



ALU Economic Impact Survey

May and June 2009

Our initial ALU survey was on the impact of the current economic situation on insurance companies, business and underwriting departments and underwriters.

The survey consisted of five short sections:

- Background information on the respondent's company
Questions 1-5
- Overall impact on the respondent's company
Questions 6-8
- Effect on the respondent's business
Questions 9-10
- Effect on the respondent's underwriting
Questions 11-16
- Effect on the respondent's underwriting department
Questions 17-24
- Suggestions for future ALU surveys
Question 25

All survey questions were in the context of the economy and the impact it has created. Respondents were asked to respond from a 'current' context as far as timing is concerned. The intention was to compile 'basic impressions'. *It should be noted that the survey was completed during a period from May 19th through June 12th and by its nature is a 'snapshot' of that particular time period.*

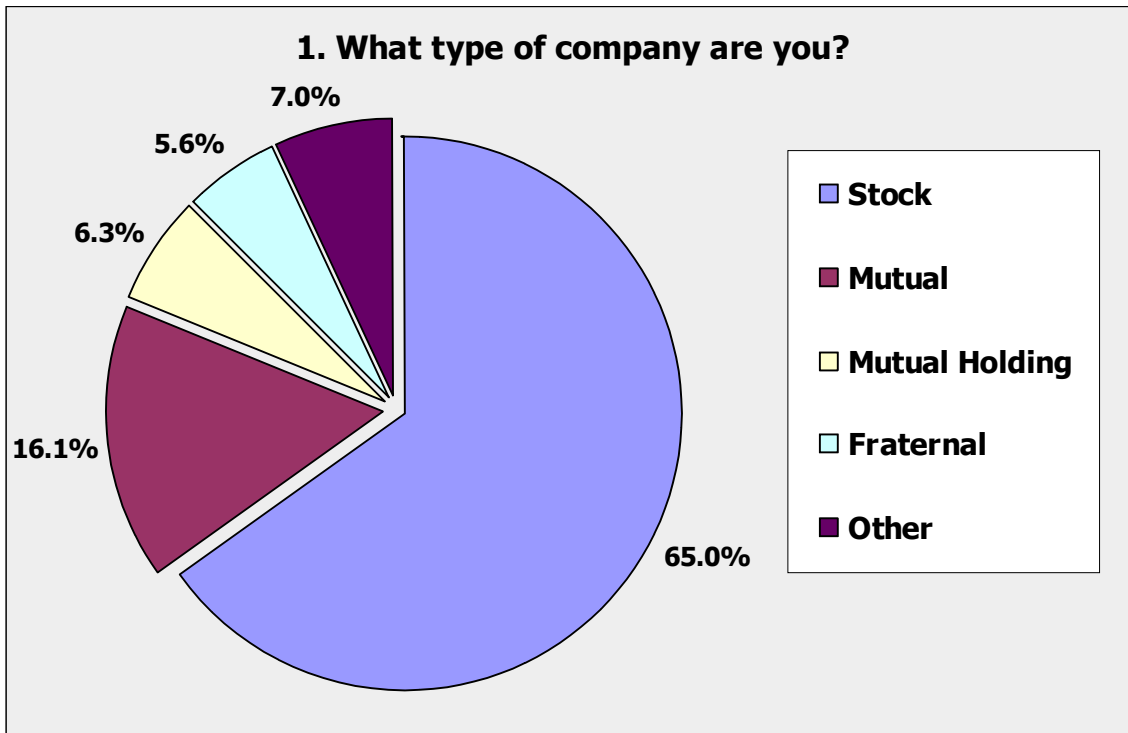
A total of 143 started the survey. Of those, 122, totally completed the survey (85.3%).

This document is a summary of the complete survey results by all respondents. Detailed results for this complete report as well as fractional reports are available separately on the following..

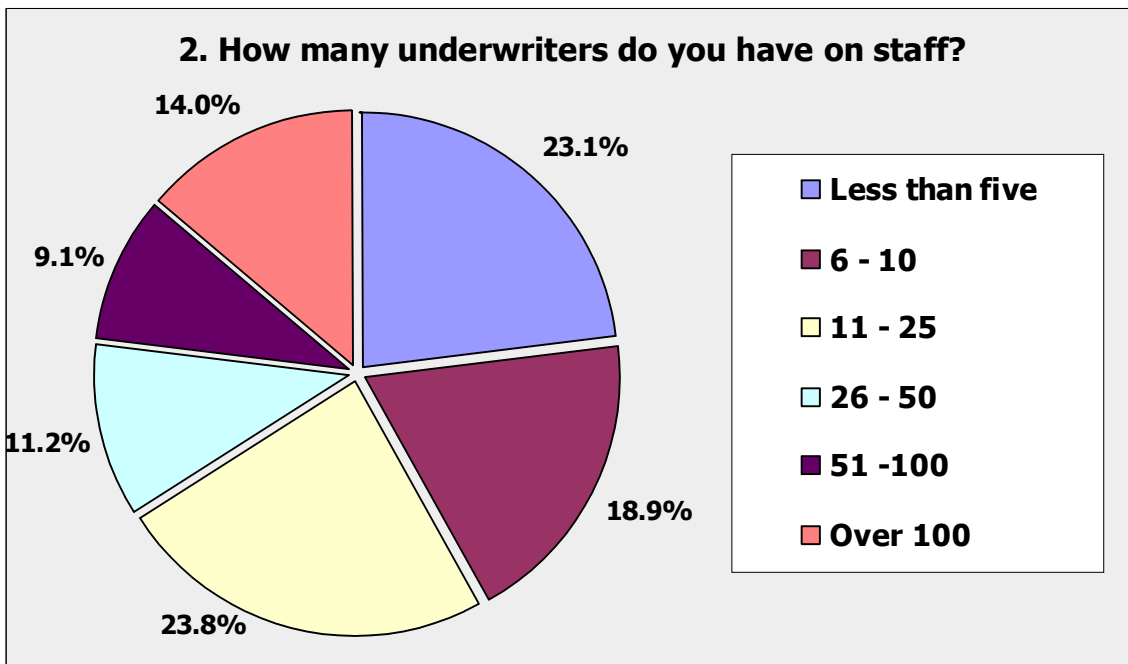
- Size of underwriting department:
25 or less underwriters and **Over 25 underwriters**
- Type of company:
Stock Companies or **Other than Stock (Mutual plus) Companies**
- Location of Companies:
U.S. or **Canada** or **Others (International and Caribbean)**

ALU Survey Committee

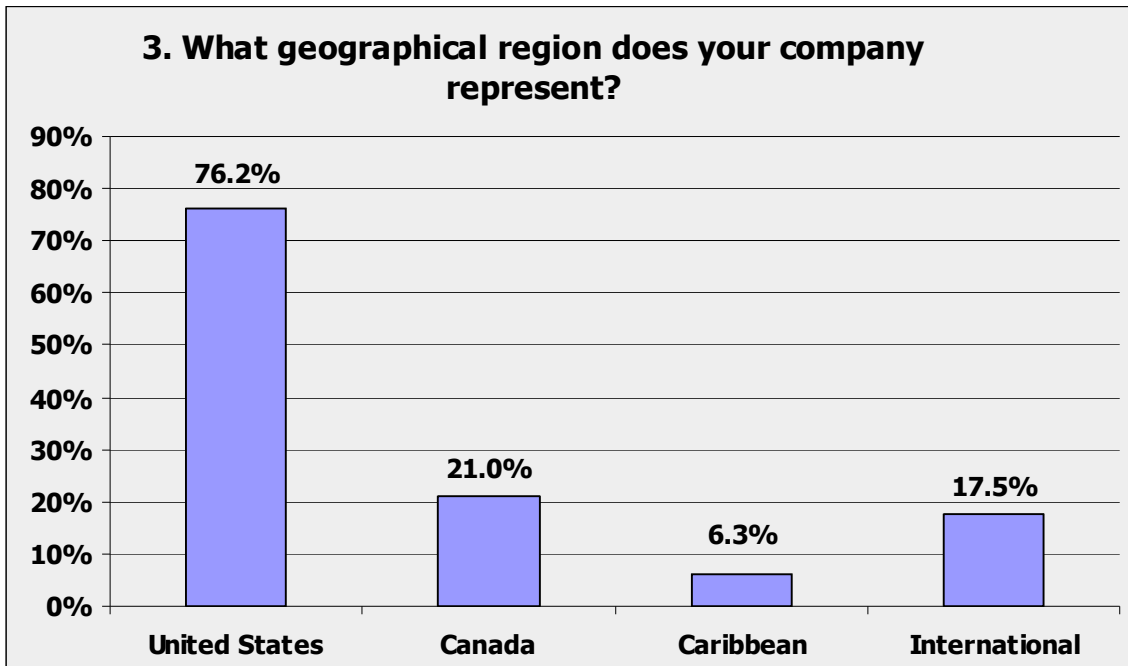
Tom McCarthy, Chair Swiss Re Thomas_McCarthy@swissre.com	Keith Brown Western & Southern Financial Group Keith.Brown@westernsouthernlife.com
Dave Redpath Hartford Life David.Redpath@HartfordLife.com	Michele Hnatyshen Sun Life Financial Michele.Hnatyshen@sunlife.com



