



A National Alliance of Life Companies

NEWSLETTER

NATIONAL ALLIANCE OF LIFE COMPANIES An Association of Life and Health Insurance Companies

January 31, 2010

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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

January 31, 2010



Dear Member:

Attached you will find the NALC newsletter for the month of January, 2010. I hope you find this information useful.

This is certainly shaping up to be a year in which institutions are out of vogue. Banks and other financial institutions, corporations, the Congress, political parties, the news media and every other institution are under withering attack. It's clearly a sign of a country frustrated with job loss and economic uncertainty, and I think it opens the door to a new wave of populism around the country. Expect to see a great deal of institution bashing during the upcoming election cycle.

With the recent elections in New Jersey, there is a new governor...and a new Banking and Insurance Commissioner. I am pleased to report that our friend and colleague Tom Considine of MetLife has been nominated to serve as Commissioner. This is a terrific opportunity for Tom, and I know he will do a terrific job for the State of New Jersey. We have invited him to attend our NALC meeting in Charleston in his new role as Commissioner. Please join me in congratulating Tom, and wishing him the best of success in his new job.

Let me take a few minutes to update you on a few important matters. First, the recent Senate election in Massachusetts has created a real state of flux in Washington. While the Senate is moving to take up the Financial Reform Bill, it is hard to imagine it will sink its teeth into the Optional Federal Charter. I don't think the American people will show much tolerance for a large new federal agency with new responsibilities in this climate, and the Senate understands that. Expect very little movement on controversial legislation during the next year, including the Charter legislation.

On the state front, we continue to plow through various issues on Principles Based Reserving. Norm Hill continues to aggressively advocate for limited application of these principles to the core products written by NALC members. We will have more to report at the Spring Meeting.

Finally, we have a great program lined up for our meeting in Charleston, South Carolina, at The Sanctuary at Kiawah Island. The meetings take place April 14 through 16. This is one of the country's finest beach and golf resorts, so you and your families should love it. It should be one of our best ever!

See you in Kiawah Island. Don't forget to sign up quickly, as we expect the rooms to go fast.

Best regards,

A handwritten signature in cursive script that reads "Jim Hodges".

Jim Hodges
Executive Director

NALC Highlights

Register Now!

2010 Spring Conference

April 14 – April 16, 2010
Kiawah Island Golf Resort
Kiawah Island, South Carolina



- The NALC will hold its 2010 Spring Conference April 14 – April 16, 2010, at the Kiawah Island Golf Resort, Kiawah Island, South Carolina.
- Online conference registration, hotel reservation information, golf registration, and sponsorship information is available on the [NALC website](#). You have the option of registering online, or completing the forms on your computer.
- **Please Note:** Registration fees are subject to a \$50.00 late fee if not received by March 26, 2010. Registration fees are non-refundable after April 2, 2010.
- **Hotel Reservations:** A hotel reservation form is available on the [NALC website](#). Make your reservations by phone, fax, e-mail or USPS mail. The NALC room block expires on March 14, 2010. Reservations received after this date will only be filled on a space-and-rate available basis.
- **Conference Sponsorship:** There are many sponsorship opportunities available. The list of sponsorships is also available on the [NALC website](#).

Watch your e-mail for Conference updates and reminders!

New NALC Member

The NALC welcomes the following new life company member:

Trinity Life Insurance Company

Greg Zahn - President, CEO
7633 E. 63rd Place, #230
Tulsa, OK 74133
Phone: 918-249-2438 Fax: 918-249-2478

Trinity life Insurance Company (TLIC) is a wholly owned subsidiary of Frist Trinity Financial Corporation (FTFC). FTFC is a holding company founded in April 2004 by Gregg Zahn, President and CEO of FTFC, TLIC and First Trinity Capital Corporation (FTCC), a premium finance company. FTFC through a series of stock offerings raised \$15,475,000 in the State of Oklahoma to form TLIC and FTCC

TLIC began marketing operations in the State of Oklahoma in March 2007 offering a whole life product with an annuity rider. In December 2008 FTFC acquired First Life America Corporation (FLAC) a Kansas based life insurer. In September 2009 TLIC and FLAC were merged. TLIC now operates in 8 states offering whole life, final expense, term and annuities, As of 9/30/09, TLIC's admitted assets were \$39,670,631 and statutory premium income was \$7,398,000. Assets of FTFC grew to over \$50,000,000 by 12/31/09.

