Outline

Stakeholders in an Insurance Company
- Owners
- Customers
- Financial Professionals
- Employees
- Regulators
- Rating Agencies
- Reinsurers
- Other Stakeholders
- Balancing Stakeholder Interests

Levels of Management
- Board of Directors
- Senior-Level Managers
- Lower-Level Managers

Management Functions
- Planning
- Organizing

Organizing Insurance Operations
- Traditional Ways Insurers Organize Work Activities
- Profit Centers / Strategic Business Units (SBUs)
- Committees

Holding Company Systems
- Downstream and Upstream Holding Companies

I'm new to the insurance industry. Well . . . actually, this is my first job so I guess I'm pretty much new to every industry. I have a lot of questions about how things work around here.

I worked in the accounting department of a manufacturing company in my last job. I know a bit about how companies operate but I don't know anything about insurance or how insurance companies operate.

If you are new to the workplace or new to the insurance industry, you might not fully understand how an insurance company operates. You may have heard about underwriters or actuaries, but don't understand what they do. You might be uncertain about how all of the different areas in your company work together. This course explains how life insurance companies operate. You will learn what insurers do and how they do it. You'll also see more clearly how your individual efforts affect your company's overall performance.

How is an insurance company like any other company?

Just like any company, insurance companies operate to accomplish a purpose or a mission. A company's mission is outlined in its ***mission statement***, a formal written statement of the company's fundamental purpose or reason for being. An

insurance company's mission is to provide individuals with products that protect them from financial losses associated with certain risks. Three broad categories of insurance companies include life insurance companies, health insurance companies, and property and casualty insurance companies. Life insurance companies primarily issue and sell products that insure against financial losses associated with the risk of death. When a person covered by life insurance dies, the insurance benefits can ease the financial burden on the person's family or business. Common uses for life insurance benefits include

- Paying final expenses or debts
- Establishing a cash reserve for the insured person's survivors
- Maintaining a standard of living for the insured person's survivors
- Paying off a mortgage or paying rent
- Paying estate and inheritance taxes
- Funding a gift to a charitable organization
- Helping a business continue operations
- Establishing an education fund for the insured person's children
- Providing supplemental retirement income for a surviving spouse

Many life insurance companies also sell annuities. Through the sale of annuities, insurance companies provide another form of financial security. Annuities can be thought of as the opposite of life insurance. An annuity can protect against the financial risk of outliving one's savings or financial resources. Some life insurance companies also sell medical insurance and disability products that provide benefits to individuals when they are sick or disabled. However, other companies—health insurance companies—sell only medical insurance or disability products. Property and casualty insurance companies issue and sell insurance products that provide financial protection against property damage or theft of personal property. Property and casualty coverage also protects against the financial consequences of causing injury to another person or damage to the property of others.

Do you know all of the different types of products your company sells? If not, you might want to do some research before continuing. Knowing what types of products your company sells will help you better understand how your company operates.

Providing financial protection is an important mission. But, what about profits? Aren't those important, too?

Financial Fraud and Retirement Accounts

By Ryan Scanlon
Associate Research Analyst
LIMRA Secure Retirement Institute

Fraudulent attacks have become extremely prevalent in the financial services industry. According to data on cybercrime from Accenture, the average financial services firm suffered 125 breaches in 2017, more than triple the rate observed in 2012.[1] With each breach, more personally identifiable information (PII) can become compromised, potentially exposing new customer accounts as targets for fraud. A recent influx of stolen PII, made available globally via the dark web, has fueled a rapid acceleration in the rate of fraudulent attacks against the industry. In fact, on a global scale, 10 new account takeover attempts are now launched *every second*, according to ThreatMetrix.[2]

The financial services industry, and a majority of the consumers that it represents, are well aware of the threat posed by financial fraud. In fact, in a recent survey of more than 1,000 American consumers aged 18 and older, nearly 4 in 5 (79 percent) respondents revealed to LIMRA Secure Retirement Institute that they are concerned their accounts will be hit by fraud, with 36 percent reporting they are *very* concerned. The survey also revealed that 1 in 4 American consumers have *already* been hit by fraud, including 13 percent who have been victimized in just the last two years. Indicative of consumers' concern, a significant majority report that they monitor their accounts for fraud routinely, as more than 6 in 10 (62 percent) check for suspicious activity at least once a quarter, and just 18 percent *never* monitor for fraud (though, notably, this rate jumps to 34 percent among individuals with an income level below $50,000).