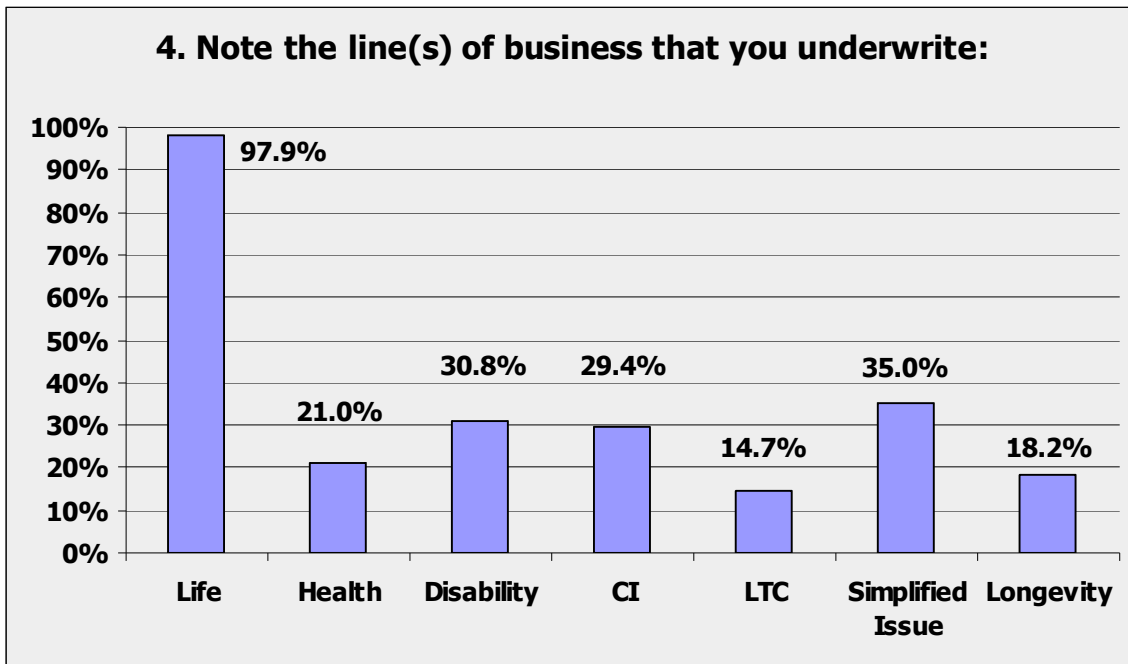
The majority of respondents, (65%), work for Stock companies, with Mutuals accounting for the next highest percentage (16.1%).



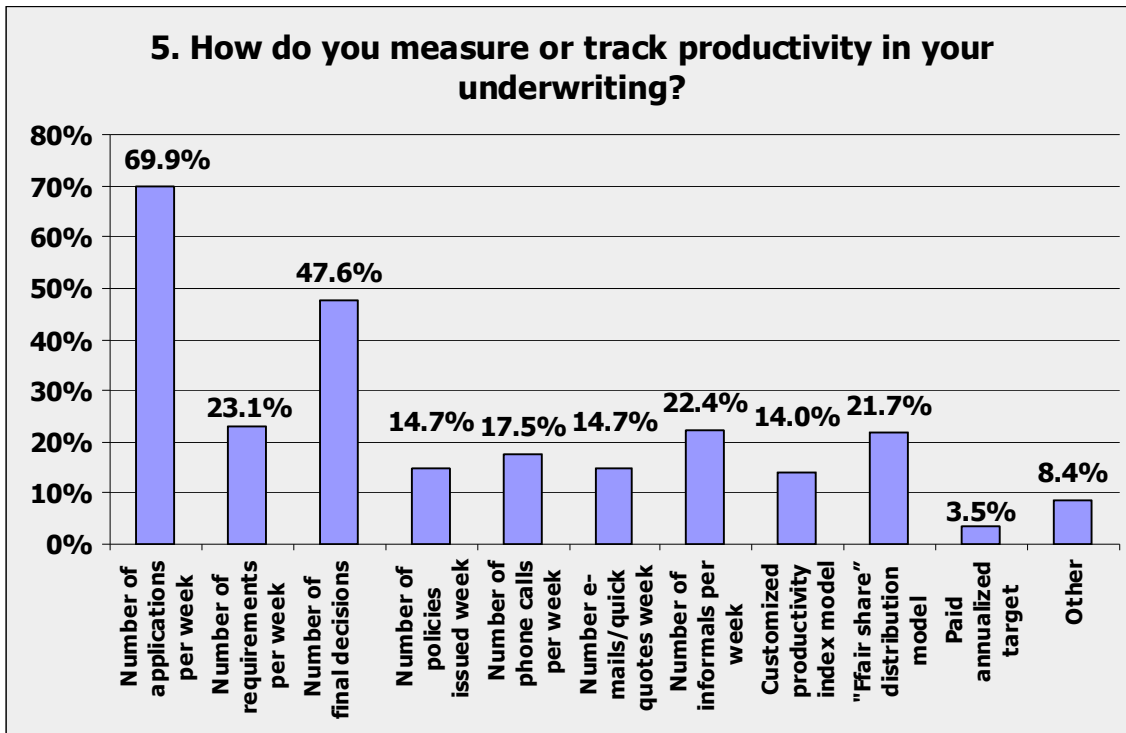
42% of respondents reported their company had 10 or fewer underwriters. Just under a quarter reported their companies having over 50 underwriters.



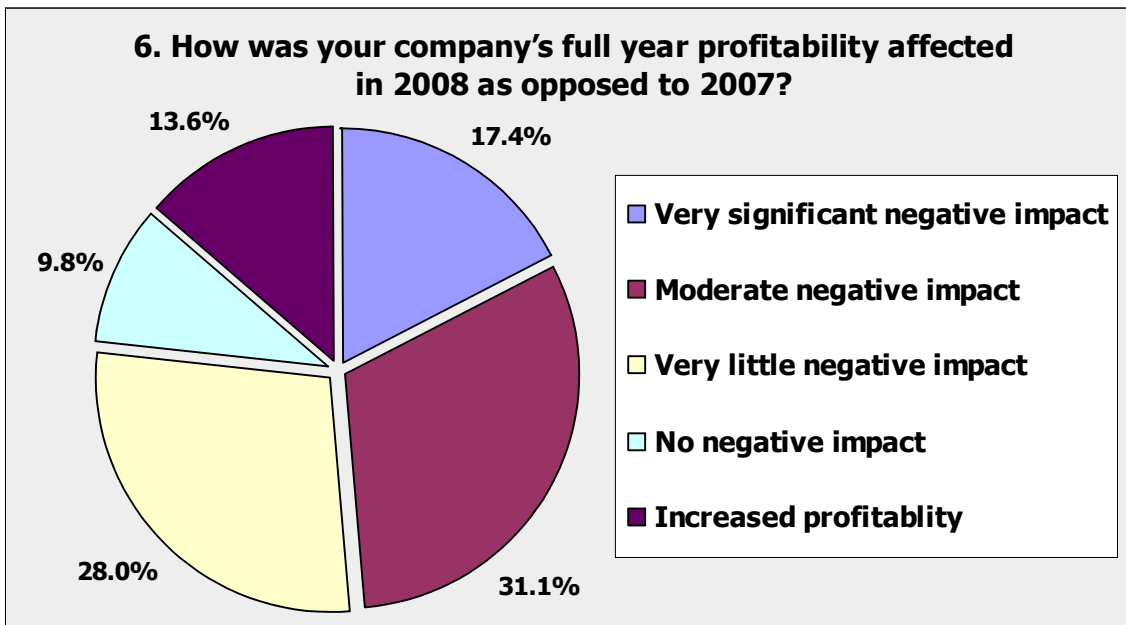
Most, (76.2%) respondents write business in the U.S.; while 21% write in Canada; 6.3% in the Caribbean, and 17.5% international.



