



Kentucky LOMA Society Newsletter

Vol. XVIII No. 3 Summer/Fall 2008

Formerly known as The Derby City FLMI Society

www.kyloma.org

Free Pizza for Members! Lunch and Learn on Healthcare/Election Issues- Tuesday, August 26, 2008 at B&W Tower

The November elections are right around the corner. Become more informed by attending this event.

Please join us at the August 2008 Lunch and Learn for the Kentucky LOMA Society. Our speaker, **Dr. Stephan F. Gohmann, Professor of Economics at UofL** will give a presentation titled "**Where do the Presidential Candidates Stand on Healthcare?**"

This pizza lunch/brown bag event will be held in Atria's corporate offices at the **Brown and Williamson Tower near Fourth Street Live**. All attendees can enjoy complimentary fountain soft drinks. Members enjoy free pizza, fruit and cookies; other attendees can enjoy pizza, fruit and cookies for just \$5.00.

Certain professional designations may qualify for 1 hour free CPE. There is no cost for the program.

Please RSVP to **Polly Stone (502) 779-7480** or via email at polly.stone@atriaseniorkiving.com.

Complimentary parking is available at the AEGON Center garage, which is located one block north of the B&W Tower on Jefferson Street. Subject to availability, you may park at your own expense at the Hyatt Hotel across the street from the B&W Tower. AEGON Center garage parking tickets will be validated on a first come, first served basis, as there is a limited supply of vouchers. Be sure to RSVP right away!

Hope to see you at the Lunch and Learn!

President's Message from Meredith Hettinger

The Kentucky LOMA Society values your feedback on how we can be more effective. In July, we sent out a survey to inquire about your observations and experiences with the Society. We will publish a summarized version of the survey results after the aggregation and analysis is complete.

To keep you informed, we gathered some information about the national LOMA organization and the Kentucky LOMA Society. You may not be aware, but LOMA is offering three new professional designations. Study up!

Finally, please check out the member profile of AEGON employee and Kentucky LOMA Society Board Member, **Allison Craig**. We periodically offer this feature so that you can get to know your fellow members and colleagues.



Founded in 1924, LOMA is an international association through which more than 1,200 insurance and financial services companies from over 80 countries engage in research and educational activities to improve company operations.

Our members are involved in life and health insurance, managed care, annuities, pensions, banking, bancassurance, securities, and other financial services areas. Through its staff and network of industry volunteers, our association serves a large and influential group of companies.

Why become a member of the Kentucky LOMA Society?

1. Expand your horizons and stay involved in the insurance and financial services industry.
2. Promote quality, low-cost or no cost educational programs.
3. Benefit from continuing professional education credits (for certain designations).
4. Meet new people and have fun at social events.
5. Network with insurance and financial services industry professionals and make valuable contacts at other companies.
6. Develop leadership skills in an officer role or through board or committee participation.
7. Attend Annual Banquet to honor those with new LOMA designations.
8. Opportunities to serve others through community service activities.

Education Programs

LOMA's educational offerings have something for everyone in the insurance and financial services industry. In addition to the flagship FLMI Program and the more recently established FFSI designation, there are programs specializing in customer service, annuities, reinsurance, compliance, and agency administration.

- FFSI: Fellow, Financial Services Institute
- FLMI: Fellow, Life Management Institute
- **NEW!** AFSI: Associate, Financial Services Institute
- **NEW!** ALMI: Associate, Life Management Institute
- **NEW!** Insurance Immersion
- PCS: Professional, Customer Service
- AAPA: Associate, Annuity Products & Administration
- ACS: Associate, Customer Service Program
- AIAA: Associate, Insurance Agency Administration
- AIAF: Associate in Insurance Accounting & Finance (Life/Health Track)

- AIRC: Associate, Insurance Regulatory Compliance
- ARA: Associate, Reinsurance Administration
- CPLHI: Certified Professional, Life and Health Insurance Program
- CPFS: Certified Professional in Financial Services Program
- Underwriting Life & Health Insurance
- Bank Insurance Compliance

