NATIONAL ALLIANCE OF LIFE COMPANIES

A National Alliance of Life Companies

NEWSLETTER

An Association of Life and Health Insurance Companies

November 30, 2009

Inside this Issue

The news in this publication, including links to background and supplemental information, is also available on the NALC members' website at *http://members.nalc.net*.

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A Letter from the Executive Director

Dear Member:

Hope you had a good Thanksgiving, and enjoyed time off with family and friends.

I have attached the November newsletter for your review. I believe you will find it useful and educational.

I recently learned that David Lack had some serious surgery, and is undergoing treatment for an illness. David works with us on our newsletter, and does an outstanding job of canvassing the country for the latest insurance news. Amazingly, David was able to complete his survey for this month on time, despite his surgery and treatment. Hats off to David for his good work, and best wishes to him for a speedy recovery!

November and December are big months for insurance meetings. NCOIL recently completed its Fall Meeting in New Orleans, and NAIC meets at the end of the week in San Francisco. The continued fallout from the financial crisis remains an overriding theme, along with issues surrounding federal regulation.

Given the financial issues facing the country, I would like to focus more attention on economic and financial themes at our upcoming meetings. Seems to be a good investment of our time and energy.

Look forward to seeing many of you at the meeting in San Francisco. As always, let us know if there is anything we can do to assist you.

Best regards,

Jim Hodges

Jim Hodges
Executive Director

NALC Highlights

Save the Date

2010 Spring Conference

April 14 – April 17, 2010
Kiawah Island Golf & Resort
Kiawah Island, South Carolina

Complete registration information will be available soon on the NALC website at www.nalc.net.

New NALC Members

American Life & Security Corporation

Mark Oliver, CEO
8101 O Street, #S111
Lincoln, Nebraska 68510
(402) 489-8266
(402) 489-8295 (Fax)
http://www.midwestholding.com/index.html

American Life is the first Life insurance company organized in the state of Nebraska in more than 31 years. It's founder, Rick Meyer is a veteran of more than 38 years in the life insurance business and its CEO, Mark Oliver has more than 28 years history in building life insurance companies. Organized by Nebraskans to serve Nebraskan's American Life will initially focus on offering ordinary life products to Nebraska residents; however, the company has a worldwide vision and plans to move aggressively to expand into marketing niches where it does not compete with the giant companies of the industry.

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Customized solutions are designed according to client objectives with capabilities including Core, Investment Grade, Private Placements, High Yield, and Convertible Bonds.

NAIC Focus

Winter 2009 National Meeting

The NAIC will hold its Winter 2009 National Meeting December 5-8, 2009, at the Hilton San Francisco Union Square, San Francisco, California. Registration, attendee information and the agenda will be available soon on the NAIC website.

NAIC Selects PIMCO to Model RMBS

Third party vendor will work with regulators to determine designations for complex securities.

Members of the NAIC have selected PIMCO as a third party financial modeler that will assist state regulators to ultimately determine the risk based capital (RBC) requirements for residential mortgage-backed securities (RMBS). For approximately 18,000 RMBS securities owned by U.S. insurers at the end of 2009, the new model will produce expected losses at the RMBS security level for insurers to map their holdings to the appropriate NAIC designation and accompanying RBC requirements.

The selection of PIMCO to perform this assessment was conducted in an accelerated timeframe that was designed to be extremely thorough. Defined objective criteria were used to evaluate more than 20 RFP responses and to develop a short list of 11 vendors. A deep-dive was performed on each short-listed vendor by NAIC staff and independent financial consulting firm Oliver Wyman. The short list was then further reduced to four firms with additional questions posed and analytical reviews with several companies on individual Committee on Uniform Security Identification Procedures (CUSIP) assessments. The NAIC's objective was to identify a vendor with a sound assessment methodology, proven ability to process a large amount of transactions in a very short timeframe and processes and procedures in place to address potential conflicts of interest — all at a cost-effective price.

“Creating this new assessment process is an important step toward providing more transparency about these complex securities,” said Roger Sevigny, NAIC President and New Hampshire Insurance Commissioner. “This unique treatment of residential mortgage-backed securities distinguishes the NAIC as the only regulator to analyze these securities and require capital based upon the expected loss amount for a particular company.”

