



The Times They Are A'Changin'

By J.C. Brueckner, SVP

We have all been faced with decisions that require us to contemplate a potential change. Whether change is in our personal or professional life, the mere thought of it can create a great deal of angst. The

“if it’s not broke don’t fix it” attitude has helped many of us avoid the stress that comes with making a change.

In this month’s Viewpoint, you will find several articles that demonstrate how Generali USA has taken exception to this old

adage and has challenged the status quo. Do we have the right processes in place to support our business? Are our systems linking our business units in the most effective manner? Are our underwriting standards up to date? Is the current regulatory environ-

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Who Should Regulate Reinsurance?

by David Gates, SVP & General Counsel

Who should regulate reinsurance? That’s the question that is being asked more and more often in a variety of venues. Sometimes it is included in the broader question of who should regulate the business of insurance, as it is being discussed in the Senate¹. S-2509 would create an “optional federal charter” allowing each life insurer the ability to choose the regulatory environment that is appropriate for it.

Other times it is specific to reinsurance as it is in the House Financial Services Subcommittee as it considers HR-5637².

This bill is much narrower in scope and is intended to keep the current 50 state regulatory system but impose certain restrictions on the exercise of power by non-domiciliary regulators.

The National Association of Insurance Commissioners (NAIC) has also been looking at aspects of this question. The NAIC has tasked its Reinsurance Committee with a requirement that it review the reinsurance regulatory structure and make recommendations for improvement by year end.

It also comes up in unexpected arenas as it did when the Califor-

nia Insurance Department proposed new reinsurance regulations last year. Portions of this proposal would apply not only to California domestic insurers but also to all insurers that have California licenses. Commentators criticized the original draft in part because it would have attempted to substitute California’s judgment for a reinsurer’s domiciliary regulator. Forcing the affected companies into the age old dilemma of having to potentially answer to two masters.

In this article I will attempt to provide a primer on some of

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¹ Sununu-Johnson S-2509, "The National Insurance Act of 2006"; currently before the Senate Banking, Housing & Urban Affairs Committee

² The “Nonadmitted and Reinsurance Reform Act of 2006” (HR 5637) was introduced in the House of Representatives by Representatives Moore (KS) and Brown-Waite (FL).

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the various initiatives. Unfortunately, one thing that is certain is that given the speed at which things are changing; by the time you read it this article will be out of date!

Another point, after years of the only thing happening being people talking about the issues, now there is actually some activity occurring. Of course, given that these are highly charged political issues, one shouldn't confuse activity with actual progress.

Optional Federal Charter (OFC)

Starting at the broadest level brings us to Sununu/Johnson S-2509. This is a full blown optional federal charter proposal which would allow an insurer to select its regulatory environment. The options, as they appear today, are either remain in the existing 50 state regulatory system or seek a new federal charter. Federally chartered insurers and reinsurers could then conduct operations in all states without being subject to the respective state insurance regulatory requirements.

The American Council of Life Insurers (ACLI) is a primary proponent of this approach on behalf of its membership and is working hard to obtain passage of the proposal. While there are some who support and will stay with the state system, there is strong support for the OFC initiative among ACLI's members.

Hearings have been held on this proposal in the Senate

Banking, Housing & Urban Affairs Committee. It is also anticipated that a comparable bill will be introduced in the House during the 2007 legislative session.

Federally Mediated State Improvement

This approach would use federal authority to impose change on the 50 state insurance regulatory structure.

One approach offered by the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises (principally Chairman Oxley) involves a reform "roadmap" and a resultant legislative draft of the "State Modernization and Regulatory Transparency Act" (SMART). As part of this effort the Subcommittee has held 18 hearings on the adequacy of state regulation of the insurance marketplace and the need for reform. With Chairman Oxley's decision to not seek reelection, it is anticipated that another approach will supplant this one.

