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The implications of the Financial Services Modernization Act on life insurance industry communications

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THE IMPLICATIONS OF THE FINANCIAL SERVICES MODERNIZATION ACT ON LIFE INSURANCE INDUSTRY COMMUNICATORS

by
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Professor

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For Dr. Don Bagin, who has taught me communications and so much more.

For Jackie Robinson, who showed me the meaning of perseverance.

For Rhoda & Elliot Weinberg, who have taught me and showed me everything else.

(And with a special thanks to the friends and colleagues who labored over this with me.)

ABSTRACT

Weinberg, Michael A.

A study of the implications of The Financial Services Modernization Act on life insurance industry communicators. 2001. Dr. Don Bagin. College of Communication.

This study's purpose was to assess the effects of legislation known as The Financial Services Modernization Act on life insurance industry communicators. The November 1999 legislation effectively broke down the barriers separating the major financial services industries in the U.S. – life insurance, banking, and securities

An email survey of a random sample of the Life Communicators Association (LCA) U.S. membership was conducted. The LCA is a professional organization of marketing communications, advertising, and public relations professionals working for life insurance and other financial services firms. 242 surveys were emailed.

The results indicated that most of the LCA members were aware of the legislation, but felt that it had more of an impact on how their companies did business rather than on their own jobs. A majority of the respondents indicated they were already working for combined financial services "supermarkets." About half of the respondents would prefer to see life insurance regulated by the federal government rather than by individual states. Several respondents commented on the effect of the legislation with regard to consolidation and job losses within the financial services industry.

MINI-ABSTRACT

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A survey of life industry communicators revealed that most were aware of the legislation but felt it had more of an impact to date on how their companies did business rather than on their own jobs. Most felt they were already working for combined financial services "supermarkets."

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CHAPTER I

Introduction/Background

My money. Your money. Our money. Since the Great Depression that began in this country with the Stock Market crash of 1929, handling one's money and financial affairs has been a simple – if not somewhat fragmented – process. One used a bank to deposit, withdraw, invest, save a nominal amount of, or borrow, money. One bought securities -- stocks, bonds, and, as they became more popular, mutual funds -- through a "broker" to seek greater financial rewards but with greater financial risk. And one bought various types of insurance protection – typically life, home, auto, and business – from an insurance agent.

These lines of business were separated following the Great Crash of '29 in an effort to reduce the risk of having one failed company affect consumers in different ways. Regulations like those under the Glass-Steagall Banking Act, which restricted affiliations between banks and securities firms, and under the Bank Holding Act, which restricted the affiliations between banks and insurance companies, came to pass.[1] As a result, these financial firms were regulated by different branches of the government. Insurance was

[1] Johnson, Ted, "Financial Services Modernization," *LIMRA's Market Facts*, Jan./Feb. 2000, www.limra.com. p. 1 of 6.

regulated by the states (each state having its own Department of Insurance), while banking and securities were regulated by different bodies within the federal government. Internally, each financial company built its own administrative support network, similar in scope while differing in only the specifics of a given task. Accounting, finance, underwriting, purchasing, legal, customer service, security, sales, marketing, and communications were just some of the functions that helped swell the ranks of those employed in what came to be known as the "financial services industry."

By the year 2000, financial services giants (based on market value, financial data at 12/31/99, shown in thousands, as determined by Wall Street Journal Market Data Group) like Citigroup ($249,292), American International Group ($201,320), and Morgan Stanley Dean Witter ($115,393) had grown to be ranked among the world's largest public companies.[2]

When the United States came out of World War II as the world's great superpower, her economy boomed as never before. More affordable housing, job growth, easier access to higher education, and a myriad of other socio-economic factors helped a growing middle class achieve more prosperity than had ever before been dreamed. As a result, more and more people began savings accounts, purchased different types of insurance, and invested in securities. As financial services evolved, consumers were purchasing products that looked similar, felt the same, yet were regulated and sold under completely different bodies of law. A certificate of deposit from a bank may have been similar to a deferred annuity, for example. Yet one would have to go to two completely different types of institutions to compare their relative merits. A variable annuity and a

[2] "The World's Largest Public Companies," *Wall Street Journal Special Reprint,* Sept. 25, 2000, Dow Jones & Company.

mutual fund had many similar features; but again, they were sold by differing financial industries based on the prevailing financial laws.

Years of talking about breaking down the barriers between banking and insurance and securities helped to chip away at the rules that had been in effect since the Depression era. As the “me-first” 80s gave way to the technology-driven 90s, it had become apparent that something would have to “give” in the world of financial services. And “give” it did with the signing of the Gramm-Leach-Bliley Act, enacted into law by President Bill Clinton’s signing on Nov. 12, 1999. More commonly known as the “Financial Services Modernization Act,” this legislation essentially allowed banks, insurance companies, and securities firms much easier access into each other’s lines of businesses.

While this legislation is relatively new, its effects can already be seen in the consumer marketplace. In Florida, for example, a banking trade group, the Florida Bankers Association, has started an insurance division that will lobby politicians and offer training courses for bank employees selling insurance.[3] A wire service story, “Brokers Looking Just Like Bankers,” described how “the transformation of the brokerage industry is expected to accelerate, thanks to a law passed late last year (1999) eliminating the Depression-inspired barriers that separated banks, brokerage and insurance companies.”[4] And, as if the issues are not coming full circle, recently the ABA Insurance Association, an affiliate of the American Bankers Association, drafted possible legislation allowing optional federal chartering of insurance companies – an issue which

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[3] “Florida Banking Group Forms Insurance Division,” *Palm Beach Post*, Oct, 16, 2000, p. 3D.
[4] “Brokers Looking Just Like Bankers,” *Palm Beach Post*, March 3, 2000, p. 1B.

is seen as moving up on Washington's legislative agenda in the year 2001.[5] This clearly would reverse the trend of complete regulation of insurance by the states.

The Financial Services Modernization Act has also reached behind the scenes of financial services companies as well since it contains a fresh set of consumer privacy standards to which companies will have to adhere.[6]

What is the goal of all this change? What is the purpose? The purpose can be debated among finance experts, but certainly one of the practical goals of allowing banks, insurance companies, and investment firms into each other's business is to make it easier for consumers to invest in and purchase financial products. In effect, this will ostensibly create "one-stop financial shopping." A phone survey of 2,481 consumers conducted in January of 2000 by LIMRA, the Life Insurance Marketing Research Association, found that consumers are "not yet ready to grab their financial supermarket shopping carts just yet."

Fifty-six percent of those surveyed said they did not like the idea of a single institution handling all their financial needs, thirty-five percent did like the idea and the balance were not sure.[7] Among the reservations held by consumers was the issue of their personal privacy and the consolidation of so much private personal information in the hands of fewer and fewer financial companies. One can project to foresee the Marketing and Communications challenge/opportunity faced by financial services companies.

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[5] "ABA Unit Seeks U.S. Insurer Charter, *Investment News*, Nov. 27, 2000, p. 2.
[6] Connolly, Jim, "Privacy Standards Splitting the Industry," *National Underwriter*, Oct. 2, 2000, p. 1.
[7] "Factoring Financial Services Integration," *LIMRA's U.S. Marketplace*, Spring 2000, www.limra.com.

Statement of Purpose/Plan of Study

It is beyond the scope of this paper to weigh the relative merits, advantages, and disadvantages of the financial legislation. Rather, the purpose of this study is to assess the impact of the Financial Services Modernization Act on Financial Services Communicators – with an emphasis on life insurance industry communications. Direct research was conducted through a survey of the domestic membership of the Life Communicators Association (LCA), a professional association whose membership is available to individuals who have responsibilities in the fields of advertising, sales promotion, public and client relations, sales or marketing or company communications within a life insurance company or affiliated financial services corporation.

