MIDCONTINENT PERSPECTIVES

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The Life Insurance Industry In The Year 2001

Let's begin our discussion by taking a quick look at some of the principal aspects of the life insurance industry. It's an interesting one in a number of respects – not the least of which is that, while a great many people in the United States own life insurance – two out of every three Americans and 86 percent of all American families – very few know much about the industry itself.

Unlike most other major segments of our economy, life insurance industry assets are divided between cooperatives (called mutual companies) and conventional corporations. As Exhibit 1 indicates, mutual companies number about 142 in the life insurance industry or eight percent of the some 1,750 companies currently doing business.

However, as Exhibit 2 shows, the mutual companies had about three-fifths of the assets of all United States life insurance companies and accounted for about 51 percent of the life insurance actually in effect ("in force"). So while the life insurance industry is not dominated by cooperatives in numbers, it is an industry whose impact on the economy is about evenly divided between corporations and mutual entities.

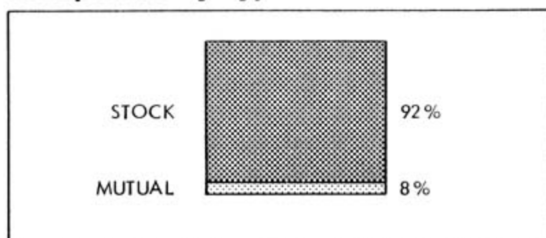


EXHIBIT 1

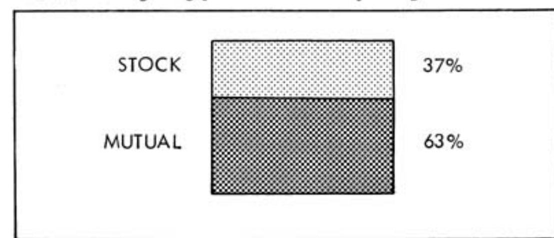
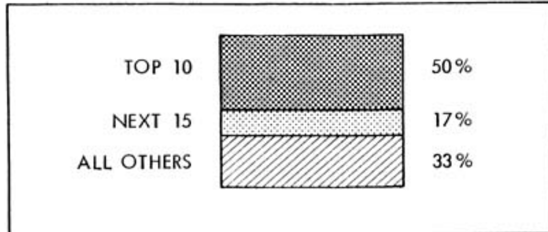


EXHIBIT 2

At the end of 1977, the ten largest life insurance companies in the United States controlled about half of the industry's assets while the next 15 companies held an additional 17 percent. Thus, a little less than one-and-one-half percent of the companies controlled two-thirds of the assets, a significant level of concentration as shown in Exhibit 3.

Life insurance coverages in the United States protect individuals under life insurance contracts issued to them directly as individuals or indirectly as part of some group of which they are a member. Fifty-seven percent of the country's life insurance coverages at the end of last year were provided by individual policies and 43 percent by group contracts.



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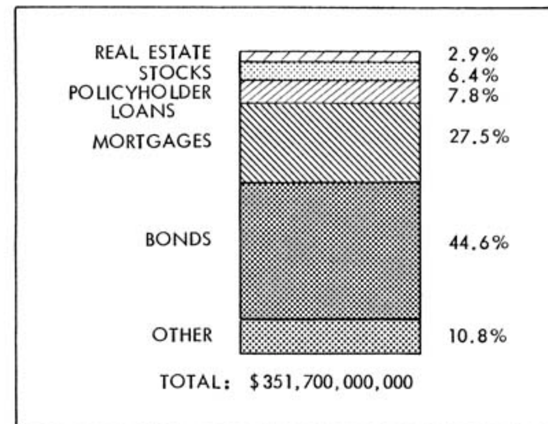
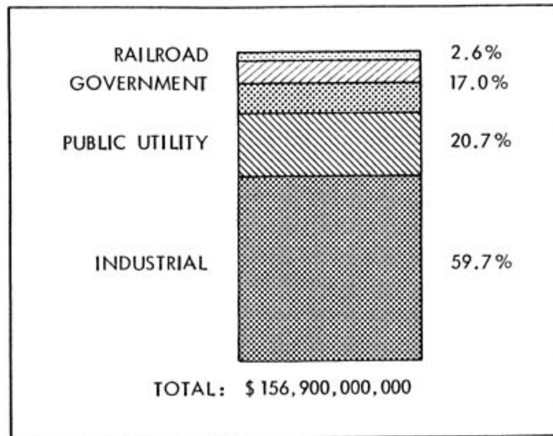


EXHIBIT 4

As Exhibits 3, 4, and 5 indicate, the life insurance industry has a very significant commitment to, and plays a very significant role in, the long-term investment capability of our economy. Exhibit 4 points out that the industry primarily invests its assets in long-term fixed obligation instruments; and Exhibits 5 and 6 break down this information even further by showing the types of bond and mortgage investment to which the industry has committed itself.