Recently, the Subcommittee took up HR-5637. This bipartisan bill was introduced with the specific intent of providing very limited incremental improvements to the reinsurance and casualty surplus lines marketplaces. In terms of reinsurance, the stated goal was to eliminate efforts by non-domiciliary regulators to exercise extra-territorial jurisdiction over licensees. Additionally, the proposal would provide for a single regulator for solvency of the

reinsurer. The Subcommittee, in an effort to be seen as accomplishing some of its goals stated at the beginning of the session, is intent on passing this proposal out of the House. However, with so little time left in the session its future in the Senate is not bright.

Informed sources are aware that the several of the Subcommittee's members are interested in an OFC approach. This interest is sufficient that committee staff is expected to shortly begin drafting an OFC bill for introduction in the next session.

NAIC

There has been a decades long running debate over how non-US insurers can access this market and in that context the restrictions that require collateral to be posted by non-licensed reinsurers (traditionally referred to as "alien" reinsurers). The current iteration of this debate has been simmering for almost 6 years now and is coming to a boil. Its principal proponents are Loyds and the International Underwriting Association of London (IUA). Their focus is on changing the requirement that they post 100% collateral for their reinsurance obligations. There is adamant opposition to this proposal on the part of casualty ceding companies. This topic has been hotly debated



Federally chartered insurers and reinsurers could then conduct operations in all states without having to meet the respective state regulatory requirements.

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So far the numerous face to face meetings and countless hours of conference calls have only yielded a limited consensus on a single minor point.

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before the NAIC and other groups and the subject of a failed regulatory mediation effort. Despite direct involvement of several commissioners, an acceptable compromise could not be fashioned.

Implicit in this issue is the assumption that other regulators don't measure up to the US standard (although some would say neither do a large number of states). This is a premise which is being vigorously challenged by European Union (EU) regulators and other members of the International Association of Insurance Supervisors (IAIS). Additionally, members of the European Parliament have taken a keen interest in this issue, speaking on the topic, visiting US regulators and members of Congress. There is even talk of this being a "trade issue" that will need to be brought before the World Trade Organization (WTO).

Apparently the demonstrable competency of foreign regulators (e.g., the United Kingdom's Financial Services Au-

thority), protestations of the IAIS, direct lobbying by proponents and the increasing import of not reaching a solution (e.g., the threat of WTO action and the concomitant attention being paid to the issue by the Senate and Treasury Department) has focused the NAIC's attention on the need for resolution of the issue. Early in 2006 the Executive Committee charged the NAIC Reinsurance Committee with the responsibility of coming up with a reinsurance reform proposal by the end of 2006. The Reinsurance Committee has in turn thrown the issue back into the laps of the Committee's industry Interested Parties (IP)³.

Since the beginning of the year the IP's have been struggling to find any common ground from which a proposal can be formed. So far the numerous face to face meetings and countless hours of conference calls have only yielded a limited consensus on a single minor point (i.e., relaxing the collateral requirements where the cession is to an affiliate and subject to supervision under the "Holding Company" laws). Indeed, even here the amount

of consensus goes only to the extent of saying the group thinks further discussions *may* result in a proposal. Beyond this the positions span from those who are adamant that no change should occur to those who would propose an OFC structure. The gulf between the factions is substantial and it is doubtful it can be bridged.

This impasse in the IPs has not gone unnoticed by the Reinsurance Committee. At its June meeting the Committee reiterated the instruction that they wanted a reform proposal and then "suggested" that the IPs consider a "ratings" proposal (the need for reinsurance collateral would be influenced by the credit rating of the reinsurer) that was a byproduct of the failed mediation effort. As of a meeting held on August 23, 2006, there is no consensus on any form of a ratings structure and one is not likely to appear before the Reinsurance Committee's meeting on September 10, 2006.

Without a consensus, it is likely that the NAIC will take

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³ In part because of past sins, I serve as the Chair of the Life Interested Parties group. Debra Hall of Swiss Re serves as the Chair of the Casualty IP group. Debra has been performing above and beyond the call of duty as she tries to generate some order out of the chaos of the IP discussions. Because of structural differences in the Life market the collateral issue is not such a flashpoint issue and there is substantial agreement that fundamental reform of the regulatory system is needed. This would include both the regulation of the business of reinsurance and reinsurers. No such agreement exists on the casualty side.