Limitations, Definitions and Hypotheses

For the purposes of this paper, communications was defined as including advertising, public relations, and marketing communications either through print, broadcast, or internet. Direct survey research of communications practitioners was limited to those in the life insurance industry (although the initial and related research included banking and securities information as well). There are approximately 1,600 licensed life insurance companies in the United States.

For the scope of this paper, financial services was defined as a broad category of financial companies offering life insurance, securities (generally stocks, bonds, or other more complex investment vehicles), bank, and mutual fund products. A mutual fund is a financial product that may include any combination of stocks, bonds, cash instruments, or other investment vehicle, and its financial performance is not guaranteed; it is subject to market and credit risk. Life insurance is generally not thought of as an investment, but rather as an agreement to pay a specified sum of money when an insured dies. While variable life insurance, in which premiums are invested in what are essentially mutual funds, has chipped away at this broad definition, for the purpose of this study the author referred to life insurance as a financial vehicle with a guaranteed death benefit. Life insurance is regulated by the states. For the purpose of this study, a bank was defined in its traditional role of providing for savings and checking accounts and limited types of investment products, insured by the Federal Deposit Insurance Corporation up to $100,000 per account.

Also, based on the author's preliminary research, this study was conducted under the following three hypotheses:

1) Life insurance industry communications practitioners are aware of the existence of the Financial Services Modernization Act.
2) Life insurance industry communications practitioners inherently agree that some change as to how they do their jobs will be necessary as a result of the Financial Services Modernization Act.

These first two hypotheses are the result of preliminary research conducted in the Spring, Summer, and Fall of 2000, as well as personal interviews conducted in the Fall of 2000 with three individuals, each of whom has several years of life insurance industry experience. An attorney, financial services representative, and marketing communications practitioner, their insights helped to shape the focus of this research and helped lead to the third hypothesis:

3) Since this legislation was virtually brand new at the time of the study, research conducted on any aspect of the Financial Services Modernization Act, including communications, can only be considered a snapshot up until the point the research was conducted. An attempt to assess future implications will thus be limited in its scope.

Personal interviews with life insurance/financial services industry participants helped shape the research and survey questions. To avoid bias and help ensure a more open dialogue, their corporate affiliations were not identified.

David Batman, who is assistant vice president-counsel of a life insurance company and has been in the field 11 years, saw privacy and disclosure issues as a chief concern for communicators based on the Financial Services Modernization Act. "One of the lessons that can be drawn from the act and its stated purpose is that companies can no longer just pay lip service to full and fair disclosure to customers, but that customers are coming to expect and look for it in their interactions with large concerns." He also pointed out that with certain privacy exemptions for transactions among affiliates, companies have discovered a relatively untapped reservoir of potential customers.[8]

An interview with Thom Shumosic, CFP, the managing partner of a financial producer group with 15 years of financial services experience, clearly saw the coming of the "financial supermarket" concept in which major players have mortgages, mutual funds, certificates of deposit, life insurance, even complicated financial trusts, all under one roof. Mr. Shumosic indicated that banks, brokerage firms (generally defined as a company which sells investment products, as opposed to life insurance), and mutual fund

[8] Batman, David, Personal Interview, Oct. 24, 2000.

companies have more readily adapted to the changing financial landscape and thus are in a better position than traditional life insurance companies to take advantage of this "one-stop financial shopping" approach.[9]

Now a vice president for marketing communications with a life insurance company, David Lentz has been involved with financial services communications for over 25 years. He was quite clear as to what life insurance communicators must begin to do to be successful in this new era of financial services. "Life industry communicators must become experts in banking...we need to understand banking regulations and banking products in order to create and communicate synergies effectively with trust departments, for example." (A trust was generally defined as a complex financial and legal arrangement that plans for the future disposition of a client's money.) He left no doubt as to the importance of the Financial Services Modernization Act, calling it "probably the most significant work of Congress concerning financial services enacted in the last half-century." And, he added, "the legislation's timing represents a once in a lifetime opportunity for cross-selling new products and cross-pollination of the cultures of two distinctive industries (banking and insurance). It is fueling a wave of mergers, acquisitions, demutualization strategies and strategic alliances on both sides of the equation."[10]

Thus the importance of the study in a nutshell:

- As an entire industry changes, are life insurance communicators aware of those changes?
- What have life insurance communicators begun to do about those changes?

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[9] Shumosic, Thomas, CFP, Personal Interview, Nov. 1, 2000.
[10] Lentz, David B., Personal Interview, Oct. 26, 2000.

- How have life insurance communicators seen their employers begin to react (if at all)?
- How do life insurance communicators foresee their employers reacting in the months and years ahead?

In Chapter II the author provided an overview of the related research and literature regarding the topic.

CHAPTER II

Related Research and Literature Review

To provide more of a foundation for this study, a review of literature and related research was conducted at the Rowan University Library, Glassboro, NJ, within the Palm Beach County, Florida library system, and through financial services research organizations such as LIMRA (Life Insurance Marketing and Research Organization) and LOMA (Life Office Management Association). A search of the World Wide Web through the search engine Yahoo turned up approximately 4,400 references to "Glass-Steagall," the umbrella name for the Financial Services Modernization Act of Nov. 12, 1999, upon which this research was based. Similar multiple references were found under "Gramm-Leach-Bliley," the "popular" name of the legislation. The author reviewed the description of the listings and narrowed the search based on relevance to the study, redundant research already uncovered elsewhere, and key words. A majority of the references discussed the legislation from a purely technical or regulatory viewpoint which was considered beyond the scope of this study.

One book was purchased specifically for this study: The 21st Century Agent, by Dan Sullivan (The Strategic Coach, Inc., Toronto, Canada, 1995). Sullivan's book provided an excellent recent history of the life insurance industry.

In addition, since the impact of the Financial Services Modernization Act was still evolving, numerous financial and general interest media reports and articles were included as part of the literature review.

The chapter was structured by dividing the material into the following sections:

1. A review of existing texts and literature on the subject of financial communications and the life insurance industry
2. A review of financial publications, literature, and general news media items and other research regarding the recently-enacted Financial Services Modernization Act and its effects on today's life insurance/financial services industry

A Review of Existing Texts and Literature on the Subject of Financial Communications

What is the scope of today's life insurance industry? Best Insurance Reports Life-Health U.S. Edition, first published in 1906, is the leading compendium of life and health insurance companies and provides ratings and financial information about each. Its 1999 edition lists approximately 1,600 life insurance companies "representing virtually all significant and active insurance companies operating in the United States."[11]

Life and Health Insurance Marketing is a text published primarily for those in the life insurance industry seeking to further their knowledge of the subject through a series of professional examinations. The authors addressed the various publics with which a life insurance company needs to communicate: "While addressing the concerns of stockholders/policyowners, employees, regulators, rating agencies, and distributors,

[11] Best's Insurance Reports Life-Health (U.S. ed.), 1999, Oldwick, NJ: A.M. Best Co., p. vii.

insurance companies must find ways to keep valuable employees, operate profitably, and earn the loyalty of customers."[12] The authors also cited the aging population of the United States (and Canada) as the most dramatic demographic trend affecting the insurance industry and its external audiences. By the year 2000, the authors pointed out, the median age in the United States was expected to be 36 years (up from 28 years in 1970). By the year 2050, the median age is expected to jump to 42 years.[13]

From a regulatory standpoint, life insurance companies, and thus their communications efforts, are regulated by individual state insurance departments. This responsibility is granted to governments in accordance with 1945 federal legislation (Public Law 15), now generally referred to as the McCarran-Ferguson Act.[14]