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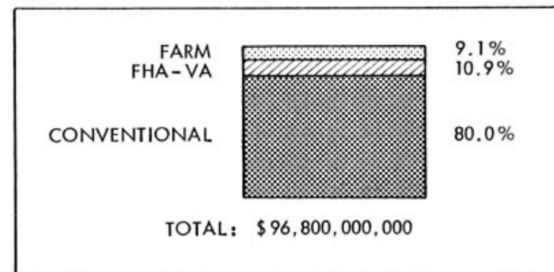

EXHIBIT 6

Finally, a comment about the balance sheet of a typical life insurance company. Because the word "reserve" has a great many meanings in modern accounting, many readers of life insurance financial statements are unaware that the vast sums which American life insurance companies hold as reserves are really funds owed to the policyholders of those companies, in much the same manner as the assets of a bank are reflected in the deposits owned by depositors.

As Exhibit 7 indicates, the industry's assets are divided as follows: at any given time, approximately eight percent is owed to third party creditors, another 85 percent is held for the future benefit of policyholders in various company reserves, and the remaining seven percent is held as the underlying equity of stock companies or as policyholders' surplus in mutual companies. So the tremendous asset concentration found in the insurance industry is held for the

benefit of, and will ultimately be paid to, the hundreds of millions of owners of life insurance products who built this industry into such a crucial part of our complex economic system.

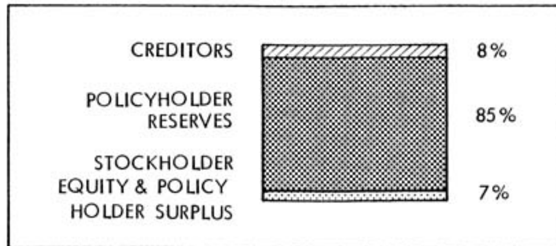

EXHIBIT 7

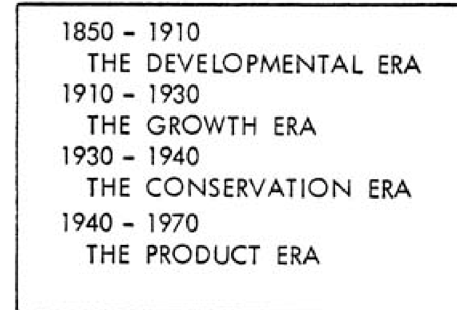

EXHIBIT 8

The material we've just reviewed will give you some sense of background and a few reference points as we focus on our main topic today, an exploration of what the industry will be like two decades hence.

In order to do an adequate job of forecasting, it makes sense to carefully examine the base from which the prognostications come. For that reason, I'd now like to take a few minutes to explore with you, in a very cursory way, the major developmental stages the industry has undergone since its beginnings in this country some 150 odd years ago.

The industry's growth can really be divided into five broad historical eras (Exhibit 8):

The Developmental Era

The developmental era began in the mid-1800's and ended shortly after 1905 with the completion of the work of the Armstrong Commission. It was during this period of time that actuarial science really began to blossom. People began to understand that mortality could be predicted and human life risks could be averaged. State laws controlling life insurance were enacted during this period. Although there were many abuses, by 1910 the "state of the art," if you will, had advanced to the point that the National Association of Insurance Commissions was created, which provided for nationwide control of the industry by state authorities. By 1910, the life insurance industry had come of age.

The Growth Era

From 1910 until 1930, the industry went through a growth era. If you look at the largest life insurance companies in America, you'll see enormous asset growth took place during this period, primarily via the issuance of what we now call industrial or "debit" policies. And because these coverages, with their weekly premium collection process, occurred in the large urban areas on the East Coast, a large percentage of the life insurance industry in this country is controlled (in terms of assets) by companies headquartered on the eastern seaboard. Even today, the life insurance business is very much an East Coast-oriented industry.

