 45% gave that positive response.
- Over roughly the same time period, the public's perception that life companies had high ethical market standards dropped from 50% to 24%.
- From 1986 to 1994, agreement that life insurers were "honest in dealing with their customers" plummeted from 37% to 18%.
- Only 45% of those having contact with an agent felt the agent had genuine concern for their needs, while 49% felt too much pressure from the agents, according to a 1994 study.

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Not surprisingly, these factors interacted with other market conditions to make the sales process more difficult. As class action law suits multiplied, and companies paid out billions of dollars, the trust level in the life insurance industry took a further beating. MDRT reported that four out of five agents lost sales because of ethical market conduct issues.

Not surprisingly again, it was the loss of revenue and flat sales that worried industry leaders almost as much as the threat of regulatory action that moved them to act. A group of company CEO's went to the American Council of Life Insurers for help to address the industry's declining image and well-publicized lawsuits over sales practices.

"If the industry wasn't going to do something about the conduct of the rogue agents, somebody else would," remarked Joseph E. Blair, CEO of Baltimore Life, and later IMSA Board Chairman.

"We had a moral obligation to develop an ethics program."

As life insurers do, they formed a task force, this time of CEO's from prominent companies with Stephen Brown, chairman and chief executive officer of John Hancock heading it up. Working together with wide industry support, the panel came up with an assessment-driven process to help companies maintain high ethical standards. The standards were based upon six principles:

- conduct business according to high standards of honesty and fairness to render services to customers which, under the same circumstances, they would demand for themselves;
- offer competent and customer-focused sales and services;
- engage in active and fair competition;
- provide clear and honest advertising and sales materials;
- provide fair and expeditious handling of customer complaints;
- maintain a system of supervision.

Companies who demonstrated compliance with the 25 or so specific standards via nearly 350 "indicators" through a self-assessment process could have their self assessment certified by one of over 200 qualified independent assessors drawn from the life insurance, legal and accounting professions. Certified companies could display the IMSA logo in their advertising, promoted as "the industry's own version of the Good Housekeeping seal of approval."

All this looked good on paper. But would it work? That's where Googins came in. He was one man that could make this idea, this vision, a reality. Robert R. Googins had all it would take to make the IMSA vision work. Among his qualifications were his experience as a Connecticut Insurance Commissioner, director of the Insurance Law Center at the University of Connecticut School of Law, head of the insurance department of the law firm Hoberman & Pollack and executive vice president of the Connecticut Mutual Life Insurance Co.

This track record provided credibility with industry leaders, but equally significant were his commitment to ethical issues, to the law and to working with people at every level as a champion for fairness and "Golden Rule" treatment for the customer.

Q. Will third-party assessments in the IMSA process lend more credibility in the eyes of the general public?

A. It clearly has the potential to lend greater credibility. Many

third-party credentialers will come from professional organizations such as

financial auditors and accounting firms, people who have historically played an

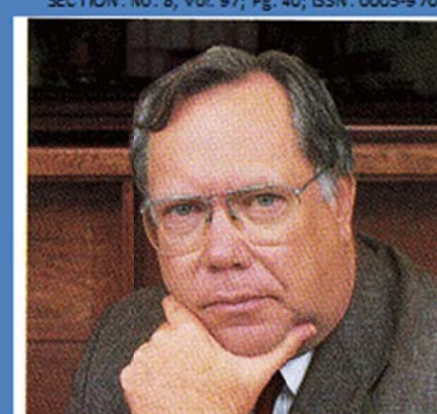
independent role and know that they have an obligation that transcends the client relationship. Such organizations have their own reputations to consider, as well. For years, the public has relied on accounting firms. To the extent that system works on an equivalent basis, I hope this sense of responsibility

has the same salubrious effect.

--- Bob Googins in Best's Review

Best's Review - Life-Health Insurance Edition, December, 1996

SECTION: No. 8, Vol. 97; Pg. 40; ISSN: 0005-9706



IMSA appears to have a relatively well-defined objective for its proposed accreditation process--assuring a high standard of operation and avoiding market misconduct through the continual improvement of compliance standards in life insurance companies it services. While general in nature, this objective does provide the necessary guidance for the development of an effective evaluation system. Further, IMSA appears to have identified exact areas for evaluation--evidenced by the six components of the proposed questionnaire. 11/17/1999

Thomas G.A.Agnew
Jay M. Jaffe

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Googins was comfortable dealing with company CEO's, regulators, marketers, lawyers, agents and consumers. He saw the value of each one in the process and was able to orchestrate a harmonious operation where every player was valued and contributed to the entire drama. He saw that the CEO's support of the IMSA concept was essential. He understood that IMSA needed to offer real value to the companies, and that this idea had to be marketed to company decision makers by a corps of accredited life insurance professionals who added credibility to the assessment process.