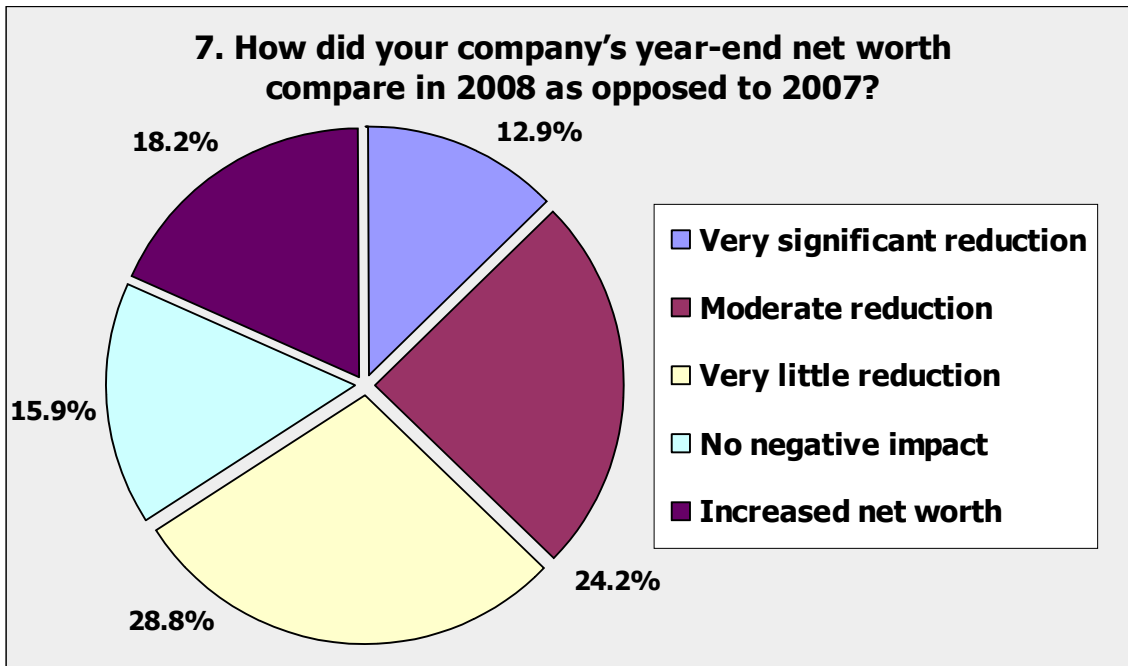
97.9% of respondents report underwriting Life insurance. 35.0% underwrite Simplified Issue; Disability (30.8%) and CI (29.4%) are nearly equally prevalent, while 21.0% underwrite Health, 18.2% Longevity & 14.7% LTC.



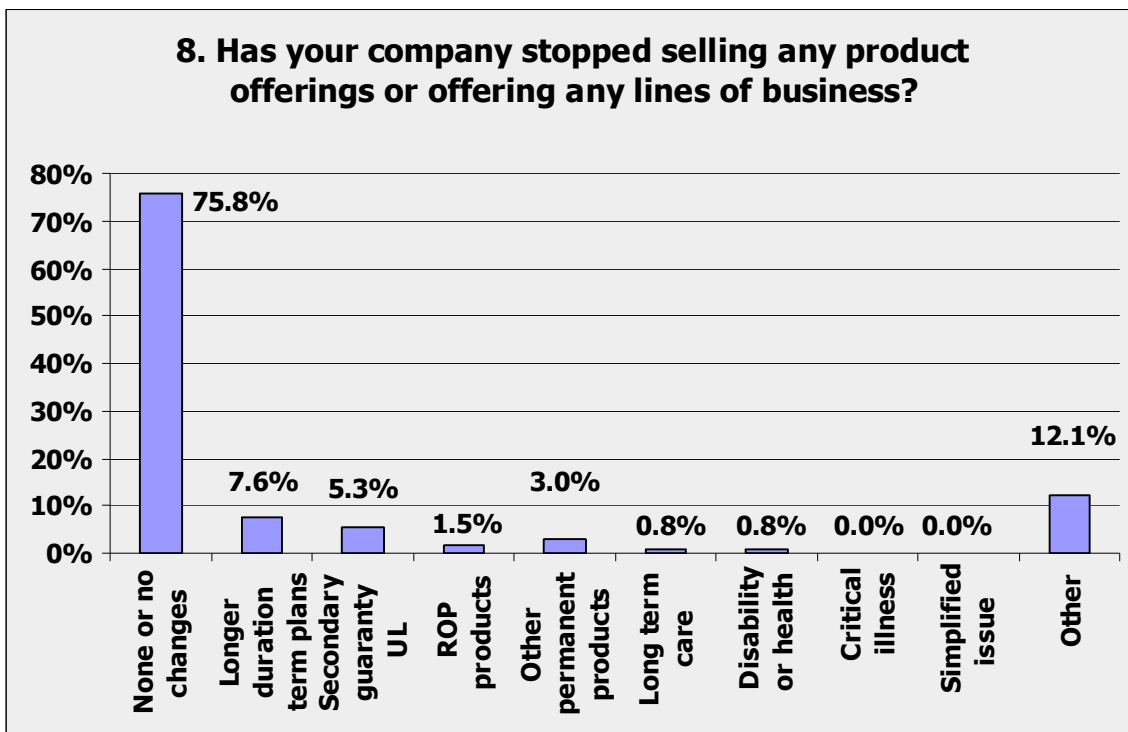
Most companies, 69.9%, measure productivity by the number of applications completed per week by an underwriter. The next most common method, 47.6%, involves tracking the number of final decisions an underwriter makes.



A slight majority of companies, 31.1%, reported a Moderate negative impact to profitability, followed closely by 28% of the respondents reporting Very little negative impact at 28.0%. 13.6% of respondents noted an increase in profitability. 8% of survey participants chose not to answer this question.

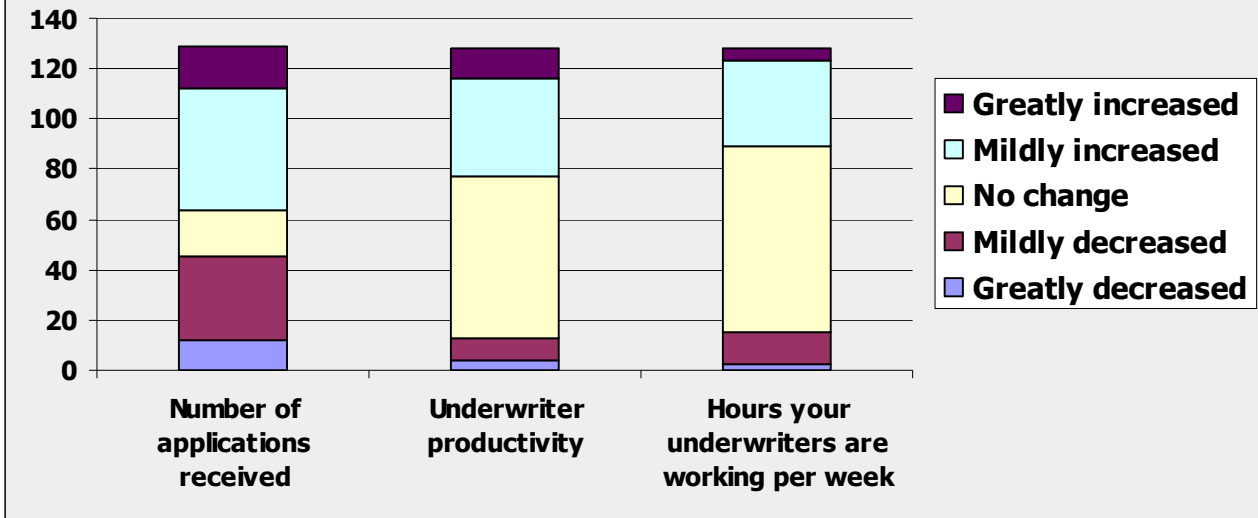


28.8% of respondents said their companies had very little reduction in net worth, while 24.2% noted a moderate reduction. 18.2% of respondents indicated their companies experienced an increase in net worth. 8% of survey participants chose not to answer this question.