In December 2009 FTFC filed an S-1 with the SEC and Oklahoma Department of Securities to raise up to an additional \$11,000,000 for continued growth and expansion into other states.

NAIC Focus

Spring National Meeting

The NAIC will hold Spring National Meeting March 26 - 29, 2010, at the Hyatt Regency & Colorado Convention Center, Denver, Colorado. Registration, attendee information and the agenda will be available soon on the [NAIC website](#).

NAIC Names 2010 Committee Leadership

The NAIC has named its 2010 committee chairs and vice chairs. NAIC leadership met earlier this month to make assignments based on each member's preferences, as well as requirements established by the NAIC's Bylaws. Committee assignments last one year. The 2010 NAIC committee leadership assignments are as follows:

Life Insurance and Annuities (A) Committee

Chair: Thomas R. Sullivan, Commissioner, Connecticut Insurance Department

Vice Chair: Adam Hamm, Commissioner, North Dakota Insurance Department

Health Insurance and Managed Care (B) Committee

Chair: Sandy Praeger, Commissioner, Kansas Insurance Department

Vice Chair: Joel Ario, Commissioner, Pennsylvania Insurance Department

Property and Casualty Insurance (C) Committee

Chair: Michael T. McRaith, Director, Illinois Department of Insurance

Vice Chair: Scott H. Richardson, Director, South Carolina Department of Insurance

Market Regulation and Consumer Affairs (D) Committee

Chair: Roger A. Seigny, Commissioner, New Hampshire Insurance Department

Vice Chair: John M. Huff, Director, Missouri Department of Insurance, Financial Institutions & Professional Registration

Financial Condition (E) Committee

Chair: Alfred W. Gross, Commissioner, Virginia Bureau of Insurance

Vice Chair: Joseph Torti, III, Superintendent, Rhode Island Division of Insurance Regulation

Financial Regulation Standards and Accreditation (F) Committee

Chair: Joseph Torti, III, Superintendent, Rhode Island Division of Insurance Regulation

Vice Chair: Leslie A. Newman, Commissioner, Tennessee Department of Commerce and Insurance

International Insurance Relations (G) Committee

Chair: Kevin McCarty, Commissioner, Florida Office of Insurance Regulation

Vice Chair: James J. Wrynn, Superintendent, New York State Insurance Department

For more information, please visit www.naic.org/index_committees.htm.

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.

NISC Process, Proposal Draws Legislative Ire

State legislators raised profound misgivings recently regarding the development and substance of a National Association of Insurance Commissioners (NAIC)-proposed National Insurance Supervisory Commission (NISC)—asserting that the plan would preempt legislative authority in a misguided effort to avert federal preemption.

Building on debate at the November NCOIL Annual Meeting and again at a December NAIC Winter Meeting, NCOIL leaders wrote the NAIC on December 18 to express “grave and fundamental concerns with the substance, process, and politics” of the NISC proposal. Among other things, they wrote, “NCOIL believes that any comprehensive regulatory modernization initiative must (1) involve all state stakeholders in its development and structure, (2) provide essential checks and balances, and (3) build on state successes and restrict federal involvement.”

The letter noted that once a state joined NISC, the commission would oversee insurance regulation “without further state legislative action” in areas such as producer and company licensing, life insurance and other asset-based products, surplus lines and, potentially, market conduct, solvency regulation, and reinsurance. NISC, the letter said, would channel state information to a potential federal insurance office (FIO), which would supersede state insurance regulation in states that do not comply.

NCOIL’s letter recommended that NAIC withdraw its support for an FIO and that state officials “start from the beginning” by holding a summit at the Council of State Governments (CSG)—an organization, the letter said, that serves all three branches of state government and is home to the National Center for Interstate Compacts.

NCOIL legislators at the group’s November Annual Meeting already had taken issue with regulators’ failure to hold a summit of state officials prior to moving forward with the NISC draft. Regulators had offered to convene such a meeting during discussion at a September NAIC conference.