PIMCO will work with regulators to develop a set of price ranges for designations one through six to be used by insurers in their statutory financial statements and to calculate the risk-based capital charges for each specific security they own. These designations will apply only to year-end 2009 reporting.

There will be a task force briefing at the NAIC Winter National Meeting on December 7 in San Francisco. The objective is to finalize designations and price ranges by year-end so companies can begin reporting under the appropriate designation in early 2010. The NAIC will continue to look at this process going forward.

NAIC Advances RMBS Modeling Process

Release of Assumptions Draft an Important Step toward New Designations for Mortgage Backed Securities

The NAIC has exposed a discussion draft outlining the economic assumptions regulators will use to evaluate residential mortgage backed securities (RMBS). The document is available on the Valuation of Securities Task Force page of the NAIC Web site.

"This is a critical step in developing the new designation methodology," said Roger Sevigny, NAIC President and New Hampshire Insurance Commissioner. "We are acting carefully to make sure insurers hold adequate capital to meet their obligations to consumers, while moving quickly and openly to address an issue at the core of the financial meltdown."

The draft presents the analytical framework and economic assumptions for use in PIMCO's models for the new designation process for RMBS. Specifically, it will discuss the use of home price appreciation (HPA) and projected interest rates as key variables. The NAIC will evaluate each security using a set of HPA projections representing moderate (or base), aggressive and conservative expectations.

The task force will discuss the draft during a conference call (open to the public) on November 30, at 11:00 a.m. EST. In addition, an overview of the proposal and process is scheduled for December 7, during the NAIC Winter National Meeting in San Francisco (see NAIC Meetings Web page for details).

The new model will calculate expected carrying value for each RMBS security held by insurers. Insurers will be able to map these values to the appropriate NAIC designation and accompanying RBC requirements. Regulators plan to finalize designations and RBC price ranges by year-end. Companies will be able to report their 2009 annual statement results due March 1, 2010, using the appropriate, new designations.

DRAFT: Disclosure of Model and Assumptions Used to Determine RMBS Risk-Based Capital for Year Ending 2009 [PDF]. Comments due to rcarcano@naic.org no later than 5:00 p.m. EST, Friday, Nov. 27, 2009.

State Regulators Support Changes to Federal Insurance Office Act

FIO Proposal Appropriately Narrow; Targeted Improvement to State-Based System of Supervision

Changes to proposed legislation creating a Federal Insurance Office (FIO) have earned support from state insurance regulators. In a letter, the NAIC told the House Financial Services Committee that amendments to the Federal Insurance Office Act (H.R. 2609) uphold important safeguards to ensure state regulation continues to protect insurance consumers and companies.

“The recent amendments strike an appropriate balance among the needs of consumers, state regulators and federal negotiators by preserving important state and market regulation while allowing for agreements with equivalent regulatory systems,” said Roger Sevigny, NAIC President and New Hampshire Insurance Commissioner. “While the NAIC continues to oppose a federal functional regulator for insurance or misguided attempts to further empower the FIO, the bill as currently drafted is an appropriately narrow and targeted improvement to our system of supervision.”

The NAIC supports changes to the bill that include:

- Close coordination between the states and the FIO on narrow international agreements.
- Ensuring that international agreements do not preempt state prudential regulation of U.S. insurers.
- Limiting the scope of agreements to recognizing a level of supervision consistent with state protections.
- Enhanced Congressional involvement and consultation, and improved judicial review on preemptive determinations.
- A clear retention of state authority over the business of insurance.

The original bill was introduced in May by Congressman Paul E. Kanjorski, (D-Pa.) and Congresswoman Judy Biggert (R-Ill) to establish, what would be, a Federal Insurance Office in the Treasury Department. The office will be charged with the collection of insurance data to advise Treasury on domestic and international policy issues, report to Congress every two years and create federal policies related to international insurance issues.

CLICK HERE to view the letter to the House Financial Services Committee.

NCOIL Notes

2010 Spring Meeting

Plan now to attend the NCOIL 2010 Spring Meeting, March 5-7, 2010. For more information or to register, go to http://www.ncoil.org. The meeting will take place at the Wild Dunes Resort, Isle of Palms, Charleston, South Carolina.