Although his title was Executive Director, and he did indeed direct the rollout of the process, he was also chief facilitator of a team effort that scored a remarkable success. By the time that IMSA opened its membership list to the public, 155 companies had attained membership. They represented well over 50% of the individual life and annuity new business premium. Many were surprised by this, but not Googins:

I have the great benefit now of perfect hindsight. Having that advantage, I'd say the thing that surprises me a little is that this idea didn't catch on many years prior to now. I can't give you an answer why that is, but it certainly is a function whose time has come.

The success was dramatic, and membership continued to grow until IMSA members represented companies that sold over 80% of new business for the covered products. When the history of life insurance is written, there will be two dramatic reform efforts shown to be of a major significance in the 20th century. Standing like bookends at the century's beginning and end, both efforts were ethically driven, and both were led by talented lawyers.

The 1905 Armstrong Committee was led by Charles Evans Hughes as a springboard to his later career as governor, secretary of state, presidential candidate and chief justice of the United States Supreme court. Hughes used the courts and legislature to expose corruption in the industry and to pass legislation in New York that is still with us today. Robert R. Googins led his ethical reformation through voluntary means, and provided a structure and a vision for continuous improvement in companies' commitment to ethical market conduct by providing an ongoing standard, diagnostic and audit system with credibility within the industry and resonance with policy holders. This was the capstone to Googins' illustrious career, a historic achievement with astounding success out of the gate and strong promise for continuing success.

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Part II: Gearshift:

Bob Googins seemed to "just fade away," like General Mac Arthur's Old Soldier, leaving behind him simply "the Corps, the Corps, the Corps." But the Corps, in this case the IMSA vision and process, went on and on. The IMSA vision was still potent. The CEO's of life insurance companies saw its value, and the ongoing marketing efforts of the 200 independent assessors drove membership up to over 250, representing over 80% of new business for individual life and annuity products.

Googins and the CEO's did not tamper with success. They saw that the vision was appealing, the assessment process diagnostic and therapeutic and that the public perceived their efforts in a positive light. The companies and assessors loved the idea of a "Good Housekeeping Seal of Approval" embodied in the IMSA logo which companies displayed with pride on their sales materials and advertising. Coast to coast an army of professional independent assessors from the Big 6 accounting, top actuarial, legal and consulting firms preached the IMSA gospel. Things looked good.

One reason Googins could exit so silently, was that IMSA remained a part of the American Council of Life Insurers. IMSA benefited greatly from the prestige and presence of that huge life insurance organization (300+ member companies). IMSA had, in fact, built-in credibility with ACLI sponsorship, and companies felt confident that their commitment to IMSA was an industry-wide commitment and that their investment would be worthwhile. Googins was able to slip quietly away too because his was a part-time role, with the CEO's now taking a leadership role with staff support from their companies and the ACLI.

Paul Mason was the next Executive Director, another prominent lawyer with a long and successful career. Twenty days after he took over (January, 1999), I interviewed him:

Kalis: Why did you decide to accept the offer to become IMSA Executive Director?

Mason: ***After over 30 years as a lawyer in the life insurance business, I wanted to do something dramatic and useful to cap my career. Being IMSA's executive director gives me the chance to use the contacts and knowledge I've built up in my career to be a force within the professional community and to influence the industry for good.***

Kalis: What is your number one priority as IMSA's Executive Director?

Key Role of CEO's

Insurance professionals responding to the May 1998 survey saw IMSA as having its greatest contribution in significantly influencing the senior managers of the companies that they represent and the senior managers of life insurance companies in general to more strongly encourage and support ethical market conduct.

As the ethics literature suggests, the philosophies of top managers represent a critical factor influencing the ethical behavior of those in the organization. Sims (1992) states "it is increasingly clear that the ethical tone or climate of organizations is set at the top. What top managers do, and the culture they establish and reinforce, makes a big difference in the way lower-level employees act and in the way the organization as a whole acts when ethical dilemmas are faced."