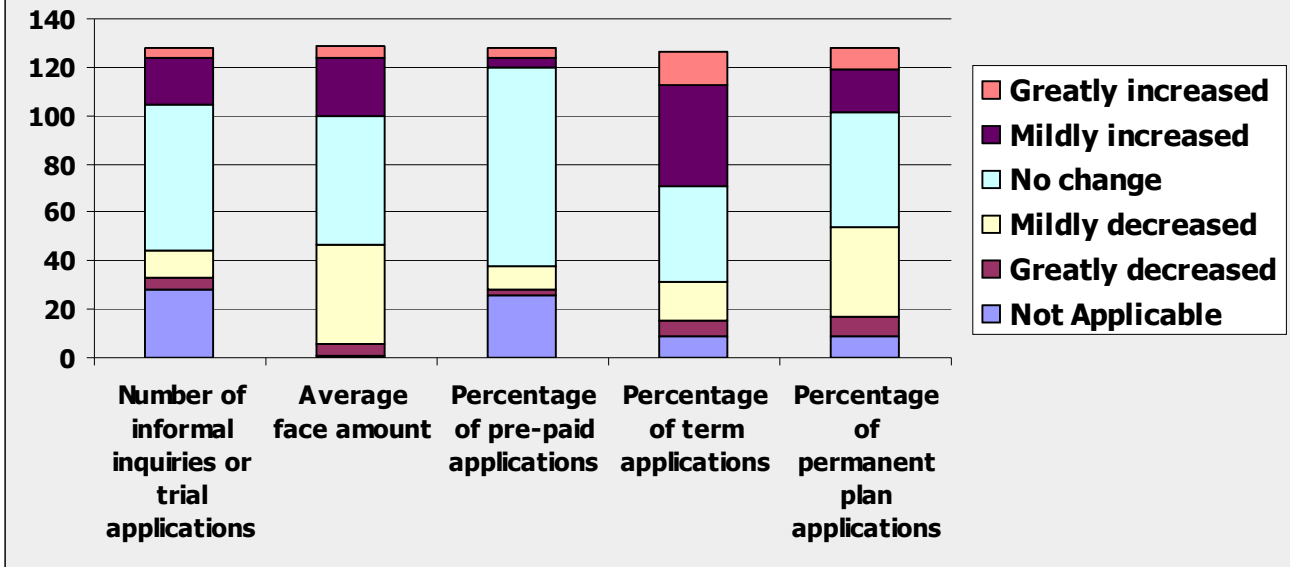
75.8% of respondents reported no change in their product offerings. 7.6% of respondents reported changes to longer duration term plans, (generally increased rates) and 5.3% said changes were being made to their secondary guaranty UL plans.

9. How has your Underwriting Department's productivity and the business you service been affected?

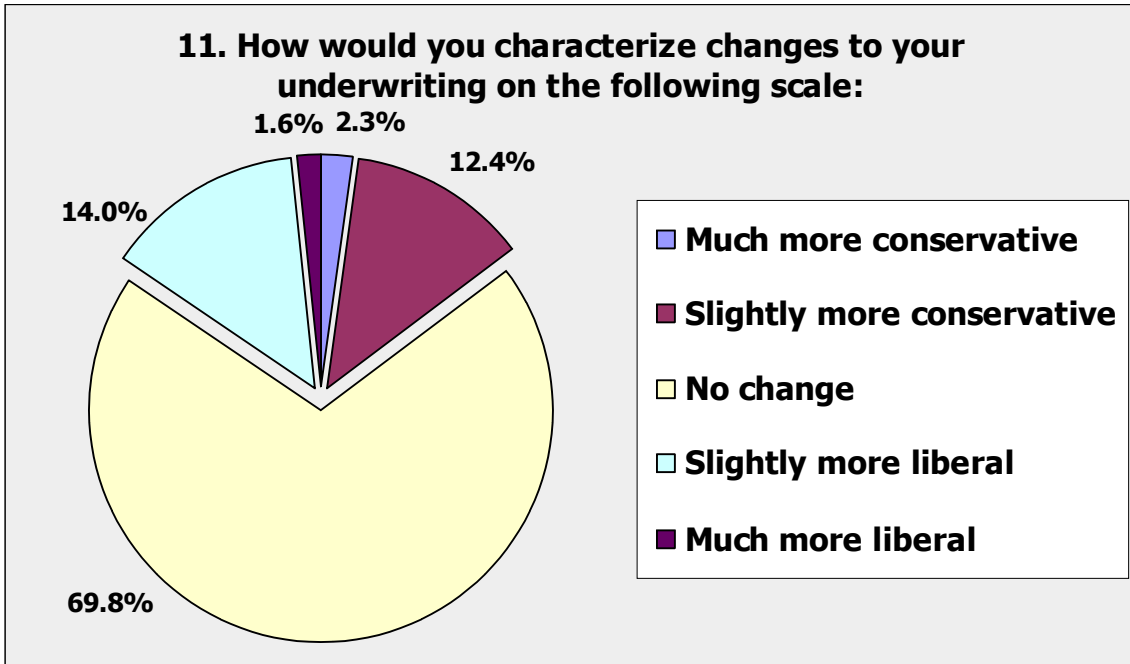


50% of respondents reported an increase in applications received, while 35% reported decreases. Underwriter productivity increased for 40% of respondents and decreased for 10%, with 50% reporting no change. 30% of respondents reported increased hours for their underwriters, while 58% noted no change in hours worked.

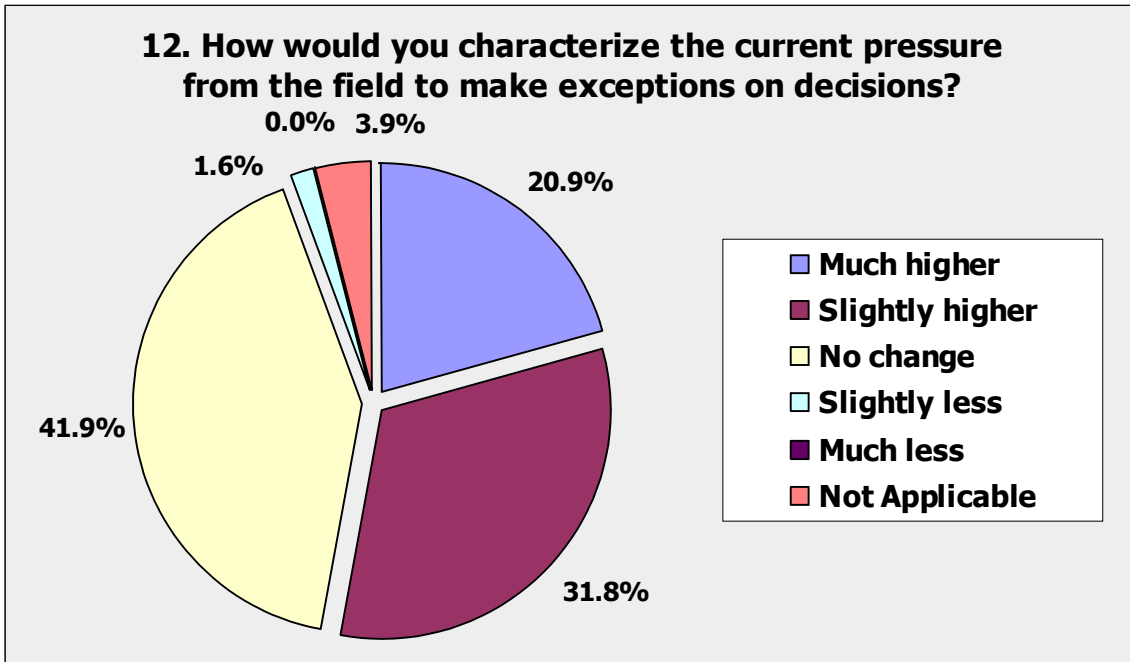
10. How has the nature of the applications been affected?