The Conservation Era

In 1930, of course, the life insurance industry, along with every other segment of our economy, began to feel the impact of the Great Depression. It was the first time this industry really had to come to grips with the investment liquidity implications that underlie its obligations to policyholders. Like the banking business, a great many companies in the life insurance

business did not survive that decade of tremendous economic upheaval; and the industry at that time sought company leaders whose primary purpose was making sure that its assets were conserved. They still focused on product design and encouraged Americans to be thrifty and think of the future; but there was even greater emphasis placed on asset and surplus strength – and with very good reason. Naturally, a conservative orientation in the attitudes and thinking of the senior executives of the industry developed during that period of time.

The Product Era

With the outbreak of World War II and the rapid turnaround in our economy, we moved into a 30-year product era in which companies began to focus on building "better mousetraps." Most life insurance companies during the 1940's and 1950's were run by actuaries, and their contribution to the industry provided us with significant product development.

The explosion in product during that era is almost unbelievable. If you take a look at a "rate book" or catalog of products in our industry in 1930, you'll find it no bigger than a dime novel of that era. But if you then look at one today, it's almost the size of the Manhattan telephone directory. At least half the products, if not two-thirds, that are sold today have their historic roots in this creative period of time: group insurance, pension and profit-sharing plans, equity-linked products of various types, refinements in the individual health and disability income areas, etc. It was a fascinating era from the product point of view.

The Marketing Era

Our history lesson thus far has been fairly objective, and I think almost any knowledgeable life insurance representative would subscribe to it. But now my remarks become highly personal: the views I'm about to express are strictly my own. About 1970, the life insurance business entered a new era. I call it the marketing era. It has very specific characteristics which I'd like to review with you now and, using them as background, make some forecasts about what will happen in the future.

MARKETING ERA CHARACTERISTICS

1. First, sales momentum is now moving in the direction of product application rather than the product itself. We're now hearing consumers say, "We understand that you have many products to fit our needs. But our problems are complicated. You have a very wide array of products. Which are the right ones to fit our needs?" The emphasis today is not on the creation of a new mousetrap, but on finding good ways to 'employ the existing ones.

2. Concomitant with this new emphasis on product application will be product failures. Early in the 1970's, several large companies designed the penultimate mousetrap. They invented an ordinary life insurance contract not backed up with company guarantees secured by its investments but directly connected to stock market performance. It was called variable life insurance, and it was supposed to be an answer to all those who said that inflation would ultimately erode the attractiveness of permanent life insurance. But none of us, in our ivory-tower, home office wisdom, ever bothered to go out and ask consumers if they wanted this new product. Just as importantly, we did not go out and ask the men and women who sold our products whether they felt there was anyone out there who wanted it. Despite loud fanfare that product failed. Fortunately, we do not have inventory problems in our industry; to the cost of paper it took to print the policies which were never sold and the computer systems necessary to handle them, we had only to add the value of the eggs on our collective faces. We were told by

our agents and insureds, in essence, "You have come up with the wrong product. We are not interested." Sheepishly, the industry put the product in mothballs. It may well come to the marketplace again, but I can assure you not until we've done a better job of testing the agent and consumer level of interest.

3. The third characteristic of the marketing era is client service. Fifty years ago when you bought a life insurance policy, you threw it in the back of a file cabinet. You paid your premium; and when somebody died, you made sure the executor, the widow, or widower contacted the life insurance company. Today that is no longer true. When we sell a product today, we anticipate that there will be service on it annually, if not more frequently than that.

People move; they change their mode of premium payment. Many of the policies we sell today are part of complex borrowing arrangements, or are coupled with sophisticated kinds of tax planning, or follow the employment of a group of employees of a given company. There is a great deal more service connected with the product now, and that has enormous implications for the way we price it and the way we compensate our field forces to sell and service it.

4. Finally, the most important feature of the industry's current era is the growth of what I call the independent sales or distribution system. In my view, the agent will continue to expand his concepts of client service and product/application knowledge in the direction of placing the client's needs before company loyalty; and this is exactly as it should be.

That's a brief sketch of where the industry has come by way of periods of development and growth, through one of conservation, on to a rapid product proliferation, and now into what can be termed the marketing era.