“Gazing into my crystal ball shows a murky future for this question.”

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up the effort themselves. What will come out of this circumstance can only be imagined. In the ensuing debate over whatever the NAIC proposes, the industry will be hard pressed to complain that it wasn't listened to since the NAIC can rightfully say the industry was given its chance.

Crystal Ball

Gazing into my crystal ball shows a murky future for this question. I do not anticipate any meaningful improvements emerging from the NAIC. I am confident that, over time, a new federally regulated alternative to the current 50 state system will emerge. This

is something I personally support as does Generali USA and its parent Assicurazioni Generali S.p.A. (“Generali”). In my mind, the question now is not if but when.

There is a body of thought that suggests that incremental steps toward federal regulation may be more easily accomplished. If this is the case, reinsurance as a pure business-to-business transaction among sophisticated parties seems to be an ideal starting point. The need for a national federal approach is especially true given the increasing international nature of reinsurance today.

But, as in all things political, logic may not be the driving concern and only time will ultimately tell the tale.

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ment meeting our industry needs? These are all questions that we at Generali USA have contemplated and have lead us to pursue change.

In this publication of the Viewpoint, you will learn about an initiative spearheaded by Tammy Kapeller to review all of our current processes with the goal of improving workflow across organizational lines. It is a massive undertaking that will take several years to com-

plete, but is something that we feel is crucial to achieving our long term business objectives. We are starting from what we believe is very solid ground with an administration platform that meets or exceeds that of our peers. But in order to maintain this leadership position, we believe it is necessary to improve---to fix things before they are broken.

You will also find an article by David Gates expressing his views on the need to consider change to our current regula-

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David Gates is Generali USA's General Counsel and has been with the operation and BMA since 1991. In prior lives, David has been an insurance commissioner (NV - 5½ years), president of the NAIC (1989) and an insurance liquidator.

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tory structure. David has been very active with both the ACLI and NAIC efforts to consider a change to the current system. David is a valuable resource to Generali USA as we shape our position on the issue. As we all know, change at the regulatory level can be a very slow and painful process. We believe it important to be active in promoting a change agenda to help accelerate the process and reform regulation to better fit the needs of today's business.

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Generali USA Launches Major Effort To Improve Business Processes

By Tammy Kapeller, VP & Project Leader

The Challenge

Generali USA recognizes that to meet the needs of our clients we must continually improve our business processes. These processes must be efficient and integrated. Therefore, Generali USA senior management has initiated a company wide business process integration project (BPI project) to improve the way we do business.

Like many in the insurance industry, we have developed sophisticated systems within each major working group in the company (Underwriting, Administration, Treaty, Pricing Actuarial, Corporate Actuarial, Accounting, Information Systems, Human Resources, Legal, Group). These systems were developed in an independent fashion over many years. Current data in the separate systems may be insufficient in certain cases, redundant in other cases, and require better integration between different sources. Finally, improvements in documentation and a common understanding of processes and data definitions will be key to helping the different departments improve our products and services.

Goals & Objectives

The desired result upon com-

pletion of the project is a fully integrated business process that covers the entire lifecycle from the time an opportunity is received through pricing, booking, administering and analyzing it in the future. Business workflows and processes, hardware, and software will operate in an environment where data elements are commonly defined and shared through a single source. All Generali USA business processes and workflows will be designed to provide value to our company, clients and shareholders and fit within the framework of our business plan.

Specifically, our goals are:

1. Data element definitions and formats will be documented and used consistently across all areas.
2. Data elements will be stored in one place and accessed by the business processes from this single source.
3. Data quality standards will be defined and rules will be built into the system to enforce standards.
4. Data entering the system will be controlled and authorization mechanisms will be put in place to assure consistency and completeness.