Fraudulent attacks have become extremely prevalent in the financial services industry.

On their end, firms have indicated their commitment to fraud prevention by investing heavily in both internal and external anti-fraud initiatives. For years, financial companies have made increasingly substantial commitments of time, money, and resources in an effort to develop their internal fraud prevention techniques. These efforts have focused primarily on training frontline employees to recognize potential red flags, and implementing new technologies to identify and prevent fraudulent claims. [Common examples include advanced computer algorithms, two-factor authentication (2FA), and biometric analyses.]

Happy Anniversary LIMRA LOMA Secure Retirement Institute!

At the five-year milestone, the LIMRA and LOMA executives and managing directors of the Secure Retirement Institute sat down to chat about how it all came about, where we've been, and what the future might hold.

(From left) Gary Lineberry, Managing Director, Retirement Education Solutions, LOMA Business Development, Alison Salka, Senior Vice President, LIMRA Member Benefits, Paul Henry, Corporate Vice President, LIMRA Member Relations, Matthew Drinkwater, Corporate Vice President, LIMRA Retirement Research)

What was the thought process that led to the formation of the LIMRA LOMA Secure Retirement Institute?

Paul Henry:
In early 2013, LOMA was developing the program that ultimately became the Fellow Secure Retirement Institute, and had engaged with a number of individuals in the industry to review the curriculum. At that point, the content was very annuity-focused while the aim of the program was to focus on all aspects of retirement.

Alison Salka:
We actually did have, on the LIMRA side, a retirement research area for several years. We had been expanding our research agenda beyond annuities, and growing our expertise and capabilities in the institutional retirement space, as well as in terms of new education and services.

Paul:
We started by talking about an advisory board of senior level people in our members' retirement organizations who could give us some direction not just on the program, but more broadly.

Alison:
The goal of this was to help our members and the public more broadly understand how we had expanded our mission, research, capabilities, and other offerings in the retirement business. Adding a senior level advisory group and pulling all of our retirement capabilities together under the new brand and idea really helped get us some visibility.

Gary Lineberry:
At the time, I was extremely impressed with the membership of the board, with the top leaders for so many organizations. Now, looking back, five years into that process, I would say we've done very well when it comes to maintaining both the quality and engagement of the board. But, I think it was a very bold thing to start with that level of individual.

Paul:
The recruiting aspect of it was somewhat interesting and challenging. We wanted very senior people. If possible, we wanted people who headed a line of business.

Alison:
One of the things I remember about when we were making those recruiting calls was that it gave us an opportunity to talk about all of the new things that we were doing. And the fact that everybody was so receptive and so interested to hear about what we were doing and how they could help made me really optimistic about the future of an effort like this.

