

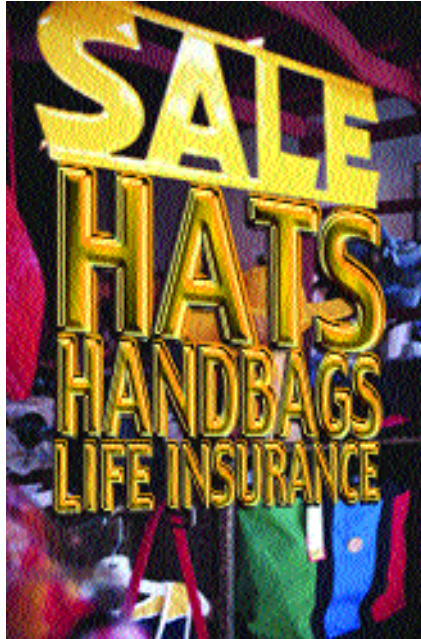
Window Dressing

I have read and reread the January/February, 2001, *Contingencies* article entitled "Self-Control: IMSA and the Image of the Insurance Business." It is time to speak out.

IMSA as an image is an appropriate analogy. Insurance companies have been busy selling the public on that "image" without actually addressing the real issues.

As a 36-year veteran/survivor of the career agency life insurance system, I assure the public and the regulators that IMSA is misguided at best and provides camouflage at worst. The industry has been unethical in the way it treats policyowners, insureds, and producers.

Here are the real issues. Your article used the hypothetical example of an insured who had purchased a vanishing premium life insurance policy. The concept is not fraudulent on its face. However, it is a concept that requires annual



reviews with the client so that the client is aware how the various factors affecting policy performance are actually affecting

policy results. The producer, carrier, and client should be working together to see that solution options have been presented and conscious decisions made. The basic cause of the issue is total inability of the insurance industry to service concepts after the sale. That lack of after-the-sale concept service is fraudulent.

The life insurance industry services policies without regard to the reason for purchase. Compare that to the amount of money the industry spends in developing marketing materials and methods to sell concepts.

IMSA has spawned a huge increase in investment in compliance departments and the number of lawyers, who have never sold the carrier's products or provided a customer solution, who nevertheless attempt to determine how and what producers sell prospective insureds. Compliance wants to review our mail, our e-mail, and control producers' business processes under the presumption that producers naturally attempt to screw the public. The industry seems to feel that the faithful compliance departments are all that protect the public from such vicious actions by producers.

The investment that should be made should not go toward building compliance/legal departments but, instead, to the development of first-rate sales training and concept support for use after the sale. Where are the rating agencies and other watchdogs with this issue?

The real public issues are ill-trained producers and the sad lack of after-sale service systems for the concepts that the policyowner purchased. The industry wants more sales, but it does not make the investment to teach fact-finding and proper sales methods, nor have investments been made in the appropriate systems supports.

Major life insurers have established 1-800 toll-free phone numbers to "service" centers staffed by young, ill-trained people who have absolutely no idea as to why the coverage was purchased or what solutions the policy actually provides. However, these "service" personnel presume to advise the policyholders when all they

really do is to interfere with my relationships with my clients.

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Actuarial Muse

As Denise Tiller points out (March/April, 2001), writing a novel offers little financial incentive and abundant frustration, mainly from agents and publishers. Yet it can be an enjoyable and gratifying experience.

Whether it can be ascribed to the difference between casualty and life actuaries, I took a different road as an author. I continue to toil as a casualty actuary, leaving my writing to the predawn hours. Actuarial exams serve as the perfect training for the discipline part of the writing process. Working at a demanding occupation while spending long sedentary hours working cerebrally is analogous to

the exam process.

The first draft of the book did not take as long to write as I anticipated. All the tedium came from the rewriting, the rephrasing, and the reworking that make a book readable and, if done successfully, enjoyable.

The book involves no actuaries but an accountant, Liam, an illegal Irish alien, a sometime embezzler, who finds he is the target of a killer. He needs all of his craftiness to stay alive, while he in turn pursues his nemesis. Not only is the identity of the villain hidden, but equally frustrating for Liam is the villain's motive.

The thought of writing a book had not occurred to me until I heard someone say that everyone should accomplish three things in life: have a child, get fired from a job, and write a book. Since a success rate of 33 percent in hitting a baseball gets you into the Hall of Fame, going two for three in life's accomplishment's isn't bad,

even if my long suffering wife is responsible for a great deal of the good in these accomplishments.

I do reserve the right to change my mind on the getting fired, especially if the royalty checks get larger than the mere pittance they now supply. If any of your readers want to assist in that regard, the book, *Past Due*, is available on barnes&noble.com, borders.com, and amazon.com.

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Privacy vs. Efficiency

Kenneth W. Faig is a brave man. In the March/April 2001 issue of *Contingencies* he boldly looks at life insurance in the middle of the 21st century. His view of the future assumes a continuation of trends in information technology, globalization of business, and the success of open markets. Faig correctly points out that the demand for life insurance depends on a widely held set of values that elevates family life. He assumes that this value will persist.

He does not discuss a clash of basic values that seems to be escalating. The outcome of the contest will influence insurance and is between the values attached to privacy and the efficiency of open markets.

Efficient markets require that market participants have equal access to relevant information. Markets with asymmetric information don't work. One of the successes of the 20th century was the improved efficiency of stock and commodity markets as a result of mass access to accounting information and crop forecasts. But gender, health history, and genetic information, that are relevant to life insurance classification, may be expunged from an electronic underwriting file in 2050 in accordance with the value placed on privacy.

Which value will prevail in 2050? I don't know, but the outcome will have a profound impact on life insurance.

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