As companies merge, and as financial products combine characteristics of two different products lines – as, for example, with variable life insurance, which combines elements of life insurance and securities – regulation will be more difficult to manage by individual states. Even now, the McCarran-Ferguson Act does not entirely exempt insurers from federal regulation. To the extent the insurance business is not regulated by state law, federal law will apply. Moreover, other federal laws, notably securities laws, have been held to apply to certain insurance activities.[15]

While it is not the intent of this study to fully examine the depth of life insurance regulation as it pertains to advertising, it should be noted that regulation plays an increasingly larger role in the day-to-day function of life industry communicators. State

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[12] Allen, Sharon B., Goodwin, Dennis W., Herrod, Jennifer, W., Life and Health Insurance Marketing, 2nd ed., Life Office Management Association, Atlanta, GA, 1998, p. 21.
[13] Ibid, p. 49.
[14] Allen,Goodwin, Herrod, p. 604.
[15] Crawford, Muriel L., Life and Health Insurance Law, 7th ed., Richard D. Irwin, Inc. Burr Ridge, IL, 1994, p. 23.

insurance advertising rules generally are patterned after model laws drafted by the NAIC (National Association of Insurance Commissioners). The NAIC's model Unfair Trade Practices Act contains a general prohibition against any form of insurance advertising that is "untrue, deceptive, or misleading."[16] The model also lists specific types of advertising that are unfair trade practices. Among these are:[17]

> a misrepresentation of the "benefits, advantages, conditions, or terms of any policy"; a misrepresentation as to "the dividends or share of the surplus to be received on any policy" or "previously paid on any policy"; a misrepresentation either of an insurer's financial condition or "as to the legal reserve system upon which any life insurer operates"; the use of a name or title of an insurance policy that misrepresents the policy's true nature; and a misrepresentation of an insurance policy as "being shares of stock."

It is under this state-by-state regulatory "model," compounded by the changing nature of life insurance products themselves, that life insurance industry communicators labor. The "advertising" as described in the model encompasses all areas of communications, thus including public relations and direct marketing.

Kruckeberg, Newsom, and Turk define the broad area of financial public relations:

> "such activities as preparing material for security analysts to study, developing an annual report that is acceptable to auditors and intelligible to stockholders and knowing when and to whom to issue a news release that could affect stock values."[18]

In Lesley's Handbook of Public Relations and Communications, Rhody describes financial institutions as "unique among profit-making enterprises in their near total dependence on public perceptions and trust for their survival and success."[19] Financial

[16] Ibid, p. 533.
[17] Crawford, p. 533.
[18] Kruckeberg, Dean, Newsom, Doug, and Turk, Judy Van Slyke, This Is PR: The Realities of Public Relations, 7th ed., Wadsworth Publishing, Belmont, CA, 2000, p. 15.
[19] Rhody, Ronald E., in Handbook of Public Relations and Communications, Philip Lesly, ed., "Public Relations for Financial Organizations," NTC/Contemporary Publishing Co., Lincolnwood (Chicago), IL, 1998, p. 535.

institutions hold the power to affect the life and livelihood of all members of society…"yet virtually no difference exists between the products and services of one financial institution and that of its competitors."[20]

While financial services companies would dispute Rhody's assertion, there is no doubt that great similarities do exist between like products and often it is the public perception of a corporation, rather than the inherent features of a particular product, that determine just how well that product will sell.

A concept called "marketing public relations" has been coined to marry the disciplines of public relations and marketing and has been suggested as a means for financial services companies to help distinguish their product offering from their competitors while building brand loyalty. Several definitions of this concept are discussed in Harris's Value-Added Public Relations, The Secret Weapon of Integrated Marketing. This working definition, as described in the above text, is taken from an earlier work of Harris:

> Marketing public relations is the process of planning, executing, and evaluating programs that encourage purchase and consumer satisfaction through credible communication of information and impressions that identify companies and their products with the needs, wants, concerns, and interests of consumers.[21]

The existing literature indicates a life insurance industry regulated by the states (with occasional federal intervention) and selling products which seemingly have very little difference from one company to the next.

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[20] Ibid, p. 535.

[21] Harris, Thomas L., Value-Added Public Relations, The Secret Weapon of Integrated Marketing, NTC Business Books, Lincolnwood (Chicago), IL, 1998, p. 21.

And in The 21st Century Agent, a primer of sorts for life insurance agents, registered securities representatives, and financial planners and published some four years before the passage of the Financial Services Modernization Act, Sullivan had already described life insurance companies as

> "just asset management companies in direct competition with mutual fund companies as well as other asset management companies – banks, trusts, investment houses, and pension funds. Increasingly, these organizations are all in the same business. All have exactly the same goal of 1.5 to 2% return on assets. And, increasingly they all have to play by the same set of organizational rules in a global economy based on microtechnology."[22]

Sullivan struck almost a warning when he stated that the above words for life insurance companies mean "goodbye to bloated head offices and overly expensive career agency distribution systems. But many companies are still trying to operate as things used to be."[23] Sullivan's point is that from 1945 to 1970, particularly, life insurance companies sustained unparalleled growth. Since then, international economic forces, technology, and financial legislation (even *prior* to the legislation which is the focus of this study) have evened the playing field among the various financial industries and that the corporate culture and style of traditional life insurance companies lagged behind those of other financial firms such as securities' houses and mutual fund companies.

While the bulk of Sullivan's text is devoted to a discussion of the overall structure and business practices of life insurance companies as they relate to agents and representatives, his description of life insurers as greatly affected by the melding with other financial organizations is highly relevant for this study.

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[22] Sullivan, Dan, The 21st Century Agent, The Strategic Coach, Inc. Toronto, CA, 1995, p. 31.
[23] Ibid, p. 31.

A further review of the related research and literature now focuses specifically on the Financial Services Modernization Act and its effect on today's life insurance industry and, ultimately, life insurance industry communicators.

A Review of Financial Publications, Literature and General News Media Items Specifically Regarding the Financial Services Modernization Act

This section summarizes the findings regarding the Financial Services Modernization Act as they are relevant for communicators. It is not a comprehensive overview of all aspects of the new law itself. That type of intense look at the legislation is beyond the scope of this study.

LIMRA (Life Insurance Marketing Research Association) is a life insurance industry organization that has published a wide range of information on the Financial Services Modernization Act. It calls the Gramm-Leach-Bliley Act "the most significant legislative change to the U.S. financial system since the 1930s…in essence, the new legislation allows banks, securities firms, and insurers to enter into each other's businesses."[24]

LIMRA's Marketfacts (Jan./Feb. 2000) provides a concise overview of the legislation. Implications for communicators include mergers and acquisition possibilities, product marketing vis a vis cross-selling, and regulatory oversight:[25]

- Initially, there will be a relatively small number of mergers and acquisitions between banks and insurance companies, but they will be significant with respect

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[24] *LIMRA Abstracts*, "Financial Services Modernization: The Gramm-Leach-Bliley Act (1999), www.limra.com/abstracts/3084.asp.
[25] Johnson, Ted, *LIMRA's MarketFacts*, "Financial Services Modernization," Jan./Feb. 2000, www.limra.com.

to assets and market capitalization…in the longer term, we will see significant activity in this area, as more and more financial institutions feel the need to compete fully on the financial services front.

- The one-stop shopping strategy will be given another, and better, opportunity to develop.
- Multistate licensing will encourage banks and insurance companies to ratchet up the sales activities from call centers…this is one area where there will be federal preemption of state authority if the states do not act within a three-year timeframe.

Privacy issues are also an important element of the financial services legislation. Communicators may be involved in drafting and/or communicating a company's privacy policy per new guidelines.