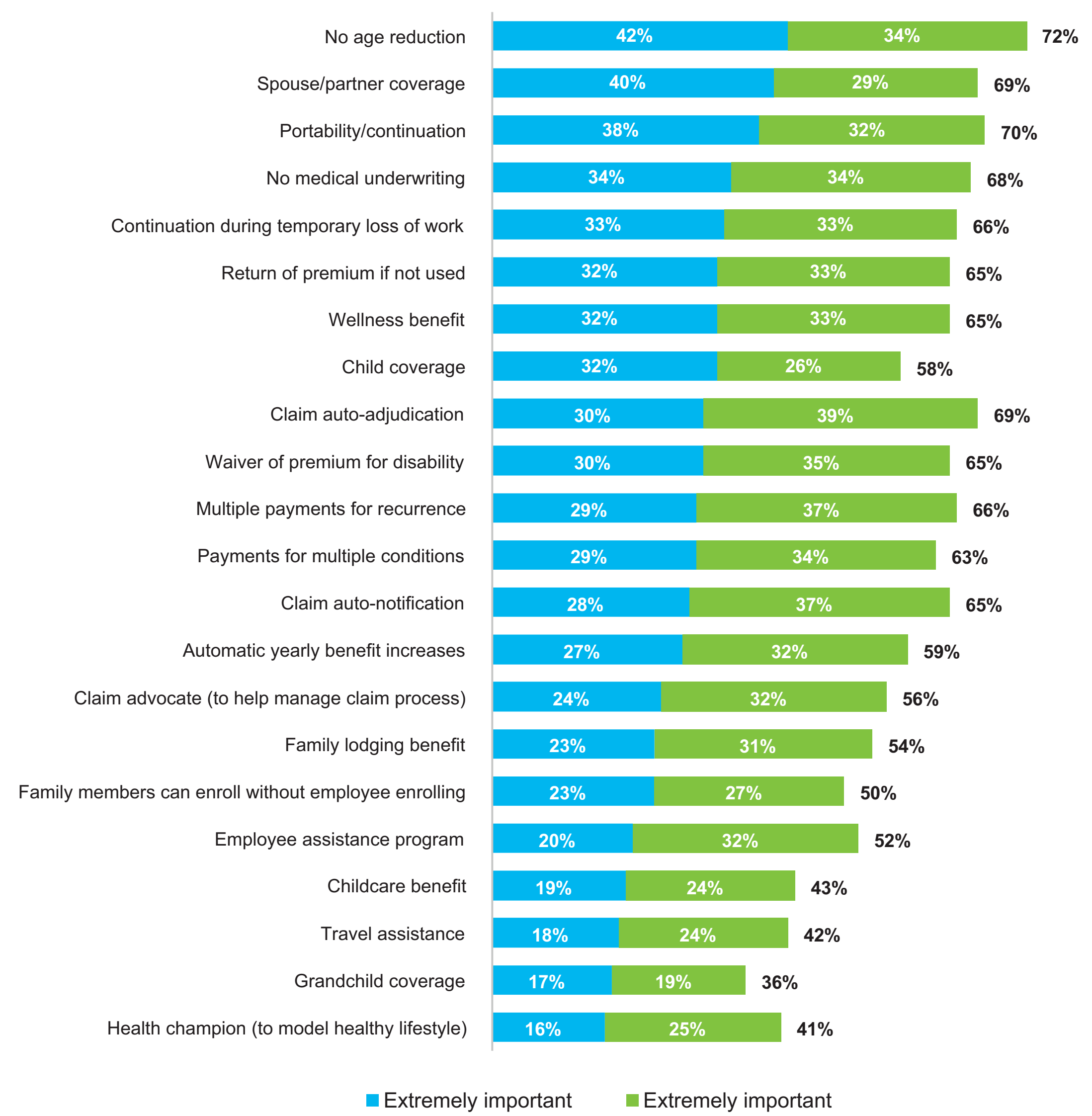
FULL REPORT

Beyond the Spreadsheet

Which Benefit Features Really Matter to Employees?

LIMRA®

Figure 9 — Importance of Critical Illness Product Features to Employees



Percent of employees rating the feature 4 or 5 on a 5-point scale.
Names of product features are abbreviated here; they were described to employees in non-technical terms in the survey.

By generation, older employees draw more of a distinction between their highest and lowest-ranked product features than younger employees do. This is partially because young employees tend to assign more importance to even their least-desired features. This may be due to life stage differences or to the fact that older workers, having more experience with benefits, have a better idea of which benefit attributes are important to them.

- In general, younger employees show relatively more interest in child and grandchild coverage, access to a claim advocate, family lodging benefits, and travel assistance.
- Older employees, on the other hand, show more interest in coverage that does not have an age reduction schedule.

Wellness Benefits

Wellness benefits, which pay employees a cash benefit for preventive care visits, are frequently included as riders on critical illness plans.[3] Nearly two thirds of employees consider these to be important features, ranking them above most other "value-added" services. Women, employees with lower household incomes, and those that currently have CI coverage are all more likely to value these benefits. In addition, wellness offerings tend to be among the most important features to Gen Z employees, who show a greater willingness to pay extra for these benefits.

Critical illness plans vary considerably in terms of which illnesses and conditions are included in the schedule of benefits, and it sometimes appears to be a bit of a competition to have the most triggers. All conditions are viewed as important by at least half of employees (Figure 10). However, 53 percent of employees say they would prefer a lower cost CI policy that covers fewer types of illnesses. In addition, adding more triggers increases the complexity of the product, making it more difficult for employees to understand. For carriers wishing to simplify their CI plans, employee preferences can provide guidance on which conditions to prioritize.