With regard to IMSA's potential for improving the life insurance industry's ethical environment and thus, the challenges it presents to the efforts of those working in the industry to act ethically, Cooper and Frank (1999) concluded, "Senior managers must actually demonstrate through their actions and the culture they establish and reinforce in their organizations their true commitment to encouraging and supporting ethical market conduct if the IMSA program is to have a real chance of restoring the public trust."

The Key Ethical Dilemmas In Marketing Insurance: A Comparison Of The Two Main Segments Of The Insurance Industry, Robert W. Cooper, Drake University
Garry L. Frank, Drake University

http://www.sbaer.uca.edu/research/acme/2001/20.pdf

Mason: ***Communication, communication, communication. I've already got an IMSA Update out on our website, and I'm going to update that as often as I can. I've got other plans under way to beef up our recognition factor among producers and the public. I'm also hoping to increase the IMSA staff and get our visibility up again where it needs to be. I'm also going to be doing some communicating with the regulatory community, the member companies and the independent assessors.***

Kalis: What is your organizational model for IMSA? What would you like to see?

Mason: ***I would like to see IMSA have the same type of public recognition that the brokerage industry enjoys by virtue of coming under the umbrella of the Securities Investor Protection Corporation "SIPIC' Model.***

Kalis: Have you any plans to work with the regulators to make IMSA membership more valuable to companies?

Mason: ***I have over my career established good relationships with the state regulators and the major rating agencies. We're seeing more of these folks at our training sessions, and this is a good thing. We've got to strengthen the IMSA process to get more clout with them. That's part of the reason for our procedures to deal with companies customers complain about. I plan to spend time with the rating agencies to identify areas where we can help one another. I'd like to see some recognition of IMSA membership in the ratings. Informally, the rating agencies have said that if a company's not an IMSA member they'll want to know why, but I'd like to see a more formal recognition.***

In ways I didn't realize at the time, a "Gearshift" was taking place. IMSA was becoming an organization instead of a vision. It retained the original process, but after the updates that were already under way when Mason took over (moving the assessment from a "point in time" to a "continuous 3-year period," requiring "an ongoing system of monitoring" for renewal and adding Long Term Care to the covered products) there was increasingly less focus on the process, and the original 25 standards of 1998 were never updated.

Coming from an organization where he had hundreds of lawyers working for him, Mason was appalled to find no staff support at IMSA. He moved quickly to establish an independent organization, announcing these intentions in August and moving in the same time frame to bring staff support over from the ACLI. In October, he announced a $5,000 annual fee for independent assessors. An impersonal fax was sent to each assessor announcing the fee so that IMSA could revise its assessment handbook and add long-term care insurance companies to its assessment processes.

"These activities will require continuing education for all independent assessors," he wrote. "All individuals who agree to maintain their independent assessor status through payment of the $5,000 annual fee will be permitted to attend IMSA continuing education training sessions without cost."

The reaction from the assessors was so negative that Mason had to roll back the fee to $1,000, but the damage was done. Not only did the assessor corps drop by 75%. But those who did attend the 2000 training sessions found that absolutely no changes had been made to the Handbook for including Long Term Care. When the 2000 training was done and an assessor informed an industry press a session had been videotaped, Mason went ballistic, called the assessor to intimidate him and created a breach with that publication as with the independent assessor community.

Concurrently with these organizational issues, Mason was working on a shift in focus from traditional life insurance products to variable ones, especially annuities, in which he was an expert. Indeed, his affinities and relationships throughout his professional career had been with those in the SEC and brokerage communities. He was not comfortable with traditional life insurance nor did he know many of the CEO's of the member companies. He assumed that the NASD regulations and procedures were followed by the life companies and took IMSA down a road that put a heavy focus on annuity suitability and quietly stepped away from including claims and underwriting in the IMSA process. In short, his interests were not those of the CEO's of IMSA companies.

One illustration of this came in 2001. Mason decided that an agreement with two large industry organizations to jointly sponsor a conference on ethical market conduct issues was not in IMSA's best interests. When that conference was already announced and hotel commitments made, IMSA decided to hold its own "Best Practices" conference a month before targeting the same potential audience. This cost IMSA a good deal of industry good will, a theme that that we will see again in the future.