Another LIMRA Marketfacts piece, also by Ted Johnson, is aptly subtitled "Now Let's Not Screw Up!" Johnson states he hopes the phrase "financial services modernization" does not turn out to be an oxymoron for many insurance companies and challenges life insurers to think strategically by clearly identifying and understanding the business' critical success factors, being able to objectively assess strengths and weaknesses, and evaluating rapidly-changing marketplace dynamics.[26]

Ironically, as LIMRA's researchers were writing about the importance that cross-selling opportunities would have for life insurance companies, its own initial research told a different tale. A brief January 2000 LIMRA phone survey of 2,481 consumers

[26] Johnson, Ted, *LIMRA's MarketFacts*, "With a New Landscape Comes New Opportunities(Now Let's Not Screw Up)March/April 2000, www.limra.com.

suggested they are not ready to grab their financial supermarket shopping carts just yet.[27] Fifty-six percent of the respondents did not like the idea of a single financial institution handling all their financial needs. The survey also showed that the new law "has made consumer privacy a must-solve issue for company strategists and operational planners."[28]

This legislation was important enough for Ernst & Young's financial services practice to develop a comprehensive "white paper" report on the topic. The report stated that the new financial services law "has made significant progress in updating the heretofore antiquated laws governing banking and other financial services in the U.S. to reflect contemporary reality." On the other hand:

> "'financial modernization' also implies a radical transformation of the financial services landscape, a connotation that we believe is simply not accurate. Rather, the Act steers the financial services industry more clearly down a path that it had already been wandering along for some time – one of cross-segment selling, institutional combinations, and product and market convergence."[29]

The Ernst & Young research indicated that, while important, the new law standardized the way the financial services industry as a whole was already heading. One highly critical aspect noted by the research – and something that will have a direct effect on communicators -- was the creation of a "financial holding company (FHC)" under which varying products and services can be marketed. "Banks, securities firms, and insurance companies can now affiliate within an FHC structure to offer a much broader range of financial products and services than had previously been possible under a traditional bank or insurance holding company structure. In the past, such affiliations had

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[27] *LIMRA U.S. Marketplace Individual Financial Product News*, "Factoring Financial Services Integration," Spring 2000, www.limra.com.
[28] Ibid.
[29] *Executive Briefing: Ernst & Young*, "Financial Services Modernization-Assessing the Implications of the Gramm-Leach-Bliley Act," Jan. 2000, p. 1.

either been subject to various restrictions or prohibited altogether (e.g., affiliations between insurers and commercial banks)."[30]

In essence, then, the new law formalized a pattern of financial services combinations that had been happening since the 1980s chiefly due, according to the Ernst & Young research, to consumers having less job security (and less of a reliance on non-participatory company pension plans) and having to take more of an interest in and control of their own financial security – from applying for loans to buying insurance to investing in stocks, bonds, and mutual funds.

In recent years, the convergence of life insurance with other financial services has been fostered by a series of court decisions that have helped muddy the divide between banks and insurance, leading up to passage of Gramm-Leach-Bliley. A 1996 Supreme Court decision held that states can't interfere with a federal law that lets nationally chartered banks sell insurance through small-town branches. The ruling effectively knocked out barriers to banks in at least 15 states (including Florida, Texas, and New Jersey), clearing the way for banks to sell policies nationwide through branches in small towns with populations up to 5,000. While "banks hailed the decision…insurance agents and state regulators warn that customers could be coerced into buying insurance from banks that lend them money."[31] The previous year, the justices had ruled that national banks may sell annuities (insurance products that eventually yield a series of payments).

In fact, by 1995 one-third of banks were able to sell some sort of insurance in 34 states, and banks had grabbed twenty percent of the annuity market, following another

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[30] Ibid, p. 2.

[31] Barrett, Paul M., and Hays, Laurie, "Supreme Court Lets Banks Sell More Insurance," *The Wall Street Journal*, March 27, 1996, p. B1.

series of court decisions in the early 90s that continued to create confusion in the regulatory landscape.[32]

"Glass-Steagall ending was really the final part of the wall falling," said Carol Jones, a financial advisor at New Mexico Investment Advisors. "Over the years we (banks and insurance companies) have begun getting into one another's businesses. Things have changed and there is so much interaction and overlap that the bill really reflects how things have been operating for a while."[33]

Some believe the wall (the Glass-Steagall Act) between financial services companies started to fall the moment it was enacted in 1933 to separate banks, securities firms, and insurance companies. Certainly, by the 1980s, legislative forces were at work ready to do the dismantling. "Seen as scapegoat legislation immediately (in 1933) by some and with hindsight by most, a deliberate separation of banking and insurance seemed increasingly outdated in a globalized economy that rewards diversification. The history of Glass-Steagall encapsulates the reversal of economic mentality: isolationism among financial industries, once designed to ensure economic growth, is now regarded as a dangerous obstacle to it."[34]

How will the regulation of life insurance be affected by the Financial Services Modernization Act? Life insurance has been regulated by separate state departments of insurance based on models adapted by the NAIC (National Association of Insurance Commissioners).

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[32] Scism, Leslie, and Wilkie, John R., "Insurance Agents Fight an Intrusion by Banks, But Other Perils Loom," *The Wall Street Journal,* Aug. 8, 1995, p. A1.
[33] Shepherd, Shawn, "Shattered Glass-Steagall," *New Mexico Business Journal Online*, Vol. 24, Issue 7, Aug. 2000, www.nmbiz.com.
[34] "Bank On It! Glass-Steagall is Finally History," *CSIS (Center for Strategic and International Studies) Domestic Policy Newsletter*, Dec. 1999, www.csis.org.

While regulation of life insurance advertising and public relations efforts had been a tricky proposition at best, the new legislation brings regulatory challenges that pose a new hurdle for life insurance communicators. Even the regulators aren't so sure of the future. According to District of Columbia Insurance Commissioner Larry Mirel, "If we cannot learn how to regulate on a national basis, we will become irrelevant and possibly extinct." Mirel also believes that the new financial legislation has accelerated the need for uniformity, while banks clearly view state insurance regulation as an impediment to their insurance objectives.[35]

Yet, in *The Impact of Financial Services Reform on State Insurance Regulation*, Harman and Keene offer the opinion that the Financial Services Modernization Act "strengthens the continuing role of the states in the regulation of that (life insurance) business."[36]

With all of this information as background, what has been happening in the insurance marketplace, an arena estimated at $154 billion for business insurance and $30 billion for consumers, according to an on-line insurance company CEO's citing of an A.M. Best statistic?[37]

And just what are the implications for life insurance industry communicators? There is no doubt, for example, that the convergence of technology with the growing emphasis on personal financial responsibility will continue to be a key force in the financial services landscape. Some 32 million households are expected to trade stocks

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[35] Foehl, John M. Jr., "Adapt or Perish," *Tillinghast-Towers Perrin Services Frameset*, Sept. 25, 2000, www.towers.com/towers/publications.
[36] Harman, William Jr., and Keene, Bryan W., "The Impact of Financial Services Reform on State Insurance Regulation," *Journal of Financial Services Professionals*, Nov. 2000, p. 86.
[37] Riggs, Larry, "Policy Shift," *Direct Magazine*, Sept. 1, 2000, p. 32.

online by 2003 and 25 million will bank online, according to a study by Jupiter Research as reported in *U.S. News & World Report*. And forecasts are for nearly $4 trillion to be managed on the Internet by 2003.[38] No doubt much of the content on those various websites will be written by those who were formerly employed by solely life insurance companies.

A special *U.S. News & World Report* Investing Guide cited the new financial services legislation as a key factor shaping how Americans now manage their finances. In describing the "supermarket" function of financial services firms – in essence, the "one-stop shopping" model described earlier in this paper – the writer points out how several years ago Sears had bought the stock brokerage firm Dean Witter and pundits talked of Sears being able to offer consumers "socks to stocks"...now "the Financial Services Modernization Act of 1999 repealed the Depression-era law limiting financial services consolidation between and among commercial banks, investment banks, and insurers, and now companies like Citigroup and Schwab can grab 100 percent of our wallets."[39]

It is important to note that, as this article pointed out, the legislation was not some abstract law that had little effect on people; on the contrary, it had a direct effect on the lives of millions of American consumers. While that is not the scope of this study, it is clear that the articles, brochures, newsletters, pamphlets, statement stuffers, press releases, PSAs, and websites written and designed by those who were formerly associated with solely life insurance companies will help shape the financial thinking of those same millions of American consumers.