NCOIL Favors NAIC's Change in Life Insurer Reserving

In a major shift away from longstanding solvency requirements for U.S. life insurers, the National Association of Insurance Commissioners (NAIC) last month approved changes to its formula-based Standard Valuation Law, in existence for approximately150 years. The revised model would establish new principles-based rules for companies to reserve against future claims liability.

After five years of work by NAIC regulators, the Executive/Plenary approved on September 23 model changes with two caveats. The first is that changes to an accompanying Valuation Manual, where technical details of the new approach will be contained, must be completed by January 2010. The second requires regulators to create a minimum reserve level to accompany the new rules.

Supporters say that new life and annuity products are increasingly complex and often under-reserved by current state laws. A principles-based approach, they say, would modernize regulation and more accurately reflect a company's true risk by incorporating additional information on policyholder behavior and expenses, among others.

Opponents say that the shift gives life insurers unneeded relief from conservative standards that have kept companies solvent and consumers protected during the economic crisis. Some critics also worry that small insurers will have neither funds nor resources to comply.

Certain NCOIL legislators have strongly expressed similar concerns with the new NAIC approach.

The revised Standard Valuation Law could be ready for state consideration in 2010. Forty-two states would need to adopt the model—which is an accreditation standard—for it to take effect.

News from the States

Struggling States Need More Help From the Feds

Tucked away in an inner passage of the 1,990-page health care bill passed by the House is a $23.5 billion holiday season gift to states to help them meet the growing costs of Medicaid, which provides medical coverage for the poor. This little-noticed provision is in reality a hidden federal stimulus, much welcome to states, as they confront the looming budget gaps of 2010 and beyond.

State governments are less happy with other provisions of the bill, but they will take what they can get from Washington as revenues fall in tandem with rising joblessness. Even if the recession is winding down, state revenues typically lag behind, along with unemployment, as they do in any economic recovery. The budget situation confronting states is "dire," says Corina Eckl, fiscal program director of the National Council of State Legislatures. Her survey of states found that 21 of them are "pessimistic" and most of the rest "concerned" about their fiscal prospects. Only North Dakota, with the nation's lowest unemployment rate of 4.2 percent, has an optimistic budget outlook. At the other end of the fiscal spectrum, California has been informed by legislative analyst Mac Taylor that it faces a deficit of $21 billion less than four months after legislative leaders and Gov. Arnold Schwarzenegger cobbled together a makeshift budget deal. The California unemployment rate in October was 12.2 percent. Soon after Taylor's announcement, Schwarzenegger predicted another round of budget cuts.

While California's problems pre-date the recession, many states that were financially stable before the economy turned sour have also been overwhelmed by steep declines in revenues. In Florida, for example, where the unemployment rate is 11 percent, revenues have dropped to 2001 levels. In worst-off Michigan, where the jobless rate was 15.3 percent in October, revenues in 2009 are little more than what they were in 1988.

Perhaps the recession's human dimension explains why a bipartisan consensus may quietly be emerging on the need to help the states and in doing so ease the burden on the poorest Americans. Republicans were virtually united in opposing the health care bill (US HB 3962), grandly named the Affordable Health Care for America Act, when it narrowly passed the House. But only one Republican spoke up against the provision that would give states the extra $23.5 billion in Medicaid funds. Because of the lack of GOP opposition, state government lobbyists are hopeful this provision will survive in whatever health care bill emerges from the Senate — and in the House-Senate conference committee that irons out the final legislation for the president's signature.

Even with federal help, the struggle of the states to balance their budgets in 2010 will be difficult. Thirty-nine states already have cut spending, 22 have raised taxes, and 18 have tapped rainy-day funds or other reserves. State taxes were raised a record $27.3 billion in 2009. Both these increases and the state budget cuts counteract the pump-priming thrust of the $787 billion stimulus plan, the American Recovery and Reinvestment Act of 2009. Without this bill, many states would have been unable to balance their budgets.

