

(BENEFITS SELLING EXPO PREVIEW)

BENEFITS SELLING™

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“This
is not a
crisis”

Think the recession's hurt your business?

AIG's been through hell.

Few know that better than

American General Life

President and CEO

Mary Jane Fortin,

who's helped oversee a corporate
turnaround worthy of an MBA
textbook – and all it took
was a lot of faith and a
little perspective.

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By Ed Lynch



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No company acronym has taken a bigger beating over the last couple of years
than AIG. (Even BP, which inflicted more widespread damage financially, environmentally and to their own brand.)

¶ The company's collapse, nightmare that followed in the shuffle has been the

Just last month, AIG

that on any front

President and CEO

pointed out in

“We’re writing a new chapter.”



subsequent federal bailout and the public relations stole headlines for months. ¶ But what's been lost company's **near-historic comeback.**

repaid the last of its federal debt. Didn't see

pages, did you? ¶ But as American General Life Co.

Mary Jane Fortin

a frank, hour-long conversation last week,

And we have the pen.”

By Denis Storey | Photographs by David Johnson

Cover story

And she's not wasting any time – or obsessing over what health care reform will or won't do. Fortin, who's been with American General for nearly five years now, took some time out of her schedule last week to talk to *Benefits Selling* about what the company's been through, where they're going and how critical brokers are to the entire process.

Benefits Selling: *Where do you see the market headed this year and beyond, and where does American General Life fit in?*

Mary Jane Fortin: I'm pretty bullish on our opportunities here. I always like to start at the beginning, which to me is with the consumer. Today, 35 million households have no [life insurance] coverage. One-third of all households have no life insurance – the highest level in four decades. Only one out of four households have disability coverage, and there are 100 million workers out there with no private DI. As an industry, we have struggled to really serve the middle market.

And so when I think about the workplace, I think that it's a huge opportunity for us as an industry to really help fill that gap because I believe consumers acknowledge they need more coverage. They acknowledge they want to learn more about benefits, and so where I sit today I see consumers have an absolute need for the types of services and solutions we can bring to them.



Then I think about the employer. Our sweet spot is the 50-to-500 employee pay-size, the small- to mid-case market. In my view that's somewhat of a small business owner, and I think about that employer and I've got to believe they're feeling bottom-line pressure like we all are.

I think I'm pretty bullish on our voluntary segments of the market because this really fits the need for the employer and it helps them get at that consumer need. I think about what we do and the fact that employers need our help. And I look at the broker and I think about the fact that you've got health care reform. We know that will impact their livelihood in terms of revenue. They're looking for better sources of income. I believe we've got strategies to help them. So when you look at all the steps of that chain it's

obvious there's an absolute need and opportunity for us as a carrier.

Where we're focused right now is really building out and investing our resources around the volunteer segment of the market, and we've brought on voluntary specialists from across the country working with the sales team and brokers. If you look at the voluntary sales data it was up in 2009 while the employer piece of the market was essentially flat to slightly down. So if you look at where the sales are coming from, the brokers are becoming a bigger piece of that. I look at that and say, "We've got a huge opportunity, so let's go at it. Let's go execute and get our share." That's what we're focused on.

BS: *What is American General doing to communicate with brokers and maintain that relationship?*

AIG
timeline

JANUARY
2006

Mary Jane Fortin joins American General.

AUGUST
2007

Credit market seizes.

SEPT. 13
2008

Hurricane Ike slams into Galveston, Texas.

SEPT. 15
2008

Lehman Bros. files for bankruptcy.

When it all came crashing down

“It was March of '09, during the height of the media and Congressional vilification of AIG and I was all wrapped up in that. It was very difficult. I'd never worked harder in my life but yet you were afraid to stay where you worked. We had to change our badges. We had employees afraid for their kids at school.

But it was a Sunday morning and my parents called early to let me know that my 47-year-old cousin died unexpectedly. He left a stay-at-home wife and two nine-year-old children. The first thought I had was obviously for him and his family, but then it was like you know you think you've been living in the crisis and you know what? It's all relative. It's not a crisis. You will get through this.

And I knew we were taking care of our policyholders. I knew we would be able to make good on our obligations. And I headed back home for the service and I'm sitting on the plane and I'm gathering my thoughts. And my first thought was “God, I hope Tommy had life insurance.”