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[38] Lim, Paul J., "Buy, Sell, Buy, Sell, Follow the Money: Finance Finds a Home Online," *U.S. News & World Report,* Dec. 4, 2000, p. 75.
[39] Benjamin, Matthew, and Lim, Paul J., "A Battle Royal For Your Wallet Rages as the Economy Cools," *U.S. News & World Report*, Jan. 22, 2001, p. 58.

As financial services communicators broaden their product and industry reach, problems are bound to occur. One such problem was reported in the Dec. 20, 2000 *The Wall Street Journal.* The article cites possibly misleading advertising about a product called a "Callable Certificate of Deposit." In addition to St.Louis-based investment firm Edward D. Jones being fined for questionably-worded advertising regarding these products, the SEC (Securities and Exchange Commission) had recently requested marketing materials, sales-presentation tapes, and other information on "brokered CDs" from a host of nationally-known financial firms, including A.G. Edwards, Merrill Lynch, Morgan Stanley Dean Witter, PaineWebber (by then part of UBS AG), Prudential Securities, Salomon Smith Barney, and Raymond James & Associates.[40]

One can only speculate that these problems will increase as further consolidation occurs among financial services firms. In addition, financial industry consolidation may very well affect the livelihoods of life insurance industry communicators. An insurance industry analyst, Colin Devine with Salomon Smith Barney, cited financial services giants American International Group, Charles Schwab & Co., American Express Co., and Morgan Stanley Dean Witter as companies that could be "major players" during the first decade of the 21st century.[41] He added Fidelity Investments, the mutual fund giant, as another firm that could wind up as one of the five largest life insurers in that same decade.

Another life insurance industry analyst, Andrew Kligerman of Bear Sterns in New York, agreed that "the pressure for scale" is driving consolidation and "it will not be easy

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[40] Davis, Ann, and Simon, Ruth, "Regulators Probe Sales by Large Brokers of 'Callable' CDs as Investors Complain," *The Wall Street Journal*, Dec. 20, 2001, p. C1.
[41] Connolly, Jim, "Consolidation Will Digest Now-Dominant Companies," *National Underwriter*, Oct. 23, 2000, p. 36.

for life insurance companies to stick around…in five to 10 years there will be five to 10 players." Kligerman noted those U.S. firms may well include General Electric, American International Group, MetLife, Citigroup, Wells Fargo, and American General.[42] (Author's note: As this study was underway, American International Group announced its intentions to purchase American General Corp.)

Life insurance communicators will need to learn and adapt as the consolidation happens over the next several years. Companies will combine in a number of ways. *Best's Review,* a professional journal of the life insurance industry, cited MetLife's purchase of Grand Bank N.A. of Kingston, NJ, as, at the time, "the biggest proof to date that the Gramm-Leach-Bliley Act is bearing fruit."[43] The article points out that the convergence of insurance and banks into the new blended area called financial services is likely to continue, although it will take time for larger mergers to come together. Examples of insurance/bank activity cited in the article included Nationwide and Hartford Life selling products through partnerships with banks, and insurers American International Group, Aetna, Guardian, and ING Group all having received charters to open thrifts.[44] New York Life Insurance Company was also granted permission to operate a federally-insured thrift specializing in trust services in early 2000.[45]

While no one can predict for sure how the financial services industry will look even in 2005, let alone 2010 and beyond, the evidence suggests it will look vastly different than it did in 1990, and those who have worked in communications positions for

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[42] Ibid, p. 37.
[43] Green, Meg, "A Bountiful Harvest," Best's Review, Oct. 2000, www.bestreview.com, p. 1 of 5.
[44] Ibid, p. 3 of 5.
[45] Associated Press, "New York Life OK'd for U.S. Thrift," *The Point Cast Network*, Feb. 17, 2000, www.yahoo/business.com, p. 1 of 2.

life insurance companies need to prepare to communicate about more than just life insurance and annuities if they want to stay employed.

While the largest day-to-day concerns for life industry communicators regarding the Financial Services Modernization Act seem to be regulation, product knowledge, and company consolidation, communicators cannot ignore other key issues. One such issue is the introduction of new privacy regulations. Communicators may have to write, edit, design, and/or disseminate information to consumers about their new rights to privacy. KPMG LLP, a leading professional services firm, found in a survey of professionals in the banking, securities, and insurance industries that concern about the loss of privacy would be the top reaction among consumers.[46]

In fact, a whole new discipline is emerging on corporate America – privacy. Some companies have added a new executive title to their ranks, that of Chief Privacy Officer (CPO). According to *The Wall Street Journal*, "the number of CPOs will skyrocket this year (2001), particularly in the health-care and financial services industries. The surge will be fueled by new legislation regulating the use of consumer information and growing corporate awareness about privacy issues."[47] Future communications positions may have a dotted line to the Chief Privacy Officer.

Another key issue brought to the forefront by the new legislation is the increasing globalization of the world's economy. By 1980, roughly eleven to twelve percent of the *world's* economy was in financial services (banks, mutual funds, insurance companies,

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[46] KPMG LLG Press Release, "KPMG LLG Survey: Financial Reform May Raise Consumers' Ire," Nov. 5, 1999, www.yahoo.com/business/prnews.

[47] Dunham, Kemba J., "A New Playing Field," *The Wall Street Journal*, Feb. 20, 2001, p. B12.

and mortgage lenders). By 2000, the share had grown to twenty percent, and one reason cited was the eventual effect of the Gramm-Leach-Bliley Act.[48]

Among the *world's* largest public companies (ranked by market value as of 8/15/00 as determined by Wall Street Journal Market Data Group) were (rank in parentheses) U.S. financial giants General Electric (1), Citigroup (8), American International Group (16), Morgan Stanley Dean Witter (34), and Bank of America (48).[49]

The financial legislation on which this study is based is still rather new, and this research reflects an overview of financial publication and general interest media content to date. Much more is sure to come over time. While the life insurance industry is just beginning to feel the effects of the legislation, these questions can already be asked of the industry's communicators: Are life insurance industry communicators aware of and ready for the sweeping changes that seem to be on the way as a direct result of the Financial Services Modernization Act? In fact, have they already been affected? Will they be able to respond to the need to learn about banking and securities products? How will the words they write and the publications they produce be regulated? Are they prepared to join forces with those of other companies if and when consolidation occurs at their companies? Do they understand the reluctance of consumers to embrace all of these changes? Can they meet the growing challenge brought on by an increasingly global financial industry?

The author surveyed a random sample of the Life Communicators Association (LCA) to ascertain the answers to certain of these questions. The survey and its results, recommendations, and conclusions are discussed in Chapters III, IV, and V.

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[48] Frick, Robert, "The New Market Makers," *Kiplinger's*, Jan. 2000, pp. 48-49.
[49] "The World's Largest 100 Public Companies," special reprint, *The Wall Sreet Journal*, Sept. 25, 2000.

CHAPTER III

Procedures and Methods

The purpose of this study was to assess the impact of the Financial Services Modernization Act (signed into law by President Bill Clinton on November 12, 1999) on life insurance industry communicators. As this legislation is so new, the research attempts to put into perspective what the law might currently mean for life insurance industry communicators, as well as its effect on that group over the next several years.

Preliminary research included personal interviews with three experienced Financial Services industry professionals – a life insurance company attorney, a financial representative who is familiar with a wide range of products, and an experienced financial services communicator who has developed an expertise in variable life insurance and variable annuities.