5. Workflows will be developed to promote business process integration.

The Approach

The BPI project will require company-wide participation and is expected to take three years from initiation through implementation. The first steps of the effort require extensive planning to identify goals, define scope, identify personnel participation at various stages, and develop a plan and schedule for process analysis and redesign. Ultimately, every business process and workflow at Generali USA will be analyzed. At this point, we have defined five stages:

1. Project Definition and Initiation: During this stage the focus is on identification and analysis to categorize all processes as “simple”, “intermediate”, or “complex”. We will determine time needed for each stage of analysis and design. The key deliverable of this effort is a detailed project plan which includes timeline for process documentation, analysis, and solution. Finally, we will identify specific responsibilities for project



The BPI project will require company-wide participation... Ultimately, every business process and workflow at Generali USA will be analyzed.

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We will redesign jobs, work environment and incentive systems as necessary...

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teams.

2. Analysis – Document Existing Process: During this stage, we will conduct interviews to understand and document processes, workflow, data requirements, information flows, and process deliverables. The key will be to identify problems and current process deficiencies. Where are the gaps and roadblocks that need to be addressed to achieve full integration and efficiency? The primary deliverables in this stage are:

- A data dictionary for all data used by each process.
- Documentation of problems and current process deficiencies (gap analysis).
- A general plan for the redesign.

At the end of this stage, we will present the findings, gap analysis and plan for redesign to senior management.

3. Redesign Process: This stage will concentrate on design and documentation of new workflows and information flows. Standardization of data characteris-

tics is a key outcome. The team will explore and debate alternatives ultimately selecting the optimum redesign to support achieving the project goals. Finally, we will define the requirements for the development phase and present everything to senior management for their review and approval.

4. Development Phase: The actual redesign or products, processes, and services will occur during this phase. Three main areas include:

- Management and measurement systems: The way we manage and measure the business must support the redesigned, integrated processes. Therefore, managerial and supervisory jobs will be redesigned as necessary; we will develop measurement system to monitor new processes; and we will identify and document desired business metrics and controls.
- New Human Resources performance systems: The way we evaluate, hire and train associates is key to the implementation and ongoing success. We will redesign

jobs, work environment and incentive systems as necessary, develop training and hire new employees as needed.

- Information Systems: The technology that supports the new integrated workflow and information flow is the foundation for everything. Building this infrastructure will involve hardware acquisition, software development, and systems integration. We will be able to utilize the latest development tools, systems and hardware to build an integrated platform that will serve to meet our needs well into the future.
5. Transition – Implement Redesigned Process: The final phase is implementation and full deployment. We will integrate and test all aspects, train the management and employees, maintain the process of evaluating and modifying as needed.

The Team

Generali USA's senior management is fully committed to the effort and I will be

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reporting directly to the Chairman & President, Ed Ritter. The team of professionals includes representation from all departments. (See table below.)

The Expected Value For Our Clients

The driving force throughout this effort is the need to ensure that everything we do ultimately translates to improvements in our efficiency and service for our clients and parent company. The final outcome should result in:

- Minimized data redundancy.
- Common storage of information used by all Generali USA associates.
- Immediate and accurate access to client data.
- Expense reductions.
- Paperless environment.
- Enhanced communication internally and externally.

As we reach key milestones over the next months, we will be communicating our progress to you. If you have any questions about this project, please e-mail me at:

TKapeller@generaliusa.com.

- Enhanced quality and consistency of data.

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Tammy Kapeller joined Generali USA in 1988 as an Actuarial Student. She holds a Bachelor of Science degree from the University of Nebraska (1987) and an MBA from the University of Missouri – Kansas City (2005). Additionally, she has FSA and MAAA designations. Tammy was most recently Vice President – Marketing & Research at Generali USA until she accepted her new endeavor as Vice President and BPI Project Leader.



BPI Project Team Pictured from left (back row): Mike Lynch, Nate Johnson, Bill Crouch, Randy Makin, J.C. Brueckner; (front row) Myron Lutz, Tammy Kapeller, Randy Meyer, Lesia Troesser. (Not Pictured: Gil Parra, Terry Dickinson, David Gates.)