- The three conditions that are most commonly associated with critical illness insurance (cancer, heart attack, and stroke) are also the most important to employees. Notably, coverage for skin cancer is seen as less important than coverage for other cancers.
- Female employees, those with children under age 18, and those who already have CI coverage are more likely to view many of these conditions as important.
- Child-only coverages, for conditions such as cerebral palsy and congenital birth defects, are the least important to employees overall. Unsurprisingly, employees who have minor children are more likely to value this feature.

3 *U.S. Critical Illness Insurance: Product Profiles*, LIMRA, 2015.

Spotlight On Retirement

BRAZIL

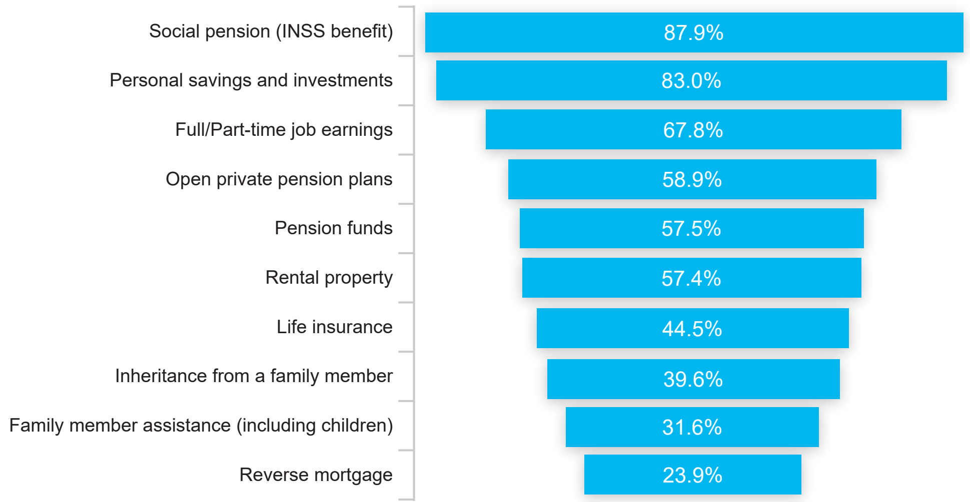
LATIN AMERICA RETIREMENT SERIES

SOCIETY OF ACTUARIES®

LIMRA Secure Retirement INSTITUTE®

Figure 16 — Planned or Current Source of Income in Retirement

Question: Please indicate which of the following sources of income your household currently receives (if already retired) or expects to receive during retirement.