Preliminary research also included informal information-gathering with several former colleagues who have worked in financial services communications.

A formal survey was developed and distributed via email to a random sample of 242 members of the Life Communicators Association (LCA). The LCA is a voluntary, dues-paying, professional association of some 700 communications professionals within the life insurance industry and affiliated financial services organizations in North

America. The email distribution was limited to U.S. members only. Affiliated members (those who do not engage in communications on a day-to-day basis, such as vendors and advertising salespeople), as well as those LCA members without email addresses, were eliminated from the random sample. That brought the overall number of LCA members down to 470. LCA membership was selected for the survey since this group represents a formalized concentration of life insurance communications practitioners whose futures may be affected by the information this study is attempting to assess. The membership list was provided by the LCA.

It was felt that this sample of 242 would yield enough results through responses to generate a statistically meaningful survey. The survey was emailed on February 3, 2001, with follow-ups sent on February 16, 2001 and March 9, 2001.

The survey instrument consisted of 10 questions designed to gauge the members' understanding, attitudes, and opinions regarding the Financial Services Modernization Act and its impact on them. Nine of the 10 questions were closed-ended questions designed to elicit specific data. The tenth question was open-ended in an effort to gain a greater overall understanding of the subject. The survey was pre-tested with a small group of local life insurance industry colleagues.

It must be restated how relatively new this financial legislation was at the time the study was conducted. To that end, the researcher felt a brief introduction with the survey would be needed to summarize the nature of the legislation as well as the purpose of the study. The summary was written in an objective fashion and was not intended to bias the respondent.

To ensure anonymity, the group was given the option of returning the survey to a separate email address which this study's author could not access, or of mailing a hard copy to a colleague's P.O. Box, also without access by the author.

Appendix A contains a sample of the email communication to LCA members along with the survey. Findings were recorded in Chapter IV. Recommendations and conclusions based on the study were discussed in Chapter and V.

CHAPTER IV

Results of the Study

To assess the implications of the Financial Services Modernization Act on life insurance industry communicators, a random email survey of some 242 Life Communicators Association (LCA) members was conducted.

As described in Chapter III, the survey consisted of ten questions designed to gauge the members' understanding, attitudes, and opinions regarding the Financial Services Modernization Act and its impact on them. Nine of the ten questions were closed-ended designed to elicit specific data. The tenth question gave respondents an opportunity to subjectively comment on the subject.

The survey was emailed on February 3, 2001, with follow-ups sent on February 16, 2001, and March 9, 2001. Survey participants had the option of emailing directly back to the researcher, emailing to a separate, anonymous email address, or mailing back results to an anonymous P.O. box.

The author hypothesized in Chapter I that life insurance industry communications practitioners are aware of the Financial Services Modernization Act and that they are inherently aware that some change as to how they do their jobs will eventually be necessary as a result of this legislation. The author also hypothesized that since this legislation is so new, the findings can only be considered a snapshot up until the point the research was conducted, and thus is limited in its attempt to assess future implications.

Survey Findings

From an initial LCA membership of 712, the author eliminated associate members, Canadian members, and those members without email addresses in the directory that was provided. That produced a working number of 470, of which slightly over half (242) were randomly selected and emailed. Most email addresses were at LCA members' workplaces. A total of sixty-five (26.9 percent) surveys were returned. Fifty-eight (24 percent) were completed and usable. Of the seven unusable responses that were received, two could not be opened; attempts to reach the respondents were unsuccessful. Five were messages indicating the individuals were either no longer affiliated with the LCA or, although members, did not function in a communications capacity at their companies and thus did not feel capable of answering the survey. Thirty-seven surveys (15.2 percent) were undeliverable. One-hundred-forty recipients (57.9 percent) did not respond.

Given the homogeneous nature of the LCA, the 24 percent sample response result falls into a statistically valid sampling error range of +/- 10 percent when projecting to the entire LCA membership. Using Salant and Dillman's research text (How To Conduct Your Own Survey) as a guide, the author felt the LCA population would have an "80/20 split" due to its similar professional characteristics – life insurance company communicators within the United States. An "80/20 split" means "the population is less varied; most people have a certain characteristic, a few do not."[50]

(As a comparison, a July 2000, LCA survey of its own, *complete* membership generated only an approximate 16.6 percent response.)[51]

The first question asked whether or not LCA members were aware of the Financial Services Modernization Act before receipt of the survey. Eighty-three percent indicated they had been aware of the legislation, which validated the first hypothesis of the study. Seventy-four percent of the respondents believed the legislation was already having an effect on how their companies were doing business. Interestingly, fifty-nine percent said the legislation had not yet had an effect on their jobs. This finding contradicted the author's second hypothesis that life insurance industry communicators inherently agree that some change as to how they do their jobs will be necessary as a result of the Financial Services Modernization Act. *Figure 4.1* compares the difference between how LCA members perceive the effects of the legislation on their companies vs. on their jobs.

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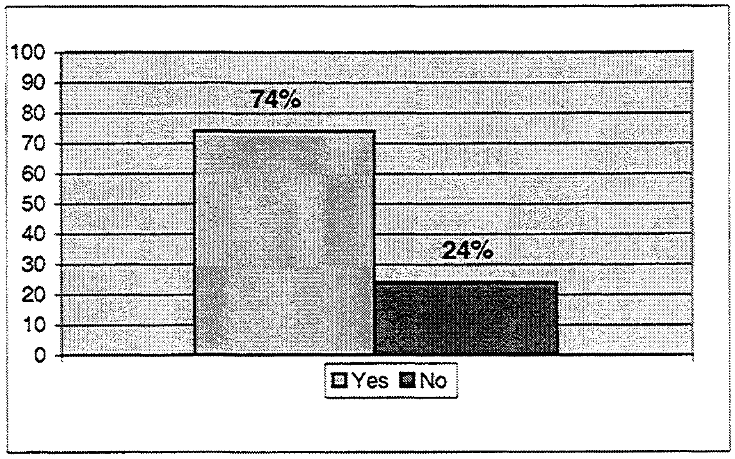
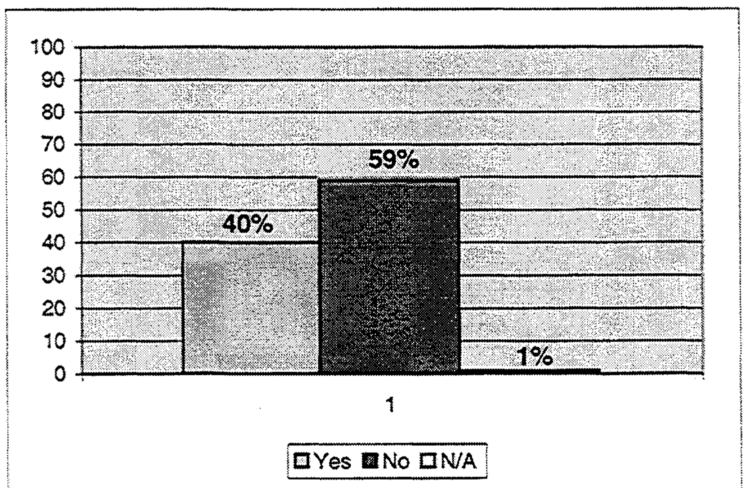
[50] Dillman, Don A., and Salant, Priscilla, How to Conduct Your Own Survey, John Wiley & Sons, Inc, New York, 1994, pp. 54-56.
[51] Bush, Ed, and McAtee, Sheryl, "Results of LCA Member Survey," *Communique*, Vol. 5, No. 1, Spring 2001, p. 6.