The $23.5 billion, Section 1749 of the House health care bill, comes in the form of a six-month extension of the relief provided to states on Medicaid costs by the American Recovery and Reinvestment Act. That bill boosted, on average, the federal share of Medicaid costs from 57 percent to 66 percent, with the hardest-hit states receiving more than the others. Without the extension voted by the House, this formula would revert to the old one next year, undoubtedly triggering another round of fiscal crises and budget cuts. Section 1749 would extend the added federal share of Medicaid until June 2011. While this is welcome, a better solution would be to phase out the added federal assistance. As Raymond Scheppach, executive director of the National Governors Association and an economist, told the Washington Post, the federal aid ends too abruptly. "It's sort of like a cliff," he said. "...The cliff is just moved back."

States can claim a number of success stories. Massachusetts continues to tinker with - and improve - a landmark health care bill that comes closer to universal coverage than any of the plans now being debated in Congress. The Senate version of the federal health bill usefully copies the Massachusetts plan in its employer requirements, charging a flat fee for workers who purchase government-subsidized insurance, which is preferable to the onerous House requirement of mandated coverage for all but the smallest businesses. Rhode Island is using electronic pharmacy prescription data to track swine flu, an innovation with broad implications in an industry deficient in tracking and record keeping. In California, in defiance of their low approval ratings, legislators and the governor have reached an historic agreement to increase the state's water supply and preserve an endangered ecosystem known as the Delta. All this suggests that it's way too early to give up on the states.

Nonetheless, one of the lessons of the recession is that states aren't going to make it on their own. It's clear that many states would have failed to balance their budgets in 2009 without the federal stimulus, and that they won't be able to do it next year without more of the same. While the word "stimulus" may have become politically unpalatable, whatever it is called, states need additional help if they are to avoid plunging off that fiscal cliff.

On the National Front

Legislation Would Cut Corporate Tax Deductions for Exec Pay

Deep within the health reform legislation now being considered in the Senate is a change to tax rules for health insurers, slashing how much they can deduct for executive compensation.

The Senate's version of the health care reform bill still includes this tax-deduction provision that was put into the version that had passed the Finance Committee. It cuts the deduction health insurers can take for executive pay down to $500,000 a year, from the $1 million allowed as a business expense under current tax law.

Meant as a curb on executive compensation among insurers, the "Limitation on Excessive Remuneration Paid by Certain Health Insurance Providers" provision near the end of the 2,074-page bill, affects "any employer which is a health insurance issuer ... and which receives premiums from providing health insurance coverage." It would be for tax years after 2012 for work performed after 2009.

The original amendment belonged to Sen. Blanche Lincoln, who has new prominence as one of the final Democratic holdouts in the recent, narrow approval of Majority Leader Harry Reid's compromise health reform package. She had introduced it during the contentious negotiation on what was to become the most conservative of several versions of congressional health reform (BestWire, Oct. 5, 2009). That bill was since absorbed into Reid's compromise effort in the Senate, and his combined version includes Lincoln's language.

When she introduced it, Lincoln argued that the provision "evens the playing field so that consumers can be assured that health insurance company executives are not receiving a personal windfall from this new insurance coverage mandate."

But Robert Laszewski, industry analyst and president of Health Policy and Strategy Associates, downplayed the effectiveness of such a move. "They're going to pay $200,000 more in taxes. What's that going to change?" he said. "All it is, is great political theater. You really think UnitedHealthcare is going to reduce its CEO's salary because of this?"

Laszewski, former chief operating officer for the group division at Liberty Mutual Insurance Cos., said, "It's not even a rounding error on people's bottom line. But it made for a good news conference for Blanche Lincoln. That's about the only value it has."

Industry News

Ten Years After: Gramm-Leach-Bliley is Back in the News

Culprit or savior, the Gramm-Leach-Bliley Act is getting a lot of fresh debate for a law that was enacted 10 years ago. Some blame the act, which opened up the financial services industry to cross-ownership of banks, securities and insurance businesses, for causing the economic crisis that the United States is trying to escape. Others credit GLB with helping form the kind of strong, diversified companies that have been healthy enough to absorb their wayward cousins. Still others say it's just not that easy to pin down. But whatever the effect of this law, which turned 10 on November 12, its ramifications are playing a part in the potential new reforms of the U.S. financial system.