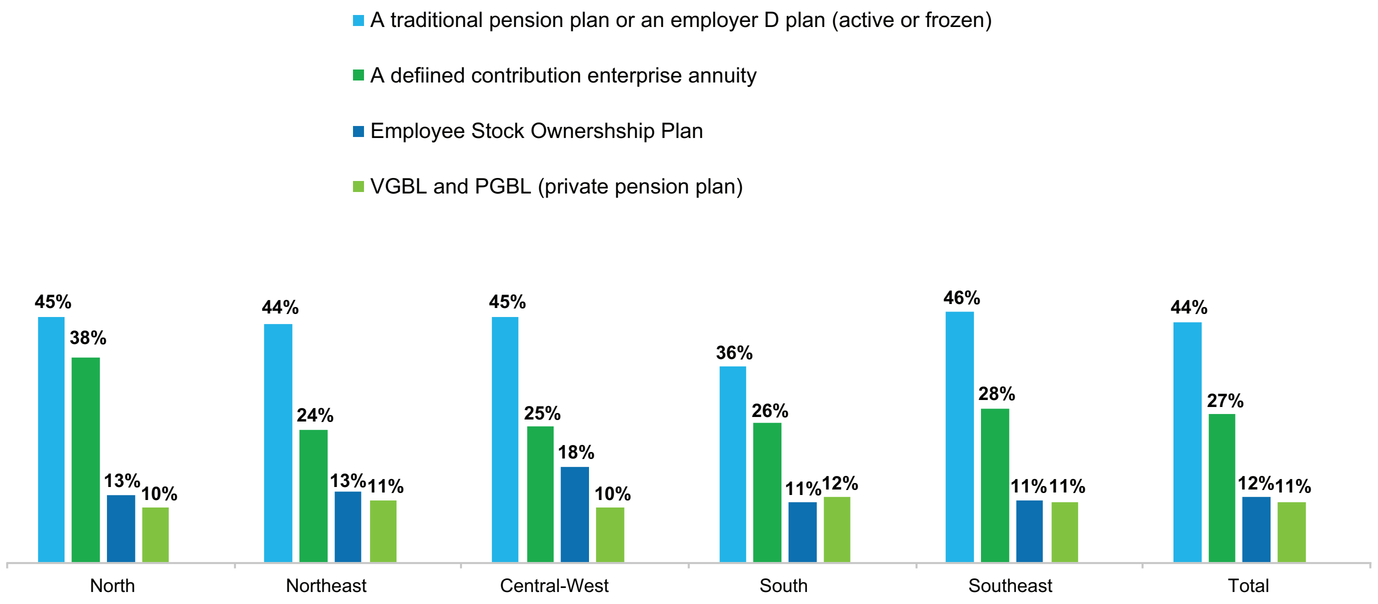


Almost half of the country's current workforce has defined benefit (DB) pension plans, while a third has defined contribution (DC) plans.

DB plans are still dominant within Brazil's labor market, while DC plans are starting to close the gap — noticeably in the North (Figure 17).

Figure 17 — Available Retirement Savings Plans in Accumulation Phase

Question: Which retirement savings plans are available to you through your current employer, work or profession? Select all that apply.

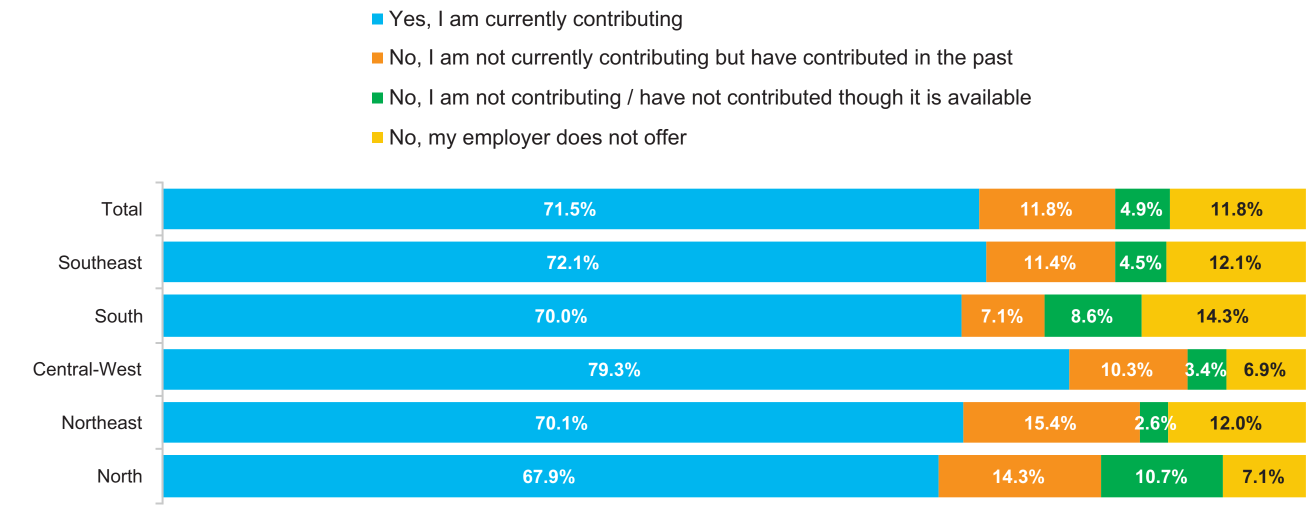


Only 4.9 percent of Brazilian workers are not contributing / have not contributed to any employer-sponsored retirement savings plans (Figure 18). A small proportion are not currently contributing (11.8 percent), but have done so in the past — the same proportion of workers whose employers do not offer these benefits.

The richest and most developed regions of the country, the South and Southeast, have the highest percentages of employers not offering a retirement savings plan — likely due to a high level of informality in the labor market. The Central-West region has the highest rate of workers (79 percent) contributing to any employer-sponsored retirement savings plan.