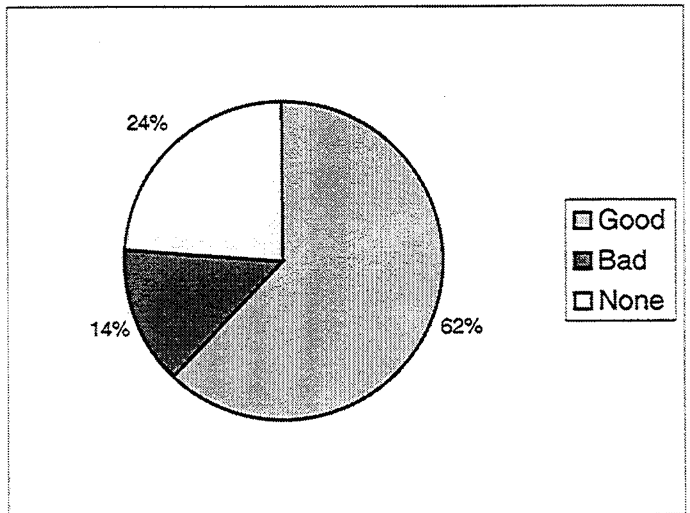
Legislation's effect on how respondents' companies do business.



Legislation's effect on respondents' own jobs.

Figure 4.1

When respondents were asked, "Do you think the combination of banking/securities/insurance will have a good effect, bad effect, or no effect on consumers," an overwhelming seventy-eight percent felt that the legislation would have a good effect on consumers. But fewer than that – only sixty-two percent – felt the same combination would have a good effect on their jobs. That was somewhat lower than what the author anticipated but goes hand-in-hand with the question of whether or not the legislation even had an effect on LCA members' jobs. Fourteen percent felt the legislation actually would have a bad effect on their jobs. The researcher was interested to see that twenty-four percent of the respondents felt the legislation would have no effect on their job consumers. *Figure 4.2* shows the effect LCA respondents said the legislation would have on their own jobs.

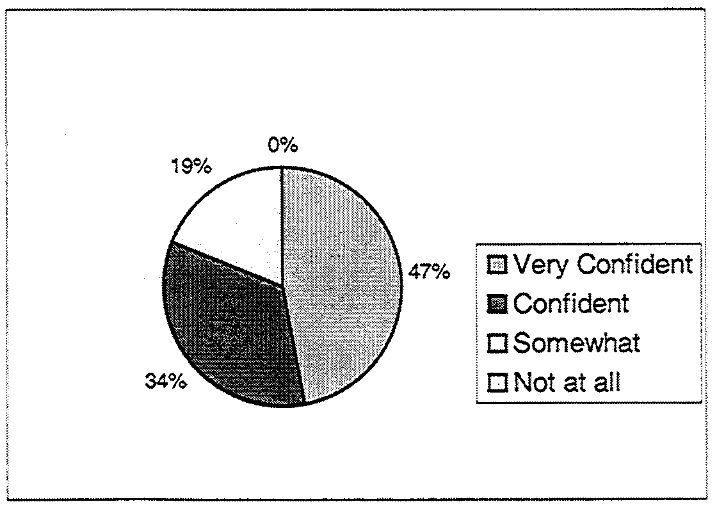


Effect of legislation on respondents' jobs.

Figure 4.2

Sixty-six percent of LCA members said that the majority of its members, as communications professionals, were already working for financial services "supermarkets" instead of for companies focused on one product such as life insurance. Twelve percent said the majority of LCA members would be working for such financial services "supermarkets" within two years, and another twelve percent said within five years. Seven percent said it would be happening within ten years, and zero percent said it would be happening within twenty years. A small percentage, three percent, said the majority of LCA members would never be working for such financial services "supermarkets."

A question was asked regarding members' confidence levels if their companies were today "to begin offering a variety of financial products, how confident are you that you could continue to function in your job at the same (or higher) level of performance? Forty-seven percent responded that they would be very confident, and thirty-four percent said they would be confident. Nineteen percent indicated they would be "somewhat" confident. None indicated they would be "not very confident." *Figure 4.3* shows the confidence level of respondents doing their jobs if their companies were to start offering a variety of financial products today.

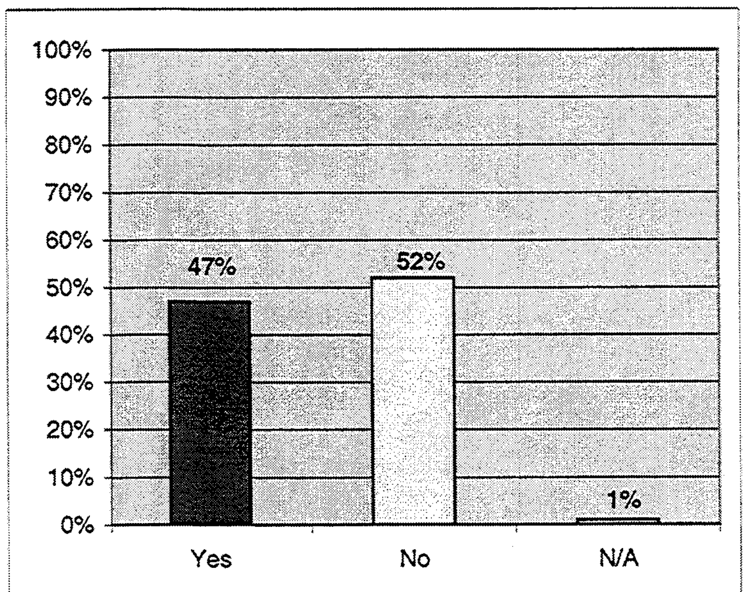


Confidence level of respondents.

Figure 4.3

LCA members were asked what is the one most important thing their companies can do for them (with the exception of providing higher compensation) to help them be a more effective communications professional in a new, combined financial services industry. Over half (fifty-three percent) said product training. The next highest response was for compliance training (fourteen percent). Ten percent indicated technological training, while seven percent indicated communications training. Five percent said "other." A surprising eleven percent of respondents did not answer the question.

Finally, as regulation is highly prevalent throughout all financial services, those surveyed were asked whether life insurance should continue to be regulated by states rather than the federal government. This question was nearly split in half – fifty-two percent said the federal government should now regulate life insurance, while forty-seven percent said the states should continue to regulate life insurance. One percent did not respond. *Figure 4.4* shows the respondents' answers to state vs. federal regulation of life insurance.



Should life insurance continue to be regulated by the states?

Figure 4.4

The last question was open-ended. Respondents were asked to describe the greatest challenge facing LCA members over the next five years. Seventy-two percent of the respondents chose to comment. While these responses were not "quantified" in the traditional sense, they offer an insight into what Life Communicators Association members are thinking.

The answers touched upon these general categories:

- Privacy
- Overall communications issues
- Technology
- LCA needing to broaden its constituency focus
- Keeping pace with a changing financial services industry
- Keeping up with product knowledge
- Increasing class litigation among consumers
- Increasing foreign competition
- Keeping up with dot.com financial companies

These three comments best summarize the nature of the comments from those LCA members who responded to the question:

- "The ability to do more with less. Increased competition and consolidation within the industry will create a need for organizations to become more efficient."
- "Same as current problem – getting senior management to fully understand that most issues they face involve communications issues, and that professional communicators have unique insights into the solutions and should be relied upon more…"
- "Insurance products are basically a commodity – the bells and whistles may vary from company to company, but the basic uses for life insurance don't vary all that much. Branding and name recognition will become more important as the industry consolidates and the major players begin to offer one

stop shopping. LCA members will need to understand how the companies they work for are integrating financial services into traditional lines of business and how to creatively communicate the value of the company as well as the value of the product to consumers and to agents."