Reprinted from the National and Kentucky LOMA websites. For more details please visit: (www.LOMA.org) and (www.kyloma.org)

Trolley Hop, Friday, August 4, 2008 – by Meredith Hettinger

Members and friends of the Kentucky LOMA Society enjoyed the first Friday trolley on August 4, 2008. The group may not have been large, but the weather was great and we had a great time. Glassworks hosted a sale of its “seconds” so you could buy a uniquely beautiful (if somewhat imperfect) piece of art. Admission was free at the Frazier International History Museum, so we spent some time wandering around. The icing on the cake was strolling down Main Street to view the outrageous art cars, which came to Louisville from all over the country. The evening was completed by trolley hopping down to East Market Street.

Lunch and Learn on Sub-Prime Mortgage Crisis, June 4, 2008 – by Linda Sullivan

The Kentucky LOMA Society hosted a Lunch and Learn event on June 4, 2008. The topic, The Sub-Prime Mortgage Crisis – Its Impact and our Future, was a pertinent subject to the attendees. As institutional investors, the financial services industry has been hugely impacted by the sub-prime debacle. In addition, some may have personally experienced a decline in value with their personal investments or have friends and family members facing foreclosure.

Our speaker, Ross A. Demmerle, Vice President, Banks, Thrifts, and Specialty Finance Companies Analyst at J. J.B. Hilliard, W.L. Lyons, LLC, introduced the subject by providing the comparison of the sub-prime mortgage crisis to a bubble. The outer edge of the bubble is home prices; inside the bubble are the sub-prime loans. The cause of the bubble to pop is the decrease in housing prices.

Ross provided the following definition of a sub-prime borrower. A sub-prime borrower is a borrower with a FICO score of less than 650. 27% of the population has a FICO score of less than 650. The average FICO score is 723. Various credit activities impact FICO score like opening different types of credit (increases) or frequently opening accounts (decreases). A sub-prime borrower typically has debt payments of greater than 50% of gross monthly income.

The mortgage banking market is different today than compared with the mortgage market in 1980. In 1980, 10% of loans were placed in mortgage-backed securities (MBS's), compared with 56% today. In 1980, loans maintained at banks were 90%, in 2007 this decreased to 44%. The risks of mortgages, including sub-prime mortgages, are passed off to investors in today's marketplace.

Ross provided the following overview of the mortgage market by comparing it to manufacturers, enablers and suppliers. Manufacturers of loans are Ginnie Mac, Freddie Mac, FannieMae and Private Label MBS's. The Enablers are rating agencies. Suppliers are borrowers and lenders. At the beginning, the

mortgage-backed securities were given the AAA rating by the rating agencies. One way the rating agencies evaluated MBS's was to look at the historical charge back on residential property, which is less than the current trend the market is experiencing. Seeing the actual, the rating agencies are now downgrading the securities after the fact, after their value has gone down.

Ross also explained what created the demand for sub-prime loans. The rate cuts in 2001 caused investors to look for higher yields. By 2003, investors wanted yields with low risk. Demand for housing also was created with the decrease in the interest rates on mortgage loans. This in turn helped to push the cost of housing up. After a while, the mortgage banking industry ran out of prime credits and looked to the sub-prime market to provide a product for investors. In 1990, the lending volume for sub-prime markets was 2%; in 2006 it was 20%.

In the mortgage market, the introduction of new products such as piggyback loans, interest only loans, and option loans made the market riskier. The rising of home prices masked problems with the sub-prime borrowers. If a borrower had some problems paying the loan, they were borrowing against the growing value of their homes.

In summer 2006, the sub-prime market was coming to an end and borrowers started experiencing the economic pinch of rising interest rates. Sub-prime borrowers, with adjustable interest rate mortgages, saw their mortgage payments swell to amounts they could no longer afford. Consequently, borrowers began abandoning their homes, which in turn increased the supply of homes, causing a decline in housing prices and an increase in sub-prime loan delinquencies.