Figure 18 — Contribution Status During Accumulation Phase of Any Employer-Sponsored Retirement Savings Plans

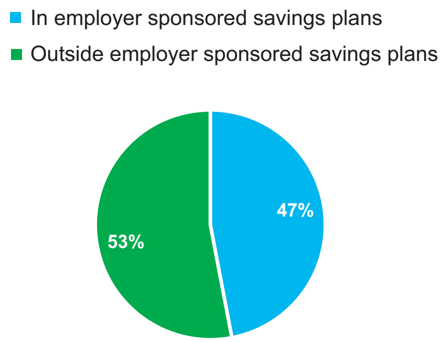
Question: Are you currently contributing or have contributed to any employer-sponsored retirement savings plans like an enterprise annuity (or provident funds)?



Clearly, employer sponsored savings plans have a significant role in generating retirement savings. Almost half (47 percent) of Brazilian household retirement savings are in employer-sponsored plans (Figure 19).

Figure 19 — The Importance of Offering Employer-Sponsored Retirement Savings Plans

Question: What percent of all of your (both working professionals and retirees) household's savings for retirement are…



Spotlight On Retirement

CHILE

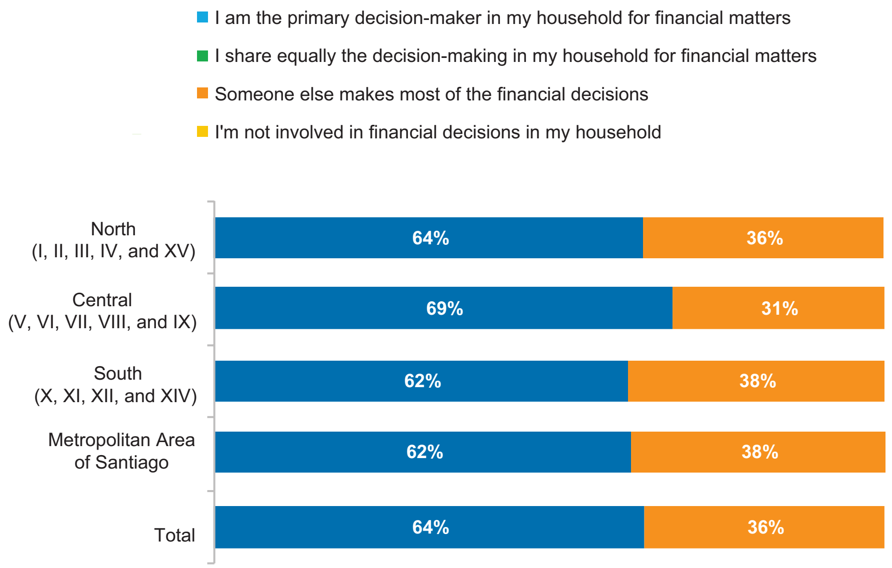
LATIN AMERICA RETIREMENT SERIES

SOCIETY OF ACTUARIES®

LIMRA Secure Retirement INSTITUTE®

Figure 11 — Household's Financial Decision-Maker

Question: How would you describe your role in making financial decisions for your household?



Children and spouses are the main financial dependents of most Chileans, demonstrating the preeminence of the nuclear family, especially in the North (Table 5). Across Chile, the incidence of children providing financial support to parents is double the levels found in Brazil, for example. This phenomenon underlines both the speed of population aging and the impact of a deficient social security pension system.

Table 5 — Financial Dependency

Question: Which of the following individuals are financially dependent on you?