BPI Project Team

Name	Role/Area Of Expertise
Tammy Kapeller	Project Leader
Gil Parra	Project Manager
J.C. Brueckner	Sales & Marketing
Bill Crouch	Administration
Terry Dickinson	Group Reinsurance
David Gates	Legal & Treaty
Nate Johnson	Underwriting
Myron Lutz	Information Systems
Mike Lynch	Accounting
Randy Makin	Pricing/Actuarial
Randy Meyer	Finance/Actuarial
Lesia Troesser	Human Resources



The Guide: It's Here To Help

By Mark Koenig, Director, Underwriting

It has been almost three years since the rollout of The Guide, Generali USA's underwriting manual. Although there have been no major revisions, the manual is constantly updated. Generali USA is always looking to have current information in the manual and has an underwriting committee that meets on a weekly basis to discuss revisions and clarifications needed in order to make the manual as underwriter-friendly as possible. The committee consists of Dr. Charlotte Lee, Vice President & Chief Medical Director, Nate Johnson, Vice President-Underwriting, Kristin Ringland and Mark Koenig, Directors of Underwriting, and Bill Davis, technical lead for underwriting. You can check our progress on our website by clicking on the "Guide updates" link under Special Reference.

One of the major initiatives for the group was to examine and merge the sections known as Ages 70 Plus with the main topic page. This allows us to include underwriting factors for all ages on one page and keeps the underwriter from having to look in multiple locations. We are approximately 80% completed with this project and hope to have it finished by 4th quarter, 2006.

We are also working to provide a more consistent page structure format within our manual. Attempting to provide the same flow of information for each impairment will give the underwriter the comfort of knowing where to locate the information needed from page to page. The basic format will be:

- Short overview statement
- Clarification notes on examining the risk
- Impairment categories and

sub categories with ratings

- Additional Considerations and Credits when applicable to the impairment

Though you will not find all these elements on all pages, any updates that are being made will follow this format. Another method of determining if a page has been updated recently is by examining the header bar on the rating table. If the bar is colored grey, the page has not been updated since the 2003 rollout. All updated pages will contain a black header bar on the rating table.

An addition in search functionality has been added and can be found under Special reference, which is a Table of Contents. For anyone who used the old manual and liked the ability to search via

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Thanks, And The Winner Is.....

By Nate Johnson, VP Underwriting

I would like to take this opportunity to thank you for participating in our last Viewpoint publication's *Underwriting Survey*. Your input and feedback is vital to us to ensure we are meeting your business' needs and expectations, as well as providing us with a better understanding of what is important to you and your business.

I am very pleased with the

number of respondents, the individual feedback received, and the overall results of the survey. Based on your comments, I believe we are moving in the right direction, but I also realize that there is always room for improvement and that we still have some adjustments we can make to better serve your needs.

It is our commitment to continue to strive towards providing you with competitive, quality offers in as timely a manner as possible. As we move forward

together as partners, we welcome any other comments, suggestions, and/or feedback you would like to share with us that would help us help you be successful in meeting your business objectives and goals.

As promised, a random drawing was held for a Nano Ipod. It is our pleasure to congratulate the winner, Diane Steiner of Pekin Life. Enjoy, Diane!!

Generali USA is always looking to have current information in the manual and has an underwriting committee that meets...to make the manual as underwriter friendly as possible.



Congratulations to Diane Steiner of Pekin Life, the lucky winner of the Nano!



Underwriting Manual

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The Guide has had 67,064 logins, 608,504 individual page requests, and five impairments with hits in excess of 10,000.

a menu, you now have this added functionality. By clicking on the link you will be taken to a separate page with a dynamic drop down menu. By hovering over the section, a subsequent menu will fly out. If an > appears in the right margin, hover again for more menu items. Some menu items are long and will have a down arrow to allow scrolling. Once the impairment is found, click on it to open it in The Guide.

Following are a few interesting stats we have accumulated over the last 18 months. The Guide has had 67,064 logins, 608,504 individual page requests, and five impairments with hits in excess of 10,000.