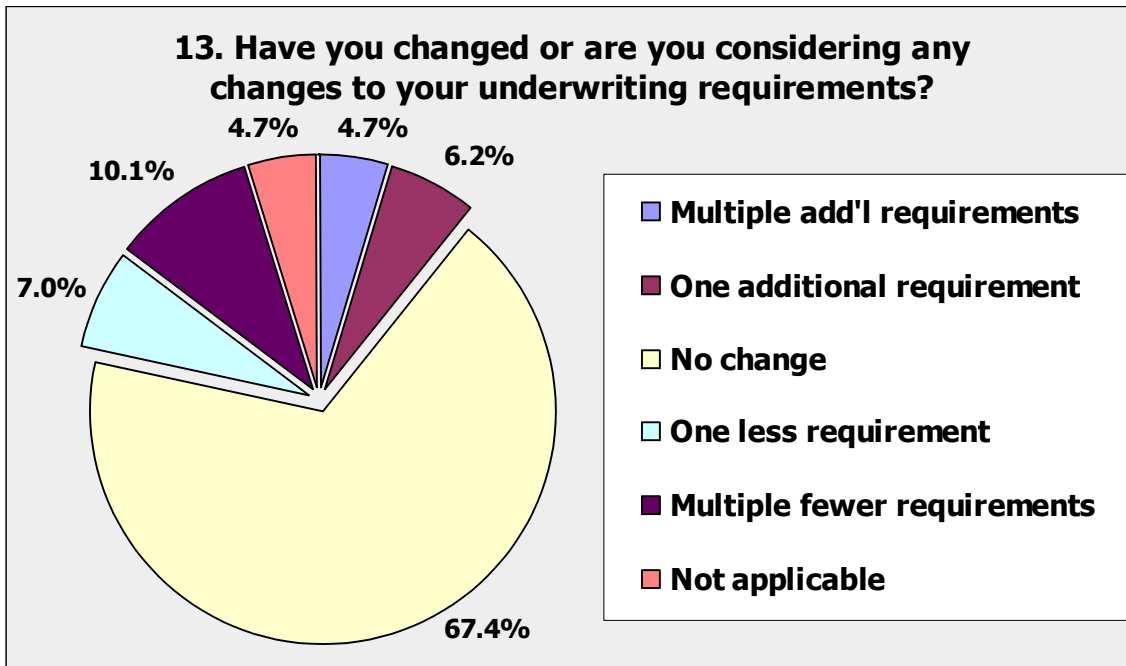
Informals or trials increased for 18% of respondents and decreased for 26%, with 48% reporting no change in volumes. Avg. face amount increased for 22% of respondents and decreased for 36%. 44% of respondents saw increases in term applications received, while 21% noted increases in permanent plan applications.



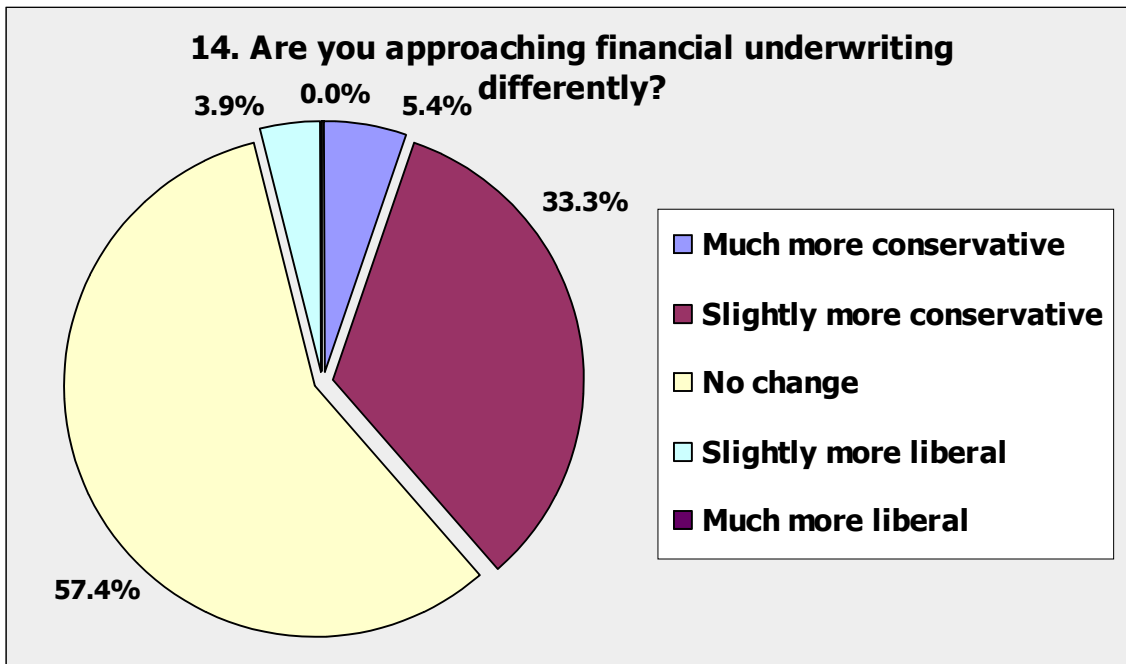
69.8% of respondents reported no change to their underwriting with regard to becoming more conservative or more liberal. 14.7% reported becoming more conservative and 15.6% noted becoming more liberal.



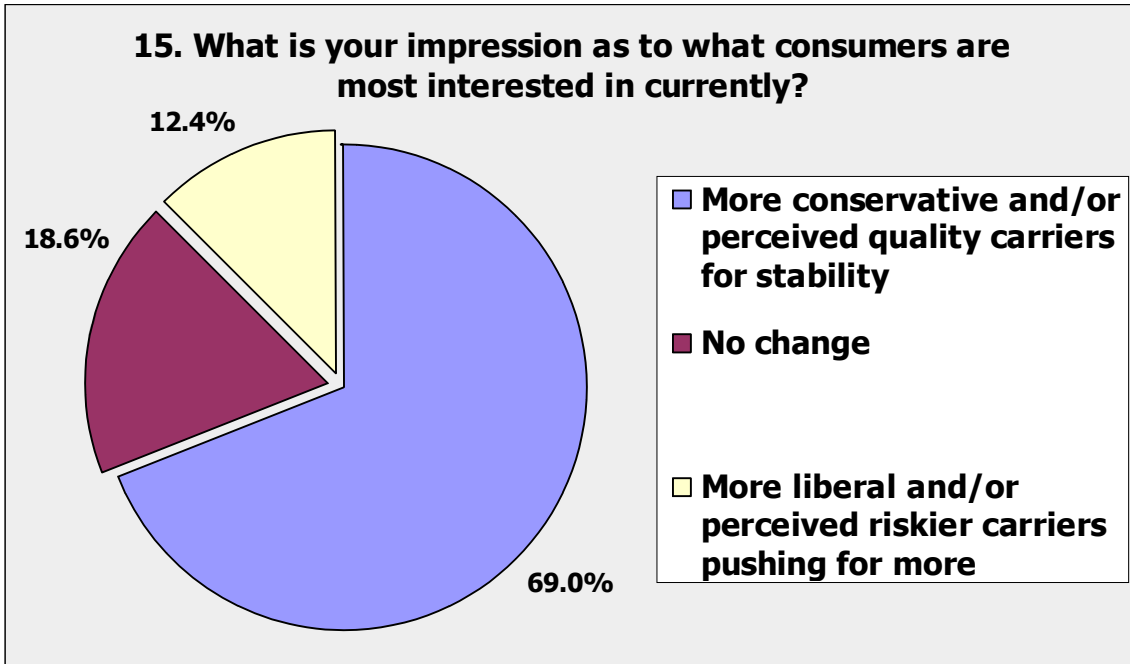
Pressure from the field to make exceptions is reported to be much higher for 20.9% of respondents and slightly higher for 31.8%, with 41.9% of respondents noting no change.