Mason's tenure as Executive Director came to an unexpected end in 2001. An article in July of 2001 in A.M. Best Newswire simply reported: ***Paul Mason, executive director of the***

Insurance Marketplace Standards Association, has said he will leave his post in September to return to his law career. He will join the Washington office of the Dechert law firm as special counsel and senior adviser to the firm's financial services group.

While his tenure was short, his influence was significant. It was Mason who took IMSA out of the ACLI and made it an independent operation, established IMSA as an organization rather than a vision and process and shifted its goals from helping companies improve their ethical marketing practices to building regulatory compliance organizations. He centralized power and direction in the Executive Director, leaving the CEO's on the Board, but out of the ongoing action. This was unnoticed at the time, but would proved to be a turning point in retrospect.

Mason's announced departure was one of those times when the Board had to spring into action. Shorty after the announcement, then IMSA Chairman Dick Kling called me and, I am sure, many others, to get input on Mason's successor, even asking if I had any interest in the job. I felt that IMSA needed someone of stature within the industry, preferably a former life CEO. Kling had Heidrick & Struggles call me for further input, but rested the selection in the hands of a troika of CEO's, Joe Blair, Michael Roth and himself. They were looking for leadership qualities, they said, but more important, in their minds, was someone who would help the companies get regulatory recognition. To them this meant getting a "pass" on state market conduct exams for IMSA membership.

They selected Brian Atchinson, a former Maine Insurance Commissioner and NAIC President. Trained as a lawyer, Atchinson had all the right contacts in the regulatory community for doing what could be done. An energetic and well-spoken man, he took on the job enthusiastically but faced serious challenges. Like Paul Mason, he did not know many of the life company CEO's and was not comfortable speaking with them. Nor did he share Bob Googins' vision of IMSA as an ever-expanding organization or see the importance of continuous improvement. Above all, and for reasons I never fully understood, he was hostile to the very idea of IMSA offering a "Good Housekeeping Seal of Approval."

Externally, Atchinson was facing issues with other industry organizations. Producers' groups tended to view IMSA as the companies' attempt to whitewash themselves and push the blame for ethical market conduct issues onto the producers, Joe Blair's reference to "rogue" agents did not help here. Other industry organizations still smarted over IMSA's last minute reneging on joint efforts, and within the small IMSA organization itself there were others who were not particularly welcoming. Finally, while Mason had set IMSA up as an independent organization, IMSA still shared office space with the ACLI on Pennsylvania Avenue and benefitted greatly from the prestige, influence and shared space of the larger group. Atchinson declined moving with the ACLI to its new location and cited lower rent as a key factor in his decision to move IMSA out of Washington to its own office up Wisconsin Avenue in Maryland.

Once established, IMSA's new Executive Director threw himself into his work focusing on two areas, one working for regulatory recognition for IMSA membership from the state departments of insurance, and, two, beefing up IMSA's staff and finances and using a business model to manage IMSA, centralizing power in the executive rather than in the Board and membership. Oddly, to me at least, it was the second of these objectives that seemed to be most on his mind when I interviewed him shortly after he arrived, in early 2002:

We will also be expanding membership of the Board of Directors to make it more diverse. By adding individuals who will bring other perspectives we expect it will broaden our scope and improve the IMSA organization and process. (Excelsior, March 2002)

Atchinson soon learned that getting his former regulator colleagues to endorse IMSA was not going to be easy. Despite the underlying control and revenue issues the states had, the insurance commissioner raised some practical concerns about the IMSA assessment process. These included its incongruity with the NAIC Market Conduct Examination process, its lack of file sampling as a testing method, its lack of public "work papers" and other documentation and the independence of the assessors and assessment firms.

IMSA quickly put together a committee of company people and independent assessors to deal with these issues. The group worked diligently and came up with changes to address each of the issues cited above. The work product was an "Independent Assessment Manual" (originally entitled "Independent Assessor's Manual") that formalized the testing criteria, sampling technique and more stringent independence standards for assessors. IMSA held three training meetings in the summer of 2003 to prepare companies and assessors for the third cycle of assessments.

As the 3-year cycle progressed, the majority of member companies successfully completed the more rigorous assessments and renewed their IMSA membership. But, as Best's reported in its "Membership Squeeze" article of August, 2003 "its second round of membership renewals isn't as robust as the first." From an apex of 270 and a market share of over 80%, IMSA membership had declined to just above 160 with a 60% share in late 2004. (Best's "Changing the Rules," September, 2010 and IMSA NOGHA Annual Meeting Presentation, October, 2004.)