I bet an underwriter could guess the five, but here is a list of the top ten pages:

1. Build
2. Diabetes Mellitus
3. Coronary Artery Disease
4. Blood Pressure
5. Liver Enzyme Elevations
6. Depressive Disorder
7. Motor Vehicle Record
8. Chol/HDL Elevations
9. Obstructive Sleep Apnea
10. Albuminuria

Also, the Guide currently has about 350 frequent users and about 700 who have used it since its inception. We appreciate client usage of our underwriting manual and encourage

anyone who does not have access or who has forgotten his/her password to contact Bill Davis (816) 412-3683 bdavis@generaliusa.com in order to be connected. We also greatly appreciate comments/suggestions on how we can make The Guide a better tool for your clients.

Mark Koenig joined Generali USA in 2002. He holds a Bachelor of Science from Metropolitan State College of Denver and Master of Science from the University of Kansas. Additionally, Mark is a Fellow of the Academy of Life Underwriting. Mark currently is Director-Underwriting for Generali USA.

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Mark Koenig provides you with an overview of our process for updating the underwriting manual. Although we have not had any major changes to the manual since its inception three years ago, we made numerous tweaks to improve the quality of the product. Mark and his fellow Underwriting Committee members constantly review the manual, challenging the content to make certain it reflects today's underwriting practices. It is designed to be

a flexible, easy to use underwriting tool to support our clients and internal underwriting staff.

Over the course of the past three years, Generali USA has experienced a tremendous amount of change: the forming of the new company, entering a new market, making additions to staff and new leadership. Through these changes, we have come to realize the benefit of choosing to do things differently. Our goal is to continue to challenge the status quo and

to look to improve in all areas of our operation. We welcome any thoughts you may have regarding areas where we should focus our efforts.



Pat Allison Retires After 29 Years!

Pat Allison, Administrator - Reinsurance Treaty and Client Services, has retired from Generali USA after 29 years of service.

Pat has been a key member of our Treaty department and has developed strong relationships with clients over

the years. Prior to working in the Treaty department, Pat was the foreign business supervisor in Administration.

Pat will be missed by her friends and co-workers at Generali USA. She loved to socialize and to shop! She plans to move to Florida and enjoy her retirement to its fullest. She will continue to

work part-time for Generali USA on special projects. You may still access her email at:

pallison@GeneraliUSA.com.

On behalf of all of us at Generali USA, goodbye, Pat. We will miss you!



Generali USA Adds Bill Wooden To Sales & Marketing

Bill Wooden joined Generali USA in July as Regional Sales Vice President. He brings 22 years of reinsurance sales and marketing experience to Generali USA.

Bill spent 18 years with American United Life as Regional Vice President,

and most recently worked for Transamerica Reinsurance as Regional Vice President – Sales. He is a graduate of Indiana University with a Bachelor of Arts in Sociology (1984). Bill has a Series 6 license and a CLU designation.

A husband and father of two, Bill comes to us from Charlotte, North Carolina and is currently seeking permanent residence in the Kansas City

area. His children's activities keep him busy. A die hard college basketball fan, Indiana University is his favorite team.

Join us in welcoming Bill to Generali USA! If you would like to contact Bill, his email address is:

bwooden@generaliusa.com



Generali USA To Release Redesigned Website

Generali USA has been actively working on redesigning its website. We are committed to continuing to improve our navigation, content and functionality in our effort to make it easier to do business with us. In the coming months you will be seeing improve-

ments to our company website. It will bring you more information about who we are and what we can do for you.

We will also seek customer involvement to insure that our changes are meeting your needs.

Feedback is important to everyone at Generali USA! Please feel free to contact Amy Cascone, Manager – Marketing Communications, at:

acascone@generaliusa.com

with any thoughts and/or suggestions.

Generali USA Life Reassurance

Editorial Team

Name	E-Mail Address
J. C. Brueckner	jcbrueckner@generaliusa.com
Amy Cascone	acascone@generaliusa.com
David Gates	dgates@generaliusa.com
Manny Villa	mvilla@generaliusa.com

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We value your business!