The National Conference of State Legislatures’ (NCSL) Communications, Financial Services & Interstate Commerce Committee will vote in the spring on a draft resolution that echoes NCOIL concerns and calls for collaboration between state officials that would not result in preemption of state legislative authority.

The NAIC has said that the NISC proposal is a working draft on which regulators are seeking input. Any federal preemption under the proposal, NAIC says, would be limited.

On the National Front

Speech Shows Less Health Care Focus, Few Specifics on Financial Reform

President Barack Obama's first State of the Union speech shuffled the order of his policy priorities, letting health care reform slide down the list in the wake of a congressional membership shuffle that promises to hinder passage of the health bill he favors.

In what is traditionally a president's biggest annual policy speech, focusing on his intentions for the year ahead, this speech generally treaded only lightly on the categories that the insurance industry was watching most closely: financial reform and health care reform.

Obama again argued that Washington is closer than it's ever been to fixing major problems with the health care system. "The approach we've taken would protect every American from the worst practices of the insurance industry," he said. "I take my share of the blame for not explaining it more clearly to the American people. And I know that with all the lobbying and horse-trading, the process left most Americans wondering, 'What's in it for me?' ... So, as temperatures cool, I want everyone to take another look at the plan we've proposed."

The president described no specific plan for how the bill would get through a Senate that will soon be without a 60-vote Democratic majority — the number needed to push beyond Republican filibuster threats.

As for financial reform, Obama praised the House for already passing its package of reforms. "We can't allow financial institutions, including those that take your deposits, to take risks that threaten the whole economy," he said. "I'm not interested in punishing banks. I'm interested in protecting our economy." As with health reform, he offered no specifics as to how the legislative effort might find a second wind. "The lobbyists are trying to kill it. But we cannot let them win this fight."

"I think we had a good idea of what to expect going in, but the speech confirmed that regulatory reform will be front and center for the upcoming year, especially given the stalemate on health care," said Leigh Ann Pusey, president and chief executive of the American Insurance Association.

Still, it was neither the financial system nor health care that occupied the opening of Obama's speech. "Jobs must be our No. 1 focus in 2010," he said.

The American Council of Life Insurers was looking for echoes of a policy push that Obama had previewed earlier in the week: a new and greater support for annuities as a method for bolstering middle-class retirement security. While it didn't come up in the speech, the ACLI's vice president for media relations, Jack Dolan, said the group is still looking forward to working with the White House "to promote the availability of annuities."

Industry News

What's Next in Whole Life?

The recession has engendered a new appreciation for the safety and use of this venerable insurance product. The deep recession of 2008-09, which significantly hurt sales of both variable life and universal life products, also has wrought a positive change in the life insurance industry: People have rediscovered the value of whole life policies.

And while even term life sales have fallen slightly, according to reports by Limra, the industry's marketing and research association, whole life grew in 2008 and through the first three quarters of 2009. Limra noted that annualized premiums for whole life during last year's third quarter rose 12%.

Historically, product-line sales have been cyclical. The question is whether the extreme economic conditions of the past 18 months will have a longer-lasting effect than a normal economic downturn.

"We are seeing that the recession is continuing to have an impact," said Deanna Mulligan, executive vice president at the Guardian Life Insurance Company of America, headquartered in New York. "While the recession may be over, the impact on people's investment portfolios and their financial plans is not over. People are still working to repair the damage done and will be for some time. So this is a great time for whole life to be part of that repair of people's financial lives."

Damon Bates, vice president of life insurance marketing at MassMutual, is not so sure. "While whole life insurance sales are up now, and MassMutual remains committed to the product, we realize public memory can be short," he said. "The VUL [variable universal life] marketplace is down over 50% through the third quarter, according to Limra. There will be a time in the not-too-distant future when the market comes back, and VUL will be popular again. That said, we have no delusions that the economic conditions we're seeing now will permanently make whole life that much more attractive forever."

Richard Weber, an industry veteran of 42 years and president of consulting firm The Ethical Edge, predicted whole life will be the favored type of permanent insurance for as long as what he described as "the current economic bubble" lasts. He characterized the bubble as a time of low short-term interest rates and historically low long-term safe rates of return. It could last six more months or six more years, he said.