FUTURE DEVELOPMENTS

What's next for this industry with its enormous asset strength, unique mix of private and semipublic ownership, and evolving market position caused by shifting consumer acceptance? What's it going to look like in the year 2001?

1. First, the concentration of assets in this industry is going to accelerate. The 1,750 companies will probably shrink as a result of merger activity, and many others will be acquired by non-insurance companies. There are a lot of non-financial companies eyeing the asset structure and earnings potential of life insurance companies at present, and this will continue. If you would like to get into the rationale behind this trend, I'd be happy to address that in the question and answer period. The point is simply this: control of the industry is going to continue to concentrate and also fragment "sideways" into non-financial entities.

2. Secondly, we are going to be faced with an increased layer of governmental regulation. As an industry, we are regulated now by the states. I think the federal government will attempt to regulate the industry on either a joint or exclusive basis. Senator Brooke of Massachusetts introduced legislation in the last session of Congress which would have provided for either federal or state regulation, giving life insurance companies the same "either/or" regulatory option the banking industry has. This is just the opening round of what will prove to be a very long and involved attempt by the federal government to control the life insurance industry.

3. Thirdly, the professions and businesses engaged in providing financial services are moving into a new series of relationships among themselves as regards the service given to clients. Accounting firms are becoming national in scope, like life insurance companies. Lawyers are incorporating themselves and responding to FTC suggestions that there be more advertising

and competition for professional services. Life insurance agents are becoming more professionally oriented; many now have master's degrees or legal and accounting backgrounds, and they are moving more and more toward the idea of serving clients as opposed to representing companies. By the year 2001, we'll find the banker, the broker, the life insurance agent, the accountant, and the lawyer will service individual clients and corporations with fewer professional distinctions than exist today. All of these professional areas are in a good deal of flux, and we're going to see more of that in the next two decades.

4. Most Americans in the United States feel government is generally well-intentioned but ineffective, while private enterprise is very capable but frequently self-serving. We in the business community have to understand that our segment of the economy frequently sends out a very mixed signal, and there will be an attempt, on the part of the average citizen, to make sure the major segments of our economy are placed in harmony with one another for the benefit of society in general. I call this process "institutionalization."

The life insurance business is going to be a particular target for institutionalization because almost two-thirds of our assets are held, as I mentioned earlier, by mutual companies. By simple virtue of their structure, these companies tend to think in public terms since there is no stockholder constituency present. So the life insurance industry, especially the mutual company portion, will be faced with a continued emphasis on the obligations of the private sector to become involved in the solution of a broad range of social problems. Specifically, the life insurance business by the year 2001 will find itself contributing in a very real way to the educational process, especially if the problems of public education cannot be corrected in more traditional ways. We are also going to become involved in various forms of service supporting the family unit. We employ a great many women in our industry, and we are going to have to accept our responsibility for the implications that child care and two-income families will present to us in terms of the changing roles the family unit has in the private sector. Finally, because our industry is so focused in the East, frequently in the middle of marginal and declining inner-city areas, we're inevitably going to be called to play a major role in inner-city revitalization. On this issue, we're already "where the action is," and we have a strong reason for staying there.

I believe all these pressures, as a part of the institutionalization process, can be legitimate. Our industry has social obligations in these areas and the resources to do specific things to help the quality of life in this country.

SUMMARY

What will the industry look like in 2001 AD? Rather like the telephone industry in some respects: we'll be highly centralized, widely criticized, and yet still seen as infinitely preferable to public ownership.

QUESTIONS AND ANSWERS

QUESTION: What do you see coming in terms of international involvement in the insurance industry?

ANSWER: With the limited exception of Canada and Australia, it's been very difficult for the insurance industry to penetrate the markets of other countries, perhaps because the purchase of life insurance is a very personal thing, and national attitudes are frequently difficult to predict from a marketing standpoint.

Because of the way life insurance is sold, American distribution techniques have not worked particularly well abroad, even in other English-speaking countries.

So while other national economies grow and mature, I think their domestic life insurance companies will tend to be very, very strong; but I don't see much American involvement beyond the area of reinsurance. If the company has more insurance than it can afford to hold, it sells some off. But beyond "laying off" excess risks, there won't be significant involvement by United States insurance companies abroad in any active ownership role.

QUESTION: It is my understanding that Europeans have shifted to flexible insurance amounts while ours are still fixed. Is that true?