On the bright side, anecdotal information began to roll in that some states were waiving market conduct exams for IMSA companies. While the extent of this never was quantified, formal recognition of IMSA's value did come from a number of states. Best's published "Vigilance Rewarded" in early 2003 testifying how IMSA helped reduce the likelihood of new class-action law suits for variable life insurance and annuities, and by 2005 Brian Atchinson was able to say, "We are pleased that Maine has joined the growing number of states including Iowa, Massachusetts, New York, North Dakota and Texas that recognize the value of IMSA qualification for consumers, companies and regulators." Excelsior 4th 2005

The “Gearshift” had been made: IMSA had moved

From vision to organization
From a marketing to regulatory focus
From company led to staff directed
From working with other industry organizations to standing alone.

Some obstacles had been overcome, but others lay ahead, but IMSA IMSA was still on the road.

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Editor’s note: *We have a 6-page version of this story without the Mayl Update artwork, if you are interested. Just email kkalis@aol.com and I’ll send it to you. Also, we were unable to locater a photo of Paul Mason, IMSA’s second Executive Director, and for this we apologize. The other photos used have appeared previously in Excelsior, our quarterly newsletter now archived at www.kkalis.com.*

The Rise and Fall of IMSA

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Part III: <u>Decline and Fall</u>

I was quite enthusiastic about IMSA in early 2005. The headline in our Excelsior newsletter for the first quarter proclaimed *Has IMSA Arrived? (I think so!)* http://kkalis.com/1_Q_05.pdf I was not alone. The prevailing view was that IMSA was a success. Outsiders looked to IMSA as a model. The CPCU Society president (Don Hurzeler) initiated a Society task force to research whether a self regulatory body like IMSA would be a useful model for the property casualty industry and the role the Society should play in any industry image-restoration effort. Like other qualified independent assessors, I was very busy with assessments for membership renewal, managing a team of 5 QIA's to assess the nation's leading company. At the same time, I was serving on IMSA's Standards Committee to incorporate into the assessment process elements suggested by the regulators to make it more congruent with the NAIC market conduct examinations. Other changes were made to carve out a role for the Board of Directors and to make the process more like an audit.

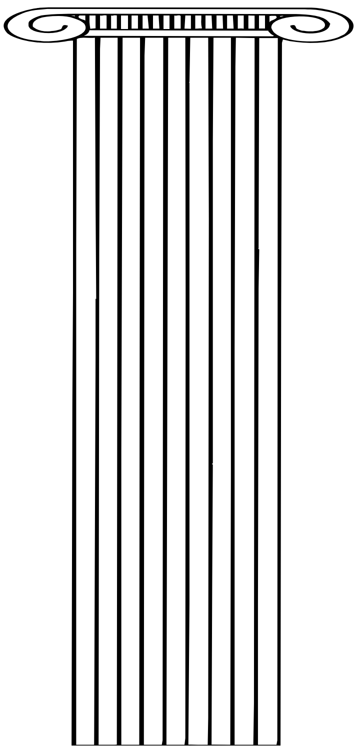
But other conditions were emerging that were to have long-term consequences that impacted the health of the association. One of these was Sarbanes-Oxley, passed in the wake of Enron and the Arthur Anderson scandals. SOX established tighter ethical standards for publicly held companies and influenced IMSA in two important ways. First it led the association to adopt stricter standards of independence for its assessors. Second, its own independence standards led QIA's who worked for the large accounting firms to opt out of IMSA assessment work in favor of the SOX work which was much more lucrative.

Independent Assessors, as well as some member companies, opposed the restrictions that would limit assessor involvement in the companies' self-assessment. Every IMSA member had been introduced to IMSA by its independent assessor via the self-assessment process. The change banning this not only made it more difficult for new companies to join but also put a much greater demand on the internal resources of companies renewing their membership. Companies began to drop out. Compounding the problem was the withdrawal of the big accounting firms, who made up nearly 50% of the independent assessors at the time. At first this seems like a boon to those assessors who remained, and I picked up a handful of large companies previously served by the big 5 accounting firms. But in the long run, this was bad for IMSA because it resulted in a net loss of distributors and in the perception of IMSA as a less than vital and co-equal concern with Sarbanes-Oxley. IMSA was, in a sense, eclipsed and relegated to the back burner.