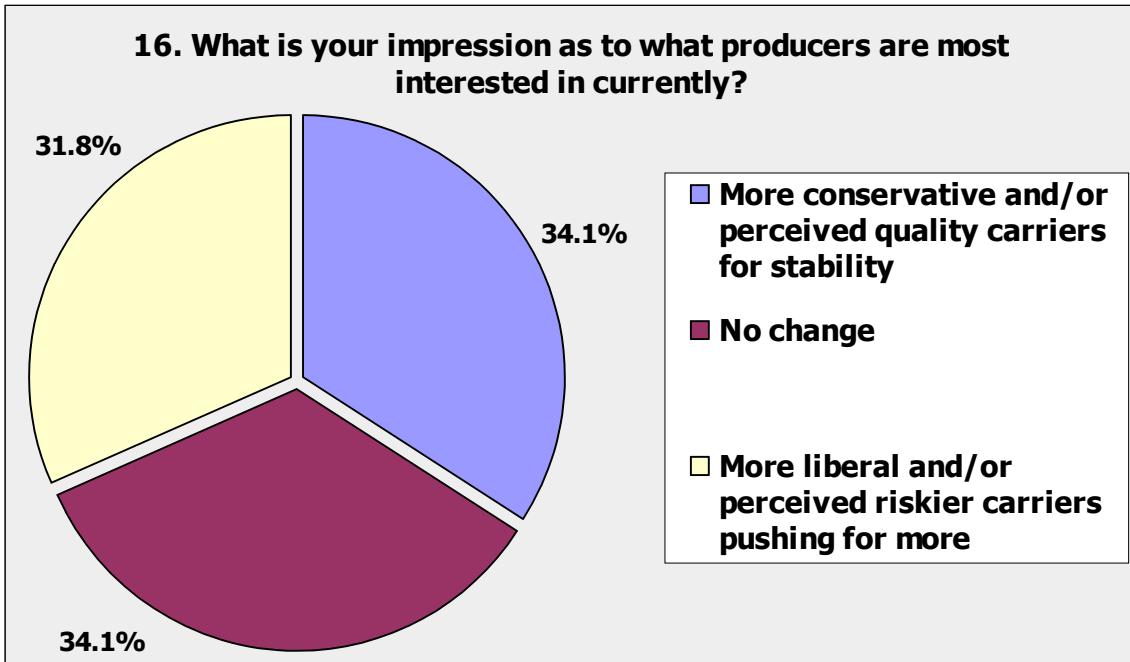
The vast majority of respondents, 67.4% report no change to underwriting requirements. 10.9% note increased requirements, while 17.1% indicate a change to fewer requirements.



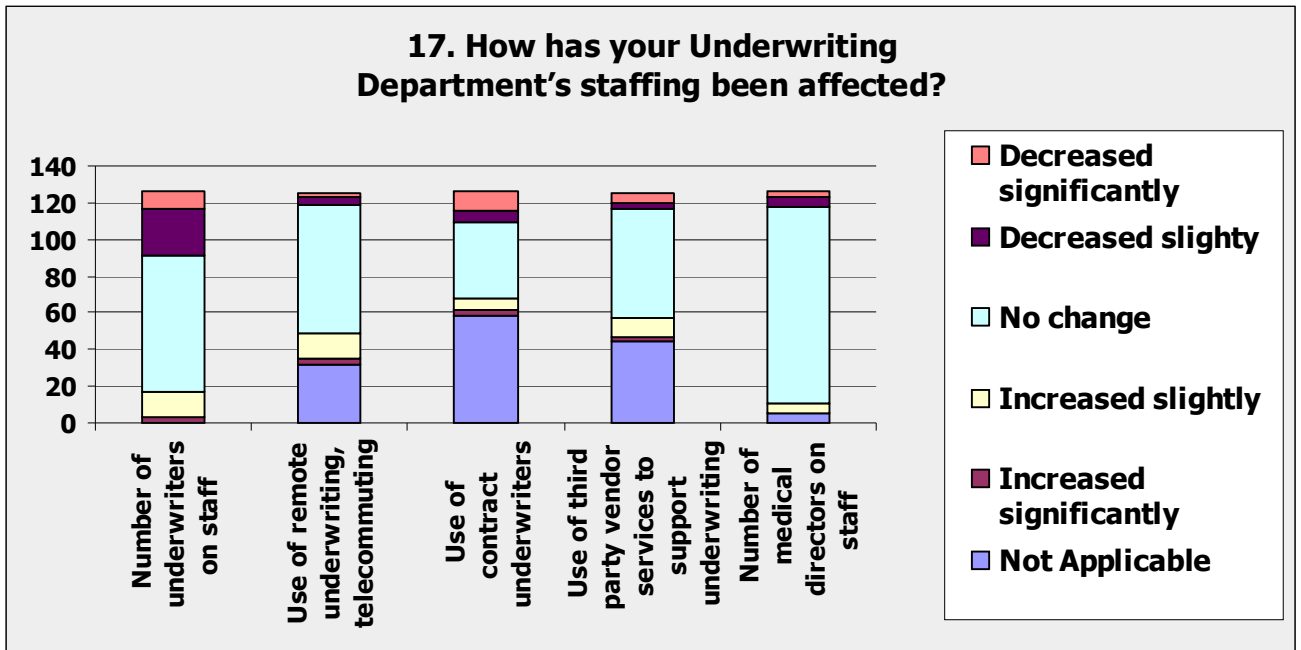
The majority of respondents (58%) reported no change, though a significant minority (39%) said they were taking a more conservative approach to financial underwriting.



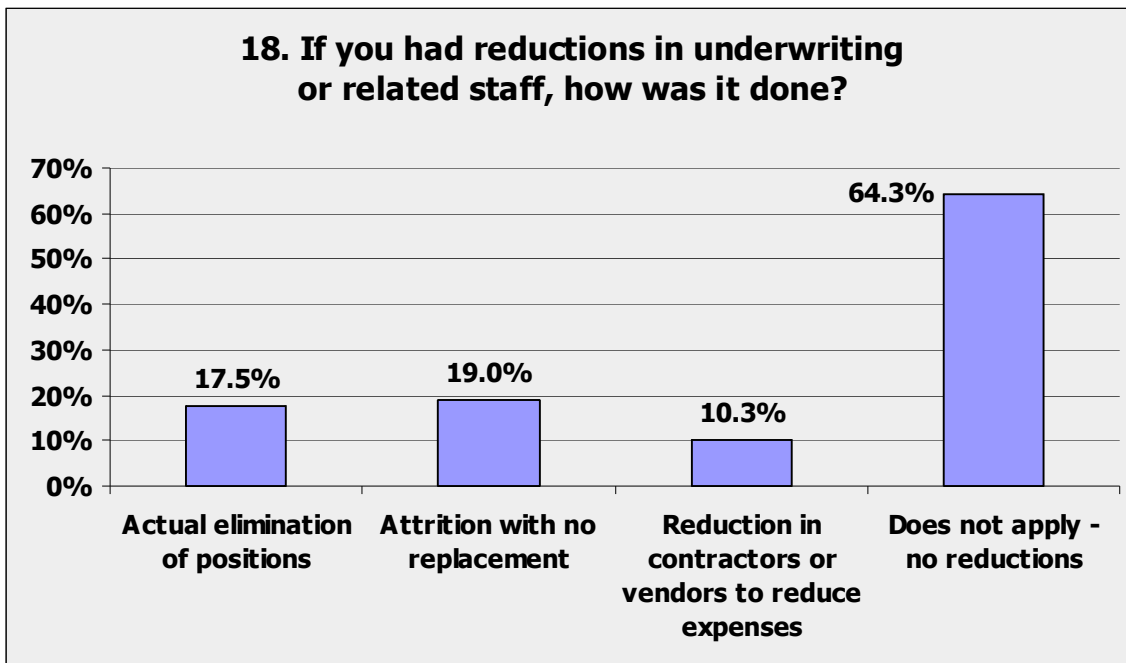
The vast majority of respondents (70%) felt there is a real “Flight to quality” among consumers. Only 12% thought folks were looking for deals from riskier companies.