In 1999, the Financial Services Modernization Act--more popularly known as the Gramm-Leach-Bliley Act--passed with an overwhelming, bipartisan vote and was signed into law by President Bill Clinton. It reversed part of the Glass-Steagall Act of 1933, which dug deep trenches around securities firms, banks and insurance companies, declaring no crossover. Now it was possible to establish a holding company under which all those businesses could mix--a potential one-stop destination for financial services.

One key early development was the merger of Citicorp with Travelers Group, making the diverse financial giant, Citigroup. A decade later, in the first days of the financial crisis, experts from the financial world began to be called before congressional panels to explain what had happened. Gramm-Leach-Bliley was invoked again and again.

Eric Dinallo, New York's state insurance commissioner at the time, said in one hearing, "I would take a serious look at Gramm-Leach-Bliley and decide whether the supermarket of financial services is worth it when sometimes things really smell on aisle six and infect the rest of what we view as kind of sacred stuff." Though he pointed out that insurance companies mostly escaped the near-calamity of the rest of the financial services industry, he called for greater clarity about "whether it's always good to just let them willy-nilly be together under a holding-company-type umbrella."

Presidential candidate Barack Obama argued that the act's deregulation was a major cause of the crisis, saying it failed to regulate the areas of the financial world that touched off the problems. But the act has had many defenders, too. Steve Bartlett, now president and chief executive officer of the Financial Services Roundtable, is a former Republican congressman. He was a close observer of that legislation, which he called "a recognition of the new market reality," as it was pushed by its Republican sponsors: Texas Sen. Phil Gramm, Iowa Rep. Jim Leach and Virginia Rep. Thomas Bliley, Jr.

"I was highly supportive of Gramm-Leach-Bliley and still am," Bartlett said. "If anything, you can say it didn't go far enough." Bartlett called the law "a godsend in this crisis, because it allowed the industry to heal itself." In the wake of Gramm-Leach-Bliley, he said, "It was the things it didn't do that have caused the problems."

Jack Tatom, director of research at Indiana State University's Network Financial Institute, suggested a similar point--that GLB was a far-reaching bill, but not necessarily a significant change in regulation. "We've created these institutions that cross these activities, but we haven't changed the regulatory structure at all," Tatom said. Though his institute examines the issue from all angles, he said there's one obvious way in which the act may have helped ease today's difficulties. The failures of Bear Stearns and Merrill Lynch could have been tougher for the U.S. financial system to swallow, Tatom said, if the major banks that took them over hadn't been allowed to.

"It's arguable that Gramm-Leach-Bliley really lowered the cost substantially," he said.

Former Congressman Leach, of Gramm-Leach-Bliley, explained in a late-2008 speech at the Woodrow Wilson School at Princeton University that the act had allowed "maintenance of functional regulation," with each category of business regulated by the same agencies that would oversee it if it had remained independent. So, for insurance businesses, that still meant state-by-state regulation. And beyond that, it made certain things easier to handle in "the crisis of the moment."

He said, "It helped insulate smaller banks from the liquidity traumas that inevitably follow erosions in public confidence" by letting them "tap Federal Home Loan Banks for liquidity" and "allowing the sale or collateralization of agricultural and small business loans." Anyway, he argued, inadequate regulation of Fannie Mae and Freddie Mac is more accurately blamed for starting the current crisis.

Rep. Jim Himes, D-Conn., a new member of the House Financial Services Committee who also carries the experience of a career at Goldman Sachs, said the 10-year-old law deserves "maybe half" of the blame. But, he said, "It's a little simplistic to just point the finger at Gramm-Leach-Bliley and say ‘that's the cause.'" He said Congress had failed to provide a modernized regulatory structure, specifically in regulation of the derivatives market. Himes said that the lessons of Gramm-Leach-Bliley will inform this session's reform efforts. "It's clear that large, unregulated markets have got to be a thing of the past."

As Congress works, Tatom's institute is hosting a Washington, D.C., conference on the anniversary of Gramm-Leach-Bliley, including Gramm as a keynote speaker. When putting this 10-year-old law in the context of this year's reform effort, Tatom said, "It's not a history lesson." The institute's advertising for the conference calls the act the most significant financial lawmaking in the past several decades. "Some people would argue that the whole term ‘financial services industry' came about because of Gramm-Leach-Bliley," Tatom said.