Another operating factor was transformation of the IMSA Board of Directors. True to his word, Brian Atchinson was working to diversify the membership. Gone were the CEO's of the large companies, gradually replaced by lower level company executives, college professors, consumer advocates, stock brokers and others outside the life insurance industry. Late in 2005 the General Counsel of a large company was named IMSA chairman, and the direction and directing force of the organization changed from what was left of its marketing focus to compliance and regulatory issues. The member company CEO's were no longer directing IMSA's course as IMSA began a search for a new role. This meant not only that the CEO's lost interest in key issues, but that their clout was lost when it came time to ante up the dollars for membership fees.

But the new board was not looking at these issues. It was more internally focused on issues that made the association stronger as an organization rather than on serving its members needs. An obvious step was changing the titles of the IMSA staff from the traditional nomenclature for industry organizations, (Executive Director, Deputy, Associate, etc.) to those used in larger companies, (CEO, President, Executive Vice President, Senior Vice President, Vice President, etc.) and the focus of the organization shifted from helping its members with continuous improvement to seeking recognition for itself as an important industry organization and voice for the consumer.

This change in focus was evident in the direction taken in the revisions of the 2006 Assessment Handbook. IMSA opted not to update its standards to include significant issue facing member companies such as:



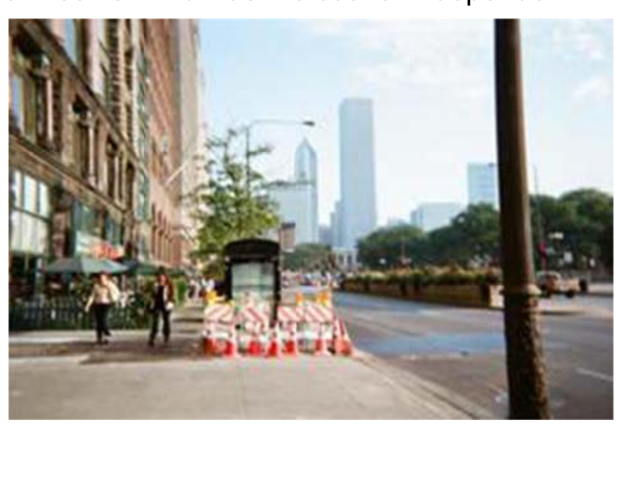
- SEC Rule 38a-1
- Anti-Money Laundering
- Do Not Call List
- Patriot Act and regulations
- Privacy
- Sarbanes-Oxley reviews and certifications
- Suitability

IMSA
INSURANCE MARKETPLACE STANDARDS ASSOCIATION
www.imsaethics.org
Committed to honesty, integrity and ethics

The decision was "that IMSA should not adopt standards that do not directly impact consumer interests." (Excelsior 3 2005). Instead, IMSA decided to make only format changes in the process and to move ahead to copyright the process to prevent companies who were not IMSA members from using it.

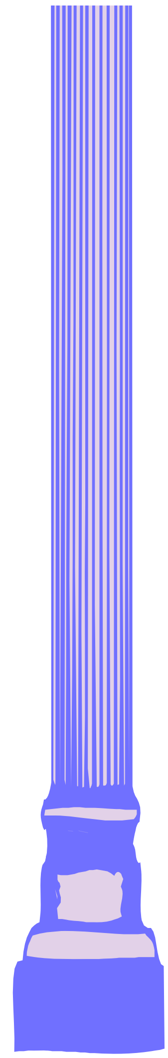
From the middle of the decade on, IMSA took a path of public outreach to consumer groups and government entities, speaking before Congressional committees, urging the Department of Defense to require IMSA membership for all companies selling on military bases, writing articles on topics of consumer interest and reaching out to regulators for ongoing support. Underlying these efforts was a hope for a regulatory role once the Optional Federal Charter became a reality, according to one IMSA insider.

IMSA's Best Practices Workshop in Chicago, September 19-20, 2007 seemed to me a turning point for the association. In a "cloak and dagger" fashion, notes were slipped under the hotel room doors of company attendees indicating that a crisis was at hand. Exactly what that was was not expressed in the note shared with me by the chief compliance officer of one large company, but I did attend a meeting at the end of the session where some detail was provided. Companies were not getting "the bang for the buck" out of their IMSA membership. What stuck in Brian Atchinson's mind was the cost of independent assessments.