And for the first time I thought, “Oh my God, that's what you do. Your company provides – helps people when they need it the most, when they're the most vulnerable.”

American General has paid out \$35 billion in claims in the last five years alone. And all of that had been lost on the media and Congress. And that's just American General. That doesn't include [all the other subsidiaries].

That's a lot, and I have to tell you, for me, it really recommitted me to this company. I mean we're all at-will employees, all of us made choices, all of us had choices and we were incredibly grateful for the U.S. taxpayer, but also for the 4,300 employees we had here and for all the good we do. I really wanted to stick it out and do my part to see us through it, and that's why it really does feel so good to be here today.

Obviously it's a little quicker than some of us thought, but we're clearly in a good place, and you know it's a tough competitive industry we operate in – and it's a crowded marketplace – but you know what? Given everything we've been through, that's a challenge we're more than ready to bring on and looking forward to. It's kind of like “Bring it on and let's go!” Because compared to 2008 and 2009, this is a lot more fun. So we're back playing offense instead of defense.

MJF: Out in the field, we aren't hearing background noise in terms of concerns or willingness to work with us and that's principally because we've been really trying to tell the financial strength stories of American General: The fact that we've got \$80 billion in assets; the fact that our capital levels today are higher than they were at the end of 2007 before the crisis even hit. (Our capital levels are up a third.) From where we sit and the feedback we got from brokers speaks to our value proposition in that we're able to bring a broad portfolio of both employer-paid and employee-paid products and so we really believe that is a differentiator for us. And that's an area we're going to continue to invest in. We really do believe that differentiated delivery and design of product

is going to win the day. I saw on your [www.benefits-sellingmag.com] blog you talked about your purchase of life insurance through the voluntary segment and how it was a huge missed opportunity. But to really educate you on what types of coverage might be available and work with you as a customer, I think, is a missed opportunity. We are focused on building educational tools and using technology to really help educate the consumer and help the broker in terms of delivering those solutions to their clients. I think that this an area of focus across carriers. I think even some of those carriers that have historically played in the large case segment of the market are recognizing that there is a huge opportunity in the workplace that we haven't seized as an industry.

BS: *A lot of carriers are moving more toward the voluntary field or the carriers who are in the voluntary field are moving more toward the group market. And brokers aren't necessarily happy with that because they want a lot of this, the voluntary stuff, to stay on an individual chassis.*

MJF: We have voluntary products on both individual and group chassis, so once again I think we have flexibility in terms of a product sweep. This is where we're focused on the bundling of products and I don't know that we should dictate to the broker or to the employer what they should offer. I'd like us to be in a position to be able to work with them on bundling the products in a way they're interested in serving their employee base. So I don't see us going one way or another.

AUGUST 2009 | Robert Benmosche takes over AIG as president and CEO.

AUGUST 2009 | Fortin assumes role of president and CEO of American General.

JAN. 14 2011 | American General pays down its debt to the Federal Reserve.

Cover story

I think the other piece of it is portability. That's where we'll truly serve the middle market. The young worker today is probably not like our parents who might have worked at the same place their entire career. So I think the portability issue is one that, from a product design and development perspective is where we need to continue to evolve.

BS: *What products do you see gaining traction?*

MJF: On the group side, our life products and our AD&D. We've had good success with our dental product on the employer-paid side. When I think of voluntary, we have a great critical illness limited benefit plan. Voluntary dental is on the horizon for us. Life and disability along with dental and critical illness, to me, is significant, particularly when we think about health care reform. When I'm out in the field and meeting with brokers I get a lot of interest even on the individual side of the house. I'm building a product on an individualized chassis with critical illness riders. So I think critical illness is going to be a key product for us going forward.

BS: *LIMRA reported late last year that individual life insurance ownership sunk to a 50-year low. The number of U.S. households without any life insurance whatsoever is growing – the study revealed 30 percent of households have no life insurance coverage, compared to 22 percent of households just half a dozen years ago. What can be done to reverse this trend, and do you see significant growth for the industry on the horizon or would you expect it to remain flat for now?*

MJF: I believe life insurance sales will grow at a modest rate over the next several years commensurate with the recovery of the economy. It's interesting to note that through Sept. 30, 2010, total life insurance sales were up 6 percent over the same period last year (as measured by LIMRA on a CPPE basis).