But, he said, GLB hasn't had the expected impact on the insurance industry. "Many in insurance believed, I think, that the banks would take over," Tatom said. "That was viewed as a major threat by the insurance industry. They worried that the banks might have an undue advantage."

Even the premier merger going on at the time the law was enacted--Citigroup and Travelers--failed to produce the hoped-for results. Subsequent spin-offs and mergers left The Travelers Cos. again operating as an independent business.

Passing Storm

The recession has employers taking a hard look at their group employee plans for ways to cut costs while sparing benefits.

The downturn in the economy continues to wreak havoc on workplaces around the world. More than half of the companies surveyed in the Society for Human Resource Management's 2009 Employee Benefits Survey report their employee benefit offerings have been affected by the current U.S. and global economic crises. The U.S. Bureau of Labor Statistics cites the number of unemployed individuals topped 14 million in July. Employers are scrambling to cut operational costs and identify new approaches to lower expenses associated with their group benefits plans.

Some are doing that by paring back their offerings, while others are shifting more costs to employees or introducing voluntary benefit options. Some carriers have developed products or services designed specifically to help employees in transition. Tactics vary, but one consistent trend has emerged: Many employers are relying on brokers more than ever to cut costs.

Employee benefit programs are feeling the effects. Hardest hit is medical coverage, said Christopher Burns, CEO of Willis Global Employee Benefits. "Medical costs are going up the fastest and are more immediately critical, and it's the benefit that gets used the most," Burns said.

The Kaiser Family Foundation and Health Research and Educational Trust said the average cost of an employer-provided family health plan now tops $13,375, up 5% from 2008. Also, 401(k) plans have been impacted by the recession. Many companies are being forced to "reduce, eliminate or suspend their matches," said Burns.

While the group life market has been less affected by the economic downturn, Kent Lonsdale, executive vice president of Gallagher Benefits Services' MidAtlantic region, said "policyholders remain fundamentally underinsured and have gaps in coverage when unemployed for long periods of time."

As for group disability--historically known to see a spike in claims activity during challenging financial times--"things are different in this particular recession," said Mike Simonds, senior vice president and chief marketing officer for Unum. "Job losses have come so quickly and deeply and are expected to last a while. Holding on to your position rather than going out on disability becomes more important when the job market may not be attractive for another three to four years."

New Pathways

Employees value their benefits. So much so that even during times of economic hardship, most see their benefits as more valuable than cash, Sun Life Financial's 2009 *What's Driving Enrollment in Voluntary Benefits Today?* survey unveiled when asking employees what they would do as health care costs increase. That's packing a powerful blow to employers. Companies spent an average of 20% of an employee's salary on mandatory benefits, 19% on voluntary benefits and 11% of pay for time not worked benefits, according to the Society for Human Resource Management survey.

As a result, more than four in 10 employees in a recent Watson Wyatt survey plan to raise deductibles, copayments and out-of-pocket maximums in 2010. That's no surprise, given that health care costs are expected to increase an average 10.5% over the next year, according to Aon Consulting. Employees also may find other changes in their 2010 benefit packages, including more financial rewards for promoting healthy lifestyles, full coverage for preventive services, closer scrutiny of dependent and spousal coverage, and greater use of consumer-directed health plans, according to Watson Wyatt.

According to a recent LIMRA survey, most are retaining benefits offered to employees. Only 2% of employers dropped a group insurance, health care or retirement benefit within the last year; companies with fewer than 100 employees were less likely to cut benefits than larger companies. Of those employers that dropped a benefit, the survey said, employers were more likely to say they dropped their 401(k) plans, life insurance and medical insurance.

Lending a Hand

In addition to having a serious impact on unemployment, "the recession is also causing employers and brokers to look closely at the value they are getting from employee benefit plans," said MetLife Senior Vice President Todd Katz. And, he added, brokers play a key role in helping employers seek more-competitive vendor terms through bids and other strategies.