Respondents’ view of producers was more balanced: 1/3 thought producers were looking for high quality, conservative carriers, 1/3 thought there was no change, and 1/3 thought producers were looking for deals from riskier companies.

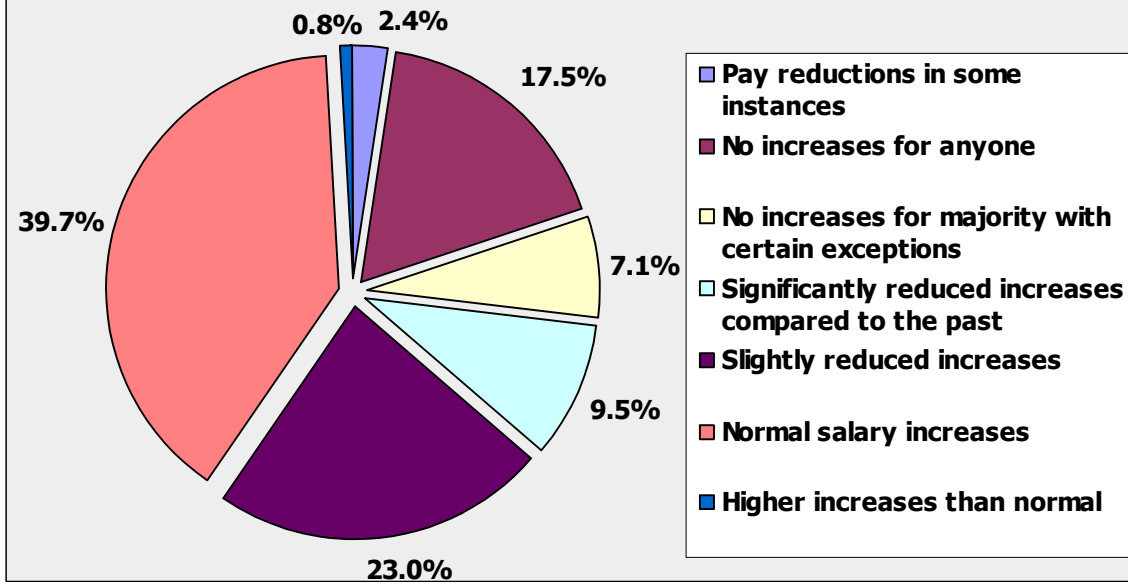


It appears that the overall number of underwriting positions, whether on staff or contractors, is off slightly: 60% of respondents reported no change in either. 14% reported adding underwriters to staff, and 14% of those responding reported using more contractors. But 28% reported decreasing underwriters on staff, and 23% of those responding reported decreasing use of contractors. So there were about 2 reductions in staff or contractors for every one added.



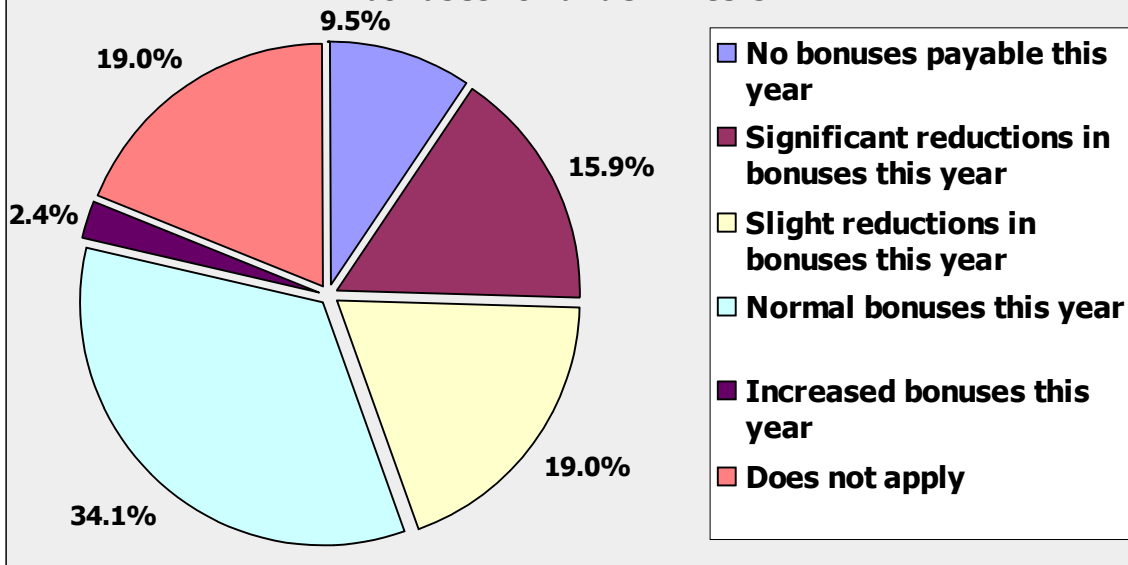
65% had no change in UW positions. But of the remaining 35% who did reduce staff: 10% did it by deleting contractors, 19% used attrition, and 18% actually eliminated positions (adds up to 112% because some respondents utilized more than one method to reduce staff)

19. What has been the effect on underwriters salary?



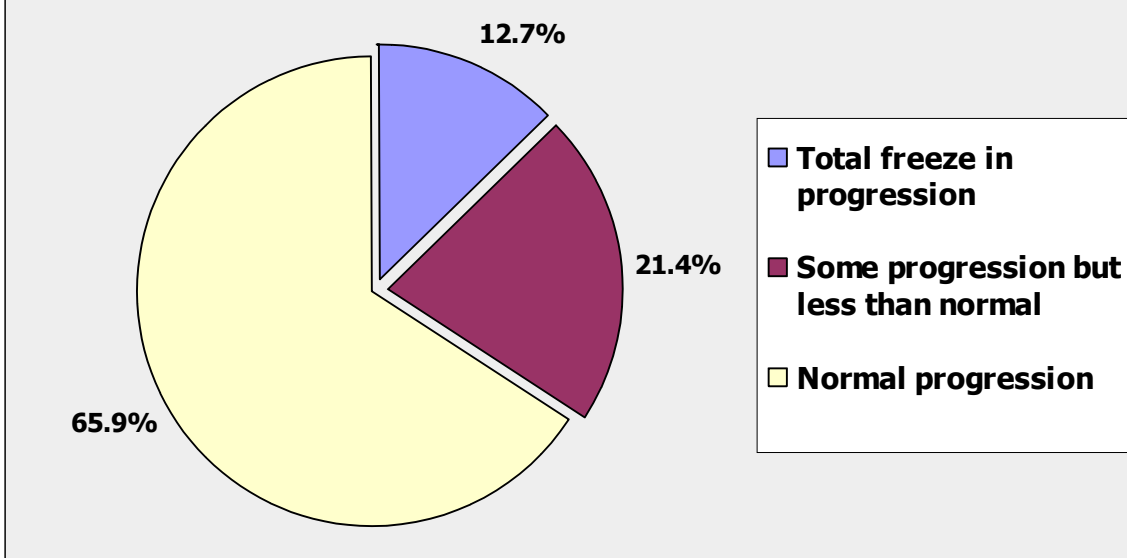
One respondent boosted salary increases this year. The other 99% had either normal increases (40%), smaller increases than normal (40%), no increases (17%), or decreases (2%).