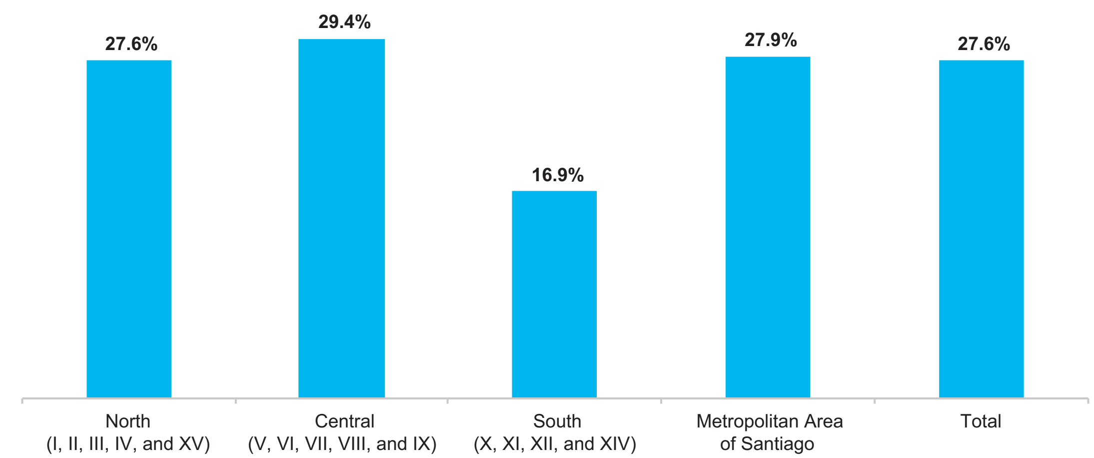
	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago
Spouse	50.7%	41.4%	29.3%	33.5%
Mother	14.9%	14.5%	7.0%	15.0%
Father	9.2%	4.7%	9.9%	5.2%
Child/Children	54.0%	60.2%	52.1%	58.7%
Spouse's mother	5.5%	1.1%	0	2.2%
Spouse's father	2.7%	0.8%	0	0.7%
Siblings (brother/sister)	4.6%	6.8%	7.0%	3.2%
Other	2.3%	3.6%	0	3.4%
None	19.5%	18.4%	23.9%	22.2%

Increased longevity, especially in large cities, may mean a longer span of living alone in later years. This potential increases the need for care at the end of life and to finance these years with adequate savings. However, to achieve a positive outcome for a longer period of time requires intelligent financial planning.

When asked if they worked with financial experts to help with financial decisions in their homes, almost a third of Chilean households indicated that they do not work with any financial professional (Figure 12). The South region is the only outlier.

Figure 12 — Financial Professionals Are *Not* Hired to Help With Household Financial Decisions

Question: Does your household typically work with any financial experts to help with your household financial decisions?



Results represent respondents who answered "no."

Even though Chile is the fastest aging country in Latin America, its citizens have one of the lowest rates of retirement preparedness in the region (Figure 13). Twenty and one-half percent of Chilean consumers say they have not taken any initiative on retirement planning, with the highest percentage (22 percent) in the most populated region, the Metropolitan Area of Santiago. The difference in levels of planning is significant between the Central region / Santiago and the North / South regions that have much better percentages.

In the South and Metropolitan Area regions, those consumers who have taken on retirement planning activities stated they most frequently determine how much their income will be (Figure 13). However, they do make the corollary calculation of future expenses.

Overall, the second-most-taken retirement planning action overall is calculation of the amount of assets and investments needed to fund retirement.

As noted earlier, almost a third of Chilean consumers do not approach financial professionals for help with financial decisions. Hopefully, most households do, and for those, the preferred type of financial professionals across regions (and specifically in the North) are accountants, followed not so closely by lawyers. It is worth mentioning that accountants scored first or second in all of the Latin American countries included in this survey — indicating that consumers trust accountants to serve their financial interests much more than financial planners at different types of financial services firms. Lawyers, insurance agents, and banks are the group of financial professionals that comes next in preference by Chilean consumers (Figure 14).

Insurance Immersion

MODULE 1
Industry Overview & Term Life

Virtual

LOMA®

ADD NOTES BELOW

Learning Objectives:

- Discuss the primary roles of various financial institutions within the financial services industry.
- Identify three ways life insurance companies can be organized.
- Describe how the states and the federal government regulate the insurance industry.
- Identify four notable disruptions that are occurring in the life insurance industry.
- Explain how these disruptions present challenges and opportunities to insurance companies.
- Explain the basic features of term life products.

The Financial Services Industry

1. **Depository institutions** – move funds between borrowers and savers by accepting deposits from and making loans to people and businesses.
2. **Investment institutions** – buy and sell securities, such as stocks, bonds, and mutual fund shares in financial markets.
3. **Insurance institutions** – companies that enter into insurance contracts to accept risk and make a promise to pay a benefit if a covered loss occurs.

Type of Institution	Primary Role
Depository Institutions	manage
Investment Institutions	invest
Insurance Institutions	?

Basic Definitions

- **Life Insurance:** A contract that pays a benefit if insured dies while the policy is in force. It protects against dying too soon
- **Annuity:** A contract under which the insurer promises to make a series of benefit payments. It protects against living too long