As an industry I believe we have a huge opportunity to fill the gap in cover-



age that exists today. However, we need to be creative. As I said, I firmly believe the worksite is a terrific way to reach the middle-market consumer who has a huge need for protection solutions. I also believe we need to explore alternative distribution channels – examples that include reaching consumers through the bank channel as well as reaching the consumer directly. These are both areas where we are seeing marked growth at American General.

An additional key to helping close this “protection gap” is improving the ease of purchasing life insurance. To the extent we can simplify the underwriting process and the issuance of life insurance policies, we will serve our consumers well and increase the level of purchase activity.

BS: *How can we do a better job of educating consumers about the need for life insurance coverage and change*

consumer attitudes to make having life insurance a higher priority?

MJF: How we address this question is key. I found it striking that the LIMRA study you refer to points out that the challenge isn't for us to convey the critical role of life insurance – the study found that 92 percent of middle-market consumers consider life insurance as important or more important in today's difficult economy. The problem is consumers don't have the urgency to buy when compared with other competing financial goals.

The same study suggests that about 40 percent of consumers readily admit their household doesn't have enough life insurance coverage. They know they need more protection. The study also showed that only 5 percent of consumers actually spoke with an agent about life insurance within the past year.

So, to your question, how do we get the consumer to act? I believe the workplace is a great avenue to educate the consumer/employee and provide the solutions they need. Technology will play a big role in

consumer needs through a single product strategy, ideally creating a more cost-efficient solution for the consumer. This is an area that's under "R&D" at American General. The key for us is to ensure that we can build

require. This has been invaluable for our distribution partners, particularly with respect to new agent recruitment, training and development.

But we also must look to alternative distribution – e.g., banks, affinity groups, direct-to-consumer – as a way of reaching, educating and meeting the needs of consumers, who might have differing and preferred methods of purchasing protection solutions. And as we've discussed, I think there is a huge opportunity for us to fill the "protection gap" through the worksite and through voluntary benefits. That's why we're strategically investing in sales and marketing resources dedicated to this very effort, including hiring industry experts in the voluntary markets who will work with our brokers and their clients to help successfully integrate voluntary benefits into the solutions they provide.

“I don't see a crisis on the horizon – rather I see an opportunity. As a carrier, I believe American General can help and support our distribution partners with their efforts to recruit and retain sales talent to their organization.”

helping us reach the employee and provide the education, information and next steps to fulfill the purchase of life insurance. And as I mentioned before, I also believe reaching consumers through alternative distribution channels – affinity groups, direct and through banks – will help us educate consumers and assist them in taking action to secure the protection they already know is needed.

BS: As a result of the PPACA, would you expect to see a rise in the sale of hybrid products – life insurance with long-term care riders?

MJF: I definitely believe the sale of hybrid products will increase, and I expect this to be in the areas of both life insurance and annuity products. As I spend time with our distribution partners, it's clear interest in combination products is quite high – including long term care and critical illness. I believe this increased interest is driven by both the PPACA as well as the desire to meet several

something that provides value for each key stakeholder – the consumer, the distributor and ourselves as the carrier.

In short, at American General, we're actively assessing the landscape and evaluating various product designs, and I agree regulatory changes could bode well for this product strategy.

BS: About industry education, would you say there's a crisis on the horizon because of an aging sales force and cuts in carrier training programs?

MJF: I don't see a crisis on the horizon – rather I see an opportunity. As a carrier, I believe American General can help and support our distribution partners with their efforts to recruit and retain sales talent to their organization. We just launched our innovative online tool, called "I've Got a Client," which helps our distribution partners easily match consumers' ever-changing needs with the life, annuity and accident & health product solutions their clients

BS: At end of the day what's your message to brokers? What do you want to say to them?

MJF: I would say bottom line is that we're committed to them and their business, and working with them to help us all collectively meet the needs of their client base and collectively grow our businesses and bottom line. This is a business we want to grow and we believe we're making the necessary investment to help them and build their practice. So that would be the bottom line. And that we are a financially strong company that's gonna be there to deliver on the promises we make to them and to their clients. ■

American General Life Companies