ANSWER: That is true. They're a bit amazed we have been able to stay with fixed price products. They do not understand why variable life insurance, as we introduced it in the 1970's, just did not take off like a rocket. But Europeans have been living with serious inflation for so long that almost all life insurance products sold in Europe today are pegged to some sort of inflation index mechanism.

One of the more unfortunate side effects of inflation may well be the importing of "inflation-coping" devices; and if our inflation problems don't ease, this may develop rather quickly.

QUESTION: Will you be a little more specific? Between mutuals and stock companies, how many are mutual? Which are going to grow and why? Are they free of taxes?

ANSWER: The mutual companies by and large are already in place. There have not been many new mutual companies formed in the last few years. They have a preferential tax position with respect to stock companies, although both stock and mutual companies are taxed much differently than regular corporations. If you were to compare the banking and life insurance industries, you could use the difference between a savings and loan bank as a good example.

At the end of 1977, there were 1,750 life insurance companies in the United States, only 141 of which were mutuals. But those mutual companies provided 51 percent of the outstanding life insurance in force; so it's obvious that mutual companies, on the average, are much larger.

Of the top 25 companies, 21 or 22 are mutual. Stock companies tend to be smaller and more aggressive from a marketing standpoint; they tend to be quicker at developing a new idea and bringing it to market. But because the mutual companies have been around longer, they have been able to build very strong sales forces and, thus, represent a very large chunk of the national sales results.

There used to be a feeling that well-run mutual companies in the United States were pretty rare. Most had gotten pretty big and bureaucratic, and some lost much of their momentum. But thanks to the keen competition of stock companies, mutual life companies today are quite ably managed for the most part and very competitive. In the next 10 to 20 years, you cannot take the future growth of the industry and say it will come to stock companies as opposed to mutuals. The growth won't be disproportionate in either direction.

QUESTION: Where does national health insurance fall under the mutual philosophy?

ANSWER: National health insurance really doesn't – and shouldn't – involve a distinction between stock and mutual life companies. National health is one of those things that our industry has fought, in my judgment, pretty badly and pretty unwisely. Although it appears

that current economic constraints will not see a national health policy develop in the next session of Congress, I happen to think that national health care is inevitable. If it is run properly – through the private sector – it could provide some very badly needed support for those segments of our population that cannot support adequate, privately sponsored life insurance plans. The key here is private sector control. I find much merit in the suggestion that every American should be assured of adequate medical care. But to suggest that universal care requires governmental control of the delivery system just doesn't wash.

QUESTION: It seems to me that, of all the major financial activities in the United States, only the insurance industry has been able to keep itself out of the clutches of the Internal Revenue Service. I do not mean that you pay lower taxes, but you hold funds sort of "in escrow" for the policyholder as a fiduciary, don't you, that are devoid of tax? Is that correct?

ANSWER: That's right. The so-called savings portion of an ordinary life insurance contract as well as the dividends you receive on your policy are all considered tax-free returns of your premiums. Only when the cash value pay out plus the accumulated dividends paid out exceed the premiums paid in do you incur any federal income tax consequences. And life insurance is an extremely flexible tool in estate planning situations. If used properly, it can, in effect, pass free of estate inheritance.

Finally, life insurance can be bought with tax deductible dollars in certain business situations. So there are significant tax advantages too in owning life insurance, and a growing number of the agents who sell our products are quite skillful in this area.

QUESTION: What are the public interest considerations in continuing what you have today – state regulation – versus control by the feds?

ANSWER: The single most important question facing our industry in the next 20 years may well be in the investment area. Our industry represents a significant portion of the long-term financing capability in our economy.

Think of the implications as to how the equipment will be financed for utilities and/or where shopping centers are going to be placed. Suppose the federal government takes it into its mind to say, "We want to revitalize downtown. So we are going to ask the life insurance industry either not to make shopping center loans if they occur in the suburbs – or to charge non-urban lenders twice the market rate."

Could this happen? With appropriate legislation, it probably could. But the implications in terms of how that would then ripple through the economy are just awesome.

QUESTION: I perceive that the way you make money is on the differential basis between the amount you give the life insurance buyer and what you earn on it. Why doesn't the investor realize that maybe he could make more money if he bought term insurance and put the rest in a tax-free municipal?