They're also pivotal in helping employers "figure out ways to help employees make better lifestyle decisions," said Mike Brewer, president of Lockton Benefits Group. Wellness programs continue to become part of many employers' menu of benefits offerings. "If the cost of health care isn't coming down, the smart play is to keep people well," he said.

Brokers also help communicate benefits' value. "There needs to be open lines of communication with employees with shared attitudes and outlooks. Companies are intensifying the frequency and effectiveness of communications to boost morale and help employees better understand appropriate benefits in light of other things occurring, like salaries being frozen or cut," he said.

And, added Katz, "it's important to find creative ways to partner with carriers to give employees information in a way they want, such as via the Web or mail."

That's a boon for workplaces. A Unum survey of more than 1,000 full-time employees found highly engaged employees are 26% more productive. "Elective benefits education leads to higher workplace satisfaction, which in turn leads to increased engagement, loyalty, morale and productivity," the survey said.

More to Come?

While experts believe the world is slowly regaining its financial footing, Brewer still foresees "two storm fronts" coming in. "The economic climate with benefits costs tends to stabilize when employment grows. During difficult economic times, trend is exacerbated by declining employment because claims costs are increasing at a time premium contributions are falling, so we're helping them understand that further declines in employment may affect their benefits costs," he said. Despite current challenges, "opportunity presents itself in difficult times," Brewer said. "We just have to be smart enough to identify the opportunity and be a first mover."

Added Katz, "This is a time for employers to take a step back and think about how to use benefits to meet their business goals. Those who do will maximize the value they get from their benefits programs."

Only 3% of employers plan to drop a group insurance or health care benefit over the next 12 months, according to the LIMRA survey. The good news: 8% of employers plan to add a benefit this year, especially dental, vision and short- and long-term disability.

"Employers are trying to do the right thing," said ING's Kozlowski. "They're looking for opportunities to add value where they can and not add cost. As the economy improves, hopefully these conversations will continue as we search for ways to ensure benefits are something that won't be cut from employer offerings."

Calendar of Industry Events

November 19 - 22, 2009 NCOIL 2009 Annual Meeting	Royal Sonesta Hotel New Orleans New Orleans, Louisiana
December 5 - 8, 2009 NAIC Winter National Meeting	Hilton San Francisco Union Square San Francisco, California
March 5 - 7, 2010 NCOIL Spring Meeting	Wild Dunes Charleston, South Carolina
March 26 - 29, 2010 NAIC Spring National Meeting	Hyatt Regency & Colorado Convention Center Denver, Colorado
April 14 – April 17, 2010 NALC 2010 Spring Conference	Kiawah Island Golf & Resort Kiawah Island, South Carolina
May 3 - 5, 2010 NAIC E-Regulation Conference	Kansas City Hyatt Regency Crown Center Kansas City, Missouri
July 8 - 11, 2010 NCOIL Summer Meeting	Boston Park Plaza Hotel & Towers Boston, Massachusetts
August 14 – 17, 2010 NAIC Summer National Meeting	Sheraton Seattle & Washington State Convention & Trade Center Seattle, Washington
September 22 – 25, 2010 NALC 2010 Fall Conference	Stoweflake Resort Stowe, Vermont
October 18 - 21, 2010 NAIC Fall National Meeting	Gaylord Palms Hotel Orlando, Florida
November 18 - 21, 2010 NCOIL 2010 Annual Meeting	Hilton Austin Austin, Texas
March 4 - 6, 2011 NCOIL Spring Meeting	Hyatt Regency on Capitol Hill Washington, DC
March 26 - 29, 2011 NAIC Spring National Meeting	Hilton Austin & Austin Convention Center Austin, Texas
April 27 - 30, 2011 NALC 2011 Spring Conference	Longboat Key Club & Resort Longboat Key, Florida
July 14 - 17, 2011 NCOIL Summer Meeting	Marriott Newport Newport, Rhode Island
August 30 - Sept. 2, 2011 NAIC Summer National Meeting	Marriott Philadelphia Downtown Philadelphia, PA
November 3 - 6, 2011 NAIC Fall National Meeting	Gaylord National Hotel & Convention Center Washington, DC
November 17 - 20, 2011 NCOIL 2011 Annual Meeting	Eldorado Hotel & Spa Santa Fe, New Mexico