In such a period, whole life stands out because the underlying assets an insurer holds to back the product are largely long-term government bonds and other "safe income" instruments whose rates are substantially higher than today's short-term rates, Weber said.

Significant Growth

Through Sept. 30, 2009, MassMutual's whole life sales were up 9% year-to-date versus 1% for the industry, as tracked by Limra.

"It's something we're proud of and have been focused on for quite a while, both on the enterprise level and tactically, all the way down to the tools we build for agents," said Bates. "We also have a field force that's committed to the whole life value proposition of guaranteed premiums, cash values and death benefits. We're among a handful of carriers that continue to build and reinforce a field culture that believes in the product."

Bates said MassMutual continued to expand its field force in 2009, and the number of its career agents topped 5,000. He also said that about 70% of MassMutual's individual life sales are for whole life and that the company would write about \$180 million in annualized premiums in 2009.

Universal life sales would be about \$32 million and VUL sales would be only about \$2 million, Bates said.

MassMutual likes to position VUL as "sharp knives," said Bates. "We like to put it on the top shelf, where most clients can't hurt themselves with it," he said. "It has to be overfunded consistently over time, and only a segment of clients are capable of doing that."

In fact, people tend to buy VUL when the market is up and charging, but not when the market is down, "and therein lies the inherent problem with VUL for consumers and home offices," said Bates.

Bates said last year's strong sales in whole life were due, in part, to product flexibility achievable through a variety of riders, including several term and paid-up additions options.

Guardian Life achieved a 7% increase in total sales of individual life products through Sept. 30, 2009, and less of an increase in whole life sales, according to Mulligan. In 2008, the company wrote \$178 million of whole life premium--some 83% of its \$215 million in total life sales.

By comparison, Northwestern Mutual Life, another big writer of whole life, had \$704 million of total life sales, of which 72% was for whole life policies, according to Limra.

She said the company's new 10-pay whole life product helped increase its whole life sales. This product allows buyers to fully fund their policy in 10 years while avoiding having it become a modified endowment contract, which does not have all of the tax benefits of a life insurance contract.

Mulligan said the product appeals to small-business owners; grandparents, as a way of facilitating giving to grandchildren; and pre-retirees seeking protection against untimely death while building a savings pool from which they can borrow during retirement. Under current tax law, policy loans are not generally considered taxable distributions. If a loan is outstanding when the insured dies, the company subtracts the value of the loan from the death benefit. Guardian also offers an accelerated benefit rider that can tap into the death benefit during a chronic illness as well as a terminal illness.

Mulligan also said banks will accept whole life policies as collateral for a bank loan, provided the policies are adequately funded.

Weber recalled that in 1976, just before universal life products were introduced, whole life had an 88% market share of permanent life sales, as measured by annualized premium. Universal life quickly benefited from high short-term interest rates. Variable life and VUL became highly popular in the stock bull market of the 1990s. When the tech bubble popped during 2000 to 2002, no-lapse universal life became the hot product. By the end of 2007, whole life's market share had fallen to 22%, he said.

Weber said The Ethical Edge works with insurance companies, agent groups and agents "to improve the conversation on behalf of the consumer about how their life insurance works and how it should be managed, and to be more responsive to the considerations of consumers in terms of how much they need, what kind they need, how they can best pay for it and from whom they should buy."

In 2008, the company consulted on the acquisition of \$1 billion of permanent life insurance, including \$300 million of coverage on a single life. Guardian has been one of Weber's clients for nearly three years, he said.

In his 42 years in the business, Weber said he's observed that while other permanent products have done well during certain markets, only whole life has performed well through all market phases. That does not mean he would always recommend whole life, he added. But in a white paper he wrote with business partner Christopher Hause in 2008, Weber concluded that whole life is the product best suited to serve as a value-added component in the fixed-income portion of an investment portfolio.

Weber said the paper "allowed non-insurance advocates to better see participating whole life for what it is--that it's not simply an expensive form of life insurance, that the cash value can be separated out and seen and used as a distinct asset class all by itself," he said.

"If you've got the money, and you've got an investment portfolio, and you've got any fixed-return assets, we think that the ideal place to satisfy your insurance needs is to put a participating whole life policy into the fixed-return portion of your portfolio."

Calendar of Industry Events

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| 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 |