ANSWER: Ordinary life insurance is comprised of two things. It is really a savings account with term life insurance accompanying it. So there's a savings portion and a portion paid to cover the mortality cost. Life insurance companies can thus earn profits in two ways. We make a profit if we are able to underwrite our risks well enough that our mortality experience is better than that assumed in our pricing. If we are pretty shrewd, and the average life expectancy continues to lengthen, we can make a good profit on this portion of the business. And like banks, we can also invest your money, earn enough to cover our costs and a reasonable profit, and still

give a good yield back to you. And as I mentioned earlier, we can give much, if not all, of your premiums back to you on a tax-free basis if you hold the insurance contract long enough.

Over a 20-year period of time, a 40-year-old person investing in a life insurance contract can cover his or her pure life insurance costs and still earn a five to six percent net after-tax rate of return on the balance of the premium dollars paid. We really sell the equivalent of pure death protection and AAA municipal bond-type long-term investments and thus have no trouble competing with the yields usually available from tax-free securities.

Unless the marketplace shifts dramatically on us so that we are somehow placed at a big competitive disadvantage, I don't think we're going to have much difficulty maintaining a market share. The problem really is not selling the product, but explaining how it works. We need to educate our sales force so they can explain to people how the product does work, explain that it is a good buy in appropriate circumstances, and then put the right product in place for the right person. This is a much more complex business now than it was 20 years ago.

QUESTION: How many more women do you sell policies to and is that a growing field?

ANSWER: It sure is. There are many aspects of this industry that indicate real social leadership and others which suggest the opposite. I think our attitudes toward women agents and women as a marketplace have been particularly shortsighted. We have only recently discovered that women have become jobholders in significant numbers. Jobs mean income; and incomes are one of the things you protect with life insurance. We've also discovered that there are an awful lot of women who can sell life insurance, and not just to this newly expanded group of buyers of the same sex. So the industry is galloping off in all directions trying to find women who will move into the industry as salespersons.

I think the market for life insurance among qualified women buyers is probably doubling each year, whereas the eligible male market is going up at a rate of six or seven percent. Unfortunately, the increase in women coming into the sales ranks to serve that market and all other markets is growing but not yet growing rapidly enough to adequately serve that market.

So we are still playing catch-up, and this will probably continue for the next 10 years or so. Life insurance companies are wondrously focused on the bottom line. Now that we have understood that there are a lot of women who want to buy and competent women who can sell, we will have a significant female population in both our markets and our sales forces; and it will happen very naturally because it makes good economic sense.

QUESTION: But you don't know what the percentage is now?

ANSWER: No.

QUESTION: Do you have any idea of the percentage of female general agents in the United States?

ANSWER: Less than one percent.

QUESTION: And those are franchise owners?

ANSWER: Yes, those are the franchise owners. At least a portion of our industry distributes its products in a manner very much like automobile dealerships. We make our products available to someone who goes out and hires agents to work for them – not us – and sell our products. Mutual Benefit is organized that way. But many companies do it differently – they

own their distribution system. They hire an employee, who in turn goes out and recruits agents to sell.

The distinctions are not crucial. If you asked me the same question, "How many female general agents are there? How many female branch managers are there?" the statistics would run about the same – less than one percent.

QUESTION: Will you comment on Mutual Benefit's moving a major portion of its headquarters to Kansas City? Do you see this as a trend?

ANSWER: The answers are yes, I will, and yes, I do. When we sensed a need to expand our facilities in early 1974, we felt that the markets we served required a shift in location so that we could put facilities closer to our agents and closer to our clients. We've been successful in attracting new agents and new business with our new Kansas City facility by bringing the company closer to its Midwestern and Western markets. We have been able to cut our service times dramatically. If an agent writes a new pension now in Los Angeles, it gets processed a lot more quickly than if we had to ship all that material, get the doctors' examinations, and move them all the way to Newark, New Jersey.

I think there will be a tendency on the part of many large companies to decentralize. They will decentralize into the markets they have served and those they wish to penetrate. Life insurance markets, of course, are no longer primarily located in the Northeast. The population of the country is shifting out of the New England area, out of the big urban areas, and into the Southwest and West. Our move to Kansas City will not be the last in this industry.