20. What has been the effect on your bonuses for underwriters?



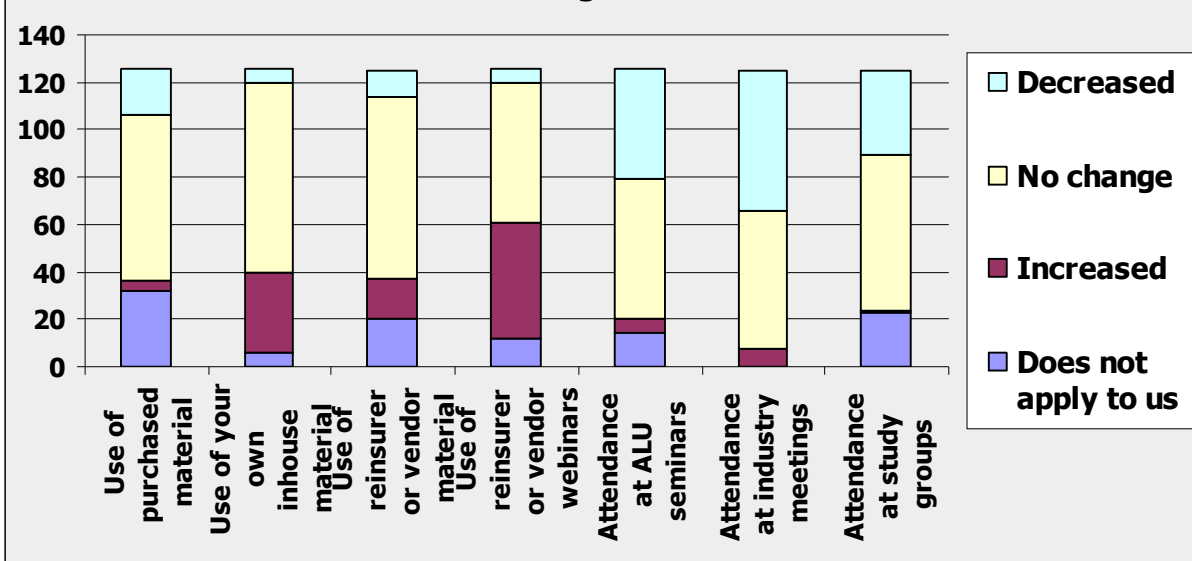
We had 3 respondents who increased their bonuses this year (2%). Most others either stayed the same (34%) or decreased (35%), or eliminated bonuses (10%) (some did not have bonuses as part of their regular compensation, so did not apply to them)

21. What has been the effect on underwriter progression (i.e., promotions, movement, etc.)?

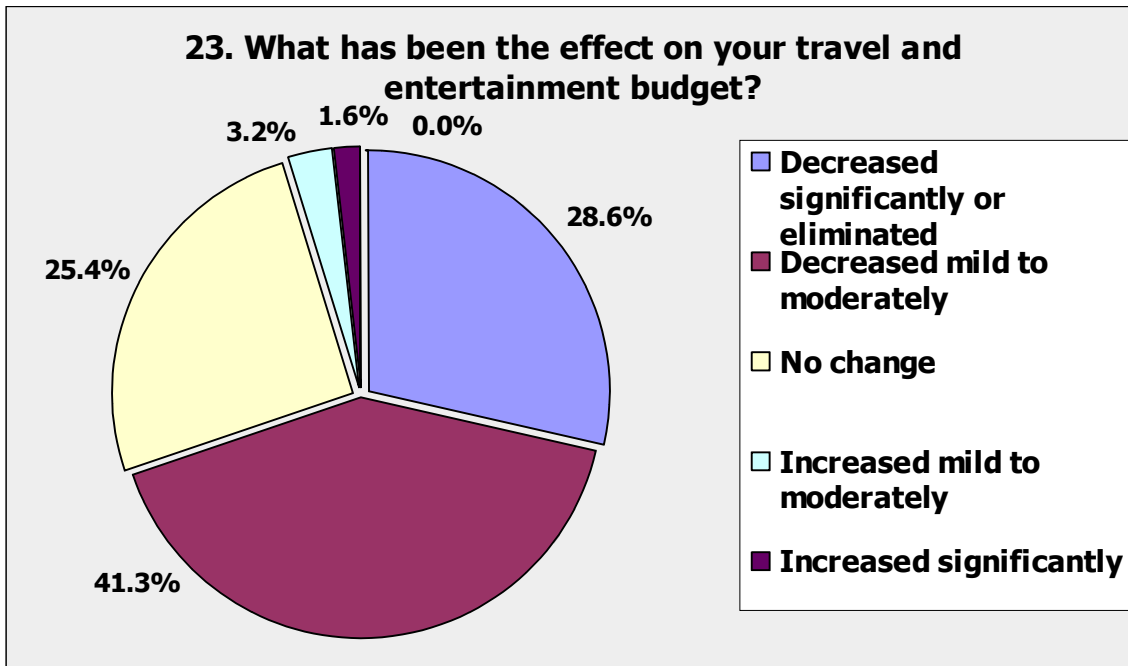


66% of our respondents reported no change in their progression of underwriters through the ranks. 21% reported slowing promotions, etc., and 13% said they had frozen their promotions for now.

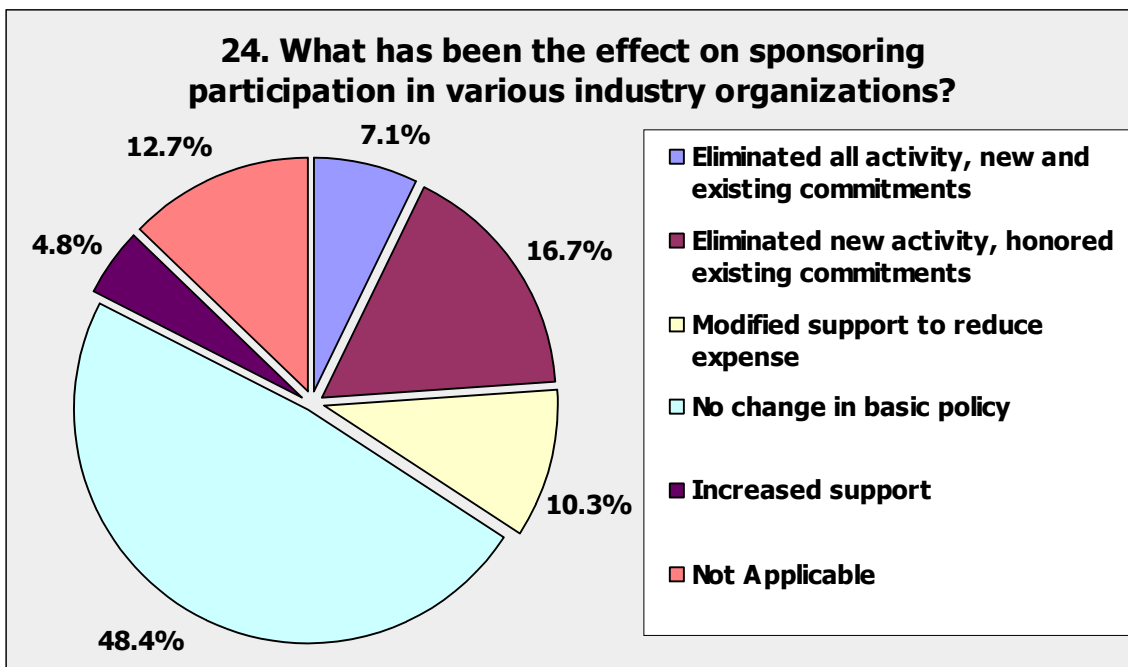
22. What has been the impact on formal training and education?



A large majority of respondents said they had not changed their formal training and education process. But a significant number (approx 40%) were decreasing their attendance at ALU seminars and industry meetings. AND a significant number were doing more in house training (27%), and use of webinars (39%)



5% of respondents said they were increasing their travel and entertainment budget. 25% said they expected no changes. The other 70% were decreasing or eliminating their travel and entertainment budget.



Half the respondents had no change in their sponsorship of industry committee work, program chairs, officers, etc. 5% increased this support. 34% reduced or eliminated their support this year.

Question 25.

Suggestions for future surveys

- Mortality (or death claims) trends in 2007, 2008 and into 2009, along with explanations for any changes observed
- Training and Education Needs
- Underwriter Approval Authorities and Referral practices
- Focused Survey on Financial Underwriting, Specific changes/enhancements to Financial Underwriting
- New underwriting tools and approaches
- Changes to underwriting approach to longer-term (3 months per year+) international travel
- Work life balance
- Elderly
- Broker power/influence
- Automation - use of AI or Expert Underwriting Systems
- Teleunderwriting processes
- New life insurance products added to a company's line of products
- Underwriters salaries
- Premium Financing STOLI related
- Underwriting value:
 - How is the underwriting process viewed by the top management of the company?
 - Is it seen as a technical or clerical function?
 - Are underwriters remunerated accordingly?
 - What emphasis is placed on ongoing training?
 - Is underwriting viewed as critical to the success of the company?
 - How is training done?