CHAPTER V

Summary, Conclusions, and Recommendations

Summary

The purpose of this study was to assess the implications of the Financial Services Modernization Act on life insurance industry communicators. The legislation was signed into law in November of 1999, effectively eliminating the barriers among life insurance companies, securities firms, and banks. A survey of related research found that the legislation has already been having an effect on financial services companies and on consumers.

Members of the Life Communicators Association (LCA), a professional association of life industry communicators, were randomly surveyed to assess the impact on life industry communicators. The author hypothesized that LCA members were aware of the legislation prior to being surveyed, and that they were inherently aware that some change as to how they do their jobs would eventually be necessary as a result of this legislation.

The author also hypothesized that since this legislation is so new, the findings can only be considered a snapshot in time up until the point the research was conducted, and thus is limited in its attempt to assess future implications.

Conclusions

It can be concluded that LCA members were aware of the legislation prior to receiving the survey, and that the vast majority of those surveyed felt the legislation already had an effect on how their companies do business. A revealing statistic was that a much smaller percentage felt the legislation already had an effect on their jobs (see *Figure 4.1*) The author thought this percentage would have been higher.

An overwhelming majority of those surveyed felt this legislation would have a good effect on consumers. *Figure 4.2* shows that slightly fewer thought the legislation would have a good effect on their jobs. The author concluded that the reluctance to state the legislation would have a good effect on their job stems from the uncertainty of working beyond the boundaries of traditional life insurance companies.

Seventy-eight percent of those surveyed indicated that LCA members are already working for financial services "supermarkets" or would be within two years. Most felt very confident or confident they could succeed in such an environment (see *Figure 4.3*). Slightly more than half felt their companies should offer more product training to help adjust to the new financial services landscape. The author was surprised that number was not even higher. He assumed that the greatest challenge to working in a combined financial services company would be learning the products, yet thirty-one percent of respondents listed compliance, technology, or communications training as their number one choice.

The group was about evenly divided over whether the states should continue to regulate life insurance or if that role should move to the federal government. The author was clearly surprised by that result since state legislation of life insurance has been the norm for so long.

Based on the comments that were included with several surveys, LCA members are aware of the negative employment possibilities as companies merge and acquire one another as a result of, among other factors, the effects of the Financial Services Modernization Act.

Recommendations

Based upon the related research on the topic and the survey of LCA members, the following recommendations can be made for life insurance industry communicators:

- Life insurance industry communicators need to accept that the life insurance industry is rapidly changing.
- Life insurance industry communicators will need to become familiar with other financial products such as stocks, bonds, mutual funds, and certificate of deposits.
- Life insurance industry communicators need to close the gap between how they perceive the new legislation affecting their companies vs. how they see it affecting their own jobs.
- To close that gap, these communicators will need to be more proactive in seeking additional product knowledge from their companies.
- Life industry communicators will need to be more proactive on their own in seeking additional product knowledge.
- Life industry communicators need to take the lead in branding issues as more companies move to a "one-stop-shopping" approach.

- The Life Communicators Association (LCA) should take a greater emphasis in exploring the consequences of the Financial Services Modernization Act on its membership.
- The Life Communicators Association should partner with other industry associations such as LIMRA to determine the effects of foreign competition on its membership as well as the industry.
- The Life Communicators Association should assign an officer-level task force to determine how it can be more effective for its members in light of changes brought about by the Financial Services Modernization Act.
- The Life Communicators Association should expand its role as a clearinghouse for employment opportunities given the effects that mergers and acquisitions will have on its members.
- Life industry communicators should take every effort to ensure that senior management understands and appreciates the communications role.
- State life insurance departments should examine their structure, operations, and future viability as a result of the Financial Services Modernization Act.
- Life industry communicators should explore all avenues in regard to justifying their value-added capabilities for companies that offer a variety of financial products beyond life insurance.
- Life insurance and other financial services companies need to better understand how they can most effectively utilize communicators' abilities in explaining new privacy regulations to consumers.

- The effect of the Financial Services Modernization Act on life insurance industry communicators should be studied in another five years, but with the understanding that by then the term "life insurance industry" might be replaced by "financial services industry."
- LCA members should be keenly aware of the previous recommendation.

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www.limra.com.

www.yahoo.com/business/glass-steagall.

APPENDIX A

Weinberg, Mike

From: Weinberg, Mike
Sent: Saturday, February 03, 2001 10:25 AM
To: Weinberg, Mike
Subject: Master's Thesis Survey

The attached is a survey being disseminated to a random sampling of U.S. members of the Life Communicators Association (LCA) to gauge their opinions of the following issue: *the effect of the Financial Services Modernization Act on Life Insurance Industry Communications*. The findings will be part of a master's thesis on the above issue being researched and written by Michael Weinberg, an LCA member, to fulfill a requirement for a master's degree in Communications from Rowan University, Glassboro, NJ.

Please take a few minutes to complete the attached survey. Thank you.

survey.doc

The Financial Services Modernization Act (also known as the Gramm-Leach-Bliley Act) was signed into law by President Bill Clinton on November 12, 1999. Among other factors, it essentially removes the marketing and administrative barriers that have separated banking, securities, and insurance since the Depression era.

Your responses will be completely anonymous, if you choose. Instructions will be provided at the end of the survey for those wishing to request a two-three paragraph summary of findings which will be sent upon completion of the study. The survey should take no more than 10 minutes to complete. Please follow the instructions at the end.

SURVEY

1. Before receiving the survey, were you aware of the Financial Services Modernization Act?

   ☐ Yes ☐ No

2. Has this legislation, to your knowledge, <u>already</u> had an effect on how your company does business?

   ☐ Yes ☐ No

3. Has this legislation, to your knowledge, <u>already</u> had an effect on your job?

   ☐ Yes ☐ No

4. Do you think the combination of banking/securities/insurance will have a good effect, bad effect, or no effect on, **consumers**?

   ☐ Good Effect ☐ Bad Effect ☐ No Effect

5. Do you think the combination of banking/securities/insurance will have a good effect, bad effect, or no effect on, **your job**?

   ☐ Good Effect ☐ Bad Effect ☐ No Effect

6. How many years from the date of this survey (Jan./Feb. 2001) will the majority of us, as Communications professionals, be working for financial services supermarkets instead of companies focused on one financial product line such as life insurance? Or is it already happening? (Please check one):

☐ Already Happening ☐ 2 years ☐ 5 years ☐ 10 years ☐ 20 years ☐ Never Happen

7. If today your company were to begin offering a variety of financial products (e.g. life insurance, mutual funds, certificates of deposits), how confident are you that you could continue to function in your job at the same (or higher) level of performance?

☐ Very Confident ☐ Confident ☐ Somewhat Confident ☐ Not Very Confident

8. In your opinion, what is the most important thing your company can offer you (with the exception of higher compensation) to help you be a more effective communications professional in a new, combined financial services industry? (Please check only one.)

☐ Product Training
☐ Communications Training
☐ Technological Training
☐ Compliance Training
☐ Other (please specify) ________________________________
____

9. Should life insurance continue to be regulated by states rather than the federal government?

☐ Yes ☐ No

10. In a few words up to a short sentence, please describe the greatest challenge facing LCA members over the next 5 years?

____
____
____

TO RESPOND BY EMAIL, SAVE YOUR RESPONSES BY:
Saving this Word document to your computer and then attaching this "saved" version into your reply email.

THANK YOU for your prompt attention to this survey...your participation is greatly appreciated! Please respond by 3/15 by emailing this document to johndoe@company.com. If you prefer to be completely anonymous, email this document to janedoe@company.com or send it via regular U.S. mail to: J. Doe, P.O. Box XXXX, City, State 99999.

Please check here if you would like to receive a copy of the results. ☐

You may keep your request for results anonymous if you choose by emailing your request separately from your responses to or by mailing your request under separate cover to the address above. AGAIN, THANK YOU.