The Prudential has decentralized over the last 30 years. And it's one of the keys to their enormous success and dominance in the industry. They now have 11 offices, I believe, around the country. Newark, oddly enough, also happens to be their home office; but they don't do most of their business in Newark, New Jersey. Their business has been scattered to serve clients as close to the source as possible. We chose Kansas City in large part because of Prime Time. That effort got Bob Van Fossan, our chairman, to come to Kansas City in the first place. We were looking for a city that we felt we could be comfortable in, proud of, and supportive of 50 to 100 years from now. We think Kansas City has all the ingredients it takes to be a great city in the 21st century. Nothing I have found in the four years I have been fortunate enough to live here would lead me to believe otherwise.

Finally, we also felt we would get increased productivity from our work force here, and we have been able to do so. Of the 625 people on our Kansas City staff, fewer than 50 were from Newark; the remainder have been hired locally.

QUESTION: It is my understanding that about 60 percent of our dollars in benefits are paid out to living policyholders in the form of annuities rather than in death benefits. What is the trend in that?

ANSWER: I think your assumption there is a little conservative, and will in fact increase. People are living longer. Many are holding their ordinary life insurance policies until retirement and then using them to provide retirement benefits as gift vehicles.

The image of the life industry as a sort of "black crepe" one was certainly true when it got started. It was initially seen by many as a burial service or financial funeral service. We have progressed well beyond that now.

QUESTION: The President of TIAA said that the biggest problem he has is trying to convince people that the industry itself is a great industry, but its reputation is not as great as he feels it should be.

One of the points you bring out is product knowledge. That will help in that area. Obviously, marketing people in the industry feel life insurance is important. Where do you see that marketing area fitting into the overall scheme of company image in the industry?

ANSWER: I think that's a correct observation; this industry is a lot better than it is perceived. But at the same time, I'll also say that there are some companies in the industry taking advantage of the insurance-buying public, and that's what is going to grab the headlines.

Every day the majority of companies in this industry do a good job generating benefits for policyholders and making good investments – but a lot of that work can be undone by an unprincipled company that charges an excessively high commission or sells life insurance or health insurance in circumstances where it isn't called for.

Regulation of this industry has not been as strong as it should be. In the life insurance business, both life and health, you can be a rascal, and all too frequently it does not cost you very much because regulation isn't nearly as tough as it should be. And the price that has been paid is this: 98 percent of the companies, doing 98 percent of the business, have to suffer with less public confidence than is deserved. We need to tighten regulation in order to protect and improve our public image.

We don't necessarily need more regulation, we need better regulation. We need to educate agents so they sell the right product and make sure that those companies and agents who try to take advantage of lenient state regulation are not permitted to do so. We have not policed ourselves well enough, and we have not been policed well enough by our state regulatory agencies.

QUESTION: One of the sales positions on insurance has been that the person who bought his policy between five and ten years ago has not kept up with the rate of inflation and therefore is underinsured by today's standards. Is there any thought to indexing the policies like a whole life policy, much as they do with regard to homeowners' policies?

ANSWER: I think that is the way variable life insurance will go, with the variable portion related to the amount of face value or amount of insurance. I think the concept will emerge again and that we will see the equivalent of "indexed death benefits" by the year 2001.

There is a company in Nebraska right now that's doing a good job of allowing its policyholders to alter their coverages right now, and this may well become the product of the future. The rest of the industry is watching the sales growth in this area very carefully. If that product becomes widely successful, the industry will inevitably move in that direction.

Ours is a highly competitive industry. It is true that salesmen set up their own clientele like the professionals; but in terms of product and price, ours is an enormously competitive industry. I think we are probably the only industry that has had dramatic price reductions, even discounting for inflation, in the postwar era. We're operating on considerably thinner margins today than we were 20 years ago. It's getting much tougher to make a profit in the life insurance business. That's fair, too; it forces us to be better – to manage better.

QUESTION: How is your industry reacting to the World War II “baby boom” generation?

ANSWER: Well, of course, we love it. Those are the people who are just moving into the building-of-families era, and the markets for life insurance products are going to be very strong.

QUESTION: How many agents will you have by the year 2001, and will you do any better at training and retaining them?

ANSWER: The active agent base has not changed much in the last few years, which is a cause of concern to a great many people. I am not among them. The number of life insurance agents typically keeps pace with the level of population, an almost parallel growth.