Today, 17% of the sub-prime loans or approximately 1 million homes are past due on their mortgages. Ross talked about the actions people are taking when they are in trouble with their loans. People are walking away from their homes. There are websites that homeowners can go to for advice on how to walk away. An example is youwalkaway.com, which sells a kit on how to foreclose on a home. People are also walking away from their homes since they don't have a large down payment (no skin in the game) and there is not the personal banking relationship that banking had in the past. People are playing the victim and not taking responsibility.

Ross also indicated that borrowers are not the only financial casualties in the collapse of the sub-prime loan market. Investors of Mortgage-Backed Securities, employees in the industry who have lost their jobs, and entrepreneurs in the industry who have lost their businesses have all experienced significant financial setbacks.

Potential solutions to the sub-prime market are 1) lowering of rates by the Federal Reserve, 2) possible federal legislation such as mortgage forgiveness of negative home equity or FHA refinancing, and 3) time.

Today, banks are searching for capital, as the value of mortgage-backed securities has decreased significantly. Additionally, there is no market for trading mortgage securities, which makes it difficult to determine a market value for these securities causing banks to write them down. In the future, we might see banks increase the market value of these securities once the market for mortgage securities settles down.

Society Member Profile - Allison Craig

Allison has been employed with AEGON for the last twelve years and is currently a Senior Compliance Analyst for AEGON Institutional Markets. She is responsible for project management oversight for the institutional markets division on a variety of company wide initiatives, including record retention and company mergers. She also handles contract forms filings with the state departments of insurance and

monitoring changes in insurance regulations to determine and communicate their effect on new and existing products and compliance. Prior to this role, Allison was a senior contract issuance coordinator and prepared highly customized secured and unsecured funding agreements, repurchase agreements, and guaranteed investment contracts for the institutional markets division client base. She also spent a year and a half working as a new business analyst in the individual retirement and savings operation prior to AEGON's acquisition of Providian.

Allison earned a Bachelor of Arts in Communication from the University of Louisville in 1992 with a minor in fine art. She is currently an MBA candidate at Bellarmine University and plans to graduate this December. She has also earned her Associate Insurance Regulatory Compliance (AIRC) designation and currently sits on the Kentucky LOMA Society Board.

Though she doesn't have a lot of free time these days between work and graduate school, Allison enjoys spending that time with her large extended family and adopted greyhound Snoopy. She also enjoys renovating her house, the arts and fine wine, in addition to reading, photography and kayaking.

2008 Society Committees

Committee	Member Appointed
Audit	Meredith Hettinger
Community Service Projects: KDF Academic Challenge Ronald McDonald House	Mark Evans Dianne Jensen, Allison Craig
Distinguished Service Award	Karen Christensen, Mark Evans
Education and Program	Eddie Cook, Meredith Hettinger
Membership	Mark Evans, Karen Christensen, Allison Craig
Newsletter and Publicity	Eddie Cook, Meredith Hettinger, Linda Sullivan
Nominations	Meredith Hettinger
Social Events	Eddie Cook
Technology	Jeremy Vessels

2008 Officers

President Meredith Hettinger, FLMI, CPA ResCare, Inc. Mhettinger@rescare.com (502) 420-2502	Vice President Karen Christensen, AAPA, ACS, CERT, FLMI, FFSI Humana, Inc. Kchristensen@humana.com (502) 580-8840	Treasurer Eddie Cook, FLMI, CPA Capital Assurance Corp. Ecook55@yahoo.com (502) 228-2535	Secretary Polly Stone, FLMI, CPA Atria Senior Living Group, Inc. polly.stone@atriaseniorkiving.com (502) 779-7480
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2008 Board Members

Allison Craig, AIRC AEGON Acraig@aegonusa.com (502) 560-3806	Mark Evans, FLMI/M, FSA, MAAA AEGON mevans@aegonusa.com (502) 560-2338	Linda Sullivan, FLMI AEGON Lsullivan@aegonusa.com (502) 560-4671	Jeremy Vessels, ASA, CFA, MAAA, AAPA, ACS, CERT, FLMI, UND, FFSI AEGON Jvessels@aegonusa.com (502) 560-3180	Dianne Jensen, FLMI DianneJ@insightbb.com (502) 290-8600
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