Atchinson also told me that the CEO's of the three largest companies had sponsored a study by the McKinsey Group to identify a new mission for IMSA as well as outline some specific steps to help the organization survive. While it is difficult to pinpoint the crisis point, it may well have been the 2007 decision of one of its most prominent companies not to renew. See Bests Review, (Work Ethics, July 2009). Rumor has it that the IMSA Board Chairman offended this company's CEO. Atchinson himself refused to comment but told me that it was a personal decision by the company's CEO and that the compliance people wanted to continue membership. However that may be, the delisting of this highly visible company gave "cover" to other dissatisfied companies to drop their membership. The CCO of IMSA's largest company told me "No one wants to delist, but IMSA is just not delivering the value promised, and this is going to be our last cycle."

In the 4th quarter of 2007, some of the largest member companies held a meeting with IMSA (Brian Atchinson and staffer) in New York. The CCO of one of these companies told me that they had decided the costs must be brought down or they would no longer remain members. These were the companies that paid IMSA's maximum membership fees, ranging up to $185,000, and if these companies left, IMSA could not survive on the $5,000 minimum annual fees that the smallest companies paid. In direct response to this pressure, the IMSA Board convened an IMSA Qualification Process Working Group which I was invited to join on January 16, 2008.



This was at the same time that IMSA had decided to boost its income from a new Clearinghouse System to help life insurance companies obtain certifications of supervision of annuity suitability from third-party distributors as required under the NAIC Suitability in Annuity Transactions Model Regulation. This effort was somewhat successful and eventually generated enough annual income to offset the loss of one or two large companies, but while it was being constructed, the Qualification Process Working Group began its work.

Chaired by NAIC current CEO Terri Vaughn (at that time a member of the IMSA Board of Directors), the Working Group met in New York at the offices of a large law firm. I was the only independent assessor there aside from the QIA whom IMSA had hired as a consultant to lead the group. Most of the dozen of so companies who attended the meeting were in the top 25 in sales and included current IMSA members as well as companies who had already dropped out. All of these were signed up to cut costs and implement the McKinsey recommendations. The attendees were senior executive, most of whom had never had "hands on" experience with an IMSA assessment and were clearly motivated solely to cut costs. The only real option was whether IMSA would become a Better Business Bureau type group with no certification process or whether there would remain some modified process that would severely cut costs but still uphold the IMSA standards.

In the end, an attestation approach was adopted whereby companies could simply self-attest that they were meeting the IMSA standards. An elaborate process was designed and a training schedule set up, where it was made clear that IMSA would not look at the attestation paperwork too closely. To encourage those companies who had dropped out (IMSA posted a list of some 48 at the time) a "streamlined reinstatement process" was also adopted, another elaborate design which induced no former members to re-up.

When these changes were announced in mid-2008, IMSA was pretty much finished. There were some companies already in the process of renewing their membership and these recertified using the regular renewal process which retained its diagnostic and educational value. In 2009, when IMSA assessed its annual $1200 fee for QIA's, most dropped out. Some remained, given assurances by IMSA that there would be companies that would continue to use the independent assessment process and that IMSA would rigorously pursue new members who would need QIA services.

But the reality was something other than what IMSA offered. Only one company renewed using the original assessment process in 2009, demanding that IMSA convince its CFO that it would remain a going concern for the rest of the membership period (through 2012). IMSA did turn over its financial that showed a $2 million budget. IMSA gave assurances that its leading companies would remain in the fold and, indeed, made visits to most of the 14 of the top 25 companies still in the fold. My contacts in these companies told me that the visits were disappointing and that IMSA's message and mission were unclear. An IMSA contact told me of one visit where the company was openly hostile and that another visit could not be made because "no one around here wants to hear about IMSA."