In the past five to ten years, while the level of population has continued upwards, the level of agents has somewhat peaked. Significant portions of the life insurance needs of this country have been, and will continue to be, met on a group or association basis. This requires fewer agents to serve what will still be a growing market. On the other hand, there will always continue to be a significant segment of the society that will be faced with the ever growing complexity of tax laws and estate planning, and their needs will continue to call for individual agent service. This means it will take more training to get an agent to the point where he or she is self-sufficient. So companies are going to have to hire fewer people, pay them more, train them longer, and make sure they retain them better.

I think all those things will happen. I think that life insurance selling – which is perceived today as a somewhat suspicious line of endeavor by all too many people – is going to emerge with a quasi-professional or professional status by the year 2001. You can see the shift already in terms of the amount of education new entrants to the business receive now as opposed to ten years ago. The number of new agents that have graduate degrees today has gone up substantially over the last five years. These individuals are not coming into marginal jobs; they are seeking incomes comparable to other professionals’ and are thus “putting themselves to the books,” and they are learning a great deal. They’re also putting a lot of pressure on the companies they represent to do the very best possible job for the client.

We find agents becoming highly sensitive to the competitive position of their products, and that’s good. The Chartered Life Underwriter movement, which represents professional standards in the sale of life insurance, requires its members to take a pledge to put the clients’ interest first. That’s entirely legitimate. And it’s going to continue to put a lot more pressure on all companies to make sure that they’re keeping products and underwriting at competitive levels.

You sometimes hear a life insurance executive say about this trend, “Why don’t they just behave themselves and do what we tell them to do?” That’s wrong. The public is served by a strong, viable independent agency force; and if life insurance companies cannot cut the mustard and put out good products, the public shouldn’t be asked to buy them.

JOHN P MASCOTTE, C.L.U. joined Mutual Benefit in 1974 as senior vice president to head the company's new Western Home Office in Kansas City and was promoted to the position of executive vice president in 1978. Mr. Mascotte was formerly senior vice president with the Lincoln National Life Insurance Company of Fort Wayne, Indiana. While at Lincoln National, he was in charge of corporate development (with special emphasis on general agency operations) and headed the establishment of that company's corporate general agency system under the Lincoln National Sales Corporation.

Prior to joining Lincoln National, Mr. Mascotte served as executive vice president of the Peoples Trust Bank in Fort Wayne from 1967 to 1969, was a tax specialist with the accounting firm of Coopers and Lybrand from 1966 to 1967, and served as a clerk to Chief Judge Howard A. Dawson, Jr., of the Tax Court of the United States in Washington, D.C., from 1964 to 1966.

Mr. Mascotte is a 1961 graduate of St. Joseph's College in Indiana and received his LLB degree from the Law School of the University of Virginia in 1964. He became a CPA in 1969 and became a Chartered Life Underwriter in 1974.

Mr. Mascotte is a board member of the Chamber of Commerce of Greater Kansas City, the Civic Council of Greater Kansas City, and St. Mary's Hospital; a trustee of Midwest Research Institute; a member of the Board of Regents of Rockhurst College; a member of the Directors' Advisory Council of the First National Bank of Kansas City; and a member of the Mayor's Urban Economic Development Committee.

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MIDCONTINENT PERSPECTIVES was a lecture series sponsored by the Midwest Research Institute as a public service to the midcontinent region. Its purpose was to present new viewpoints on economic, political, social, and scientific issues that affect the Midwest and the nation.

Midcontinent Perspectives was financed by the Kimball Fund, named for Charles N. Kimball, President of MRI from 1950 to 1975, Chairman of its Board of Trustees from 1975 to 1979, and President Emeritus until his death in 1994. Initiated in 1970, the Fund has been supported by annual contributions from individuals, corporations, and foundations. Today it is the primary source of endowment income for MRI. It provides "front-end" money to start high-quality projects that might generate future research contracts of importance. It also funds public-interest projects focusing on civic or regional matters of interest.

Initiated in 1974 and continuing until 1994, the sessions of the Midcontinent Perspectives were arranged and convened by Dr. Kimball at four- to six-week intervals. Attendance was by invitation, and the audience consisted of leaders in the Kansas City metropolitan area. The lectures, in monograph form, were later distributed to several thousand individuals and institutions throughout the country who were interested in MRI and in the topics addressed.

The Western Historical Manuscript Collection-Kansas City, in cooperation with MRI, has reissued the Midcontinent Perspectives Lectures in electronic format in order to make the valuable information which they contain newly accessible and to honor the creator of the series, Dr. Charles N. Kimball.