IMSA had "managed the communication" about the attestation so that the news that independent assessments were no longer required was not made available to regulators when the change was announced in mid 2008. But as the awareness of the change spread, the value of IMSA membership dropped, and only a handful of companies renewed using the new self-attestation approach. The July 2009 Best's Review article *Work Ethics* highlighted the critical condition of the organization, but Atchinson remained optimistic:

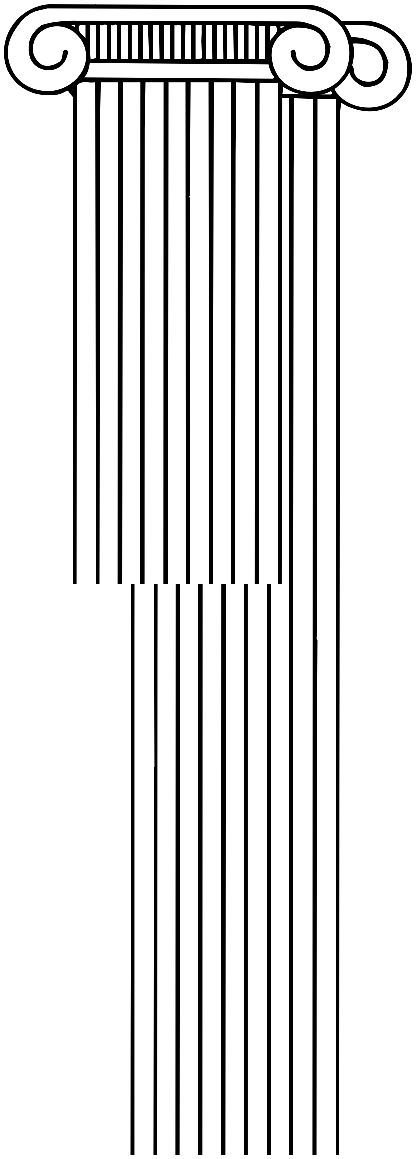
Looking ahead, Atchinson is "cautiously optimistic" about adding members if and when the economy rebounds. If it weren't for the economic downturn, he said, "We'd be going strong."

But things did not get better, they got worse. At the beginning of 2010 there was another significant drop in membership, down to 65, from 90 the previous July from 120 the previous November, according to the August 2010 article *Changing the Rules.* This Bests story broke the cloak of secrecy that covered the real conditions at IMSA and helped foster change. From the Chairman's remarks it is clear that change was already under way:

The IMSA Board of Directors began work on the significant strategic shift in late 2009, said Masterson. He said the initiative came from both the board and IMSA staff to focus more on compliance support and education rather than certification. He said that as with any board made up of bright people, there was lively debate. ***"Certainly a lot of the staff and the board had a long-term relationship and investment in IMSA,"*** *he said.* ***"To some degree, it was difficult for some to see that organization wind down."***

http://insurancenewsnet.com/article.aspx?id=226569&type=topnews

It was difficult too for other stakeholders, particularly the assessors who worked so hard to build IMSA and who were billed and encouraged to pay the $1200 annual fees even though IMSA has already decided to step away from the assessment process. When Bests undertook another story during the summer of 2010 about the plight of independent assessors, IMSA was forced to scramble. Finding no other industry organization who would work with IMSA to continue its operation, the Board of Directors announced IMSA's dissolution in October. Pledges were initially made to continue the certification process under the aegis of a new organization, but this decision was reversed once the dissolution was complete.



For all its shortcomings IMSA was a remarkable achievement, a once in a century event when the leaders of the life insurance industry put integrity first and worked together to foster the spirit of the Golden Rule. I miss IMSA and the fine work it did. The industry will miss the independent assessment process that gave insurers credibility when thy told the world they were living up to high ethical standards. Without the ongoing monitoring that the certification process required, companies will fall short of their compliance goals. In 2010 former member companies paid $1.4 billion as a result of regulatory shortcomings that they might have avoided had they not stepped away from the IMSA assessment process. More such actions loom ahead. No one knows for sure what the future holds. My hope is that not all of the IMSA work will be lost.

The final words here are drawn from the 2009 Ethics Works Best article's interview with American College Ethics Professor: Ronald F. Duska: ***"I'm sympathetic to IMSA, it's doing some good stuff. Whether it works is a separate question. I know some companies don't think it's worth the money."*** *In the end, Duska's analysis of how corporations can overcome a corrupted culture is* ***'by ethically sticking to the business they are in and doing business with others as they would have them do business with them….It's a noble goal, and if you stay on that you will be all right. If you do it well you will have customers. If not, you probably ought to die."***

IMSA….

http://www.freeclipartnow.com/holidays/halloween/graveyard/R-I-P-gravestone.jpg.html