



Kentucky LOMA Society Newsletter

Vol. XVI No. 3 Fall 2006

Formerly known as The Derby City FLMI Society

www.kyloma.org

Mark Your Calendar! Lunch and Learn on End User Computing on Tuesday, September 19, 2006. (Free Pizza for Members, Free CPE)

Have you ever tossed and turned at night worrying about formula errors that might lurk in your spreadsheets?

Do you have a spider's web of spreadsheets that support important financial deliverables at your company and no one but you know where to access them?

Are you craving pizza for lunch?

If you find yourself in one of these situations, please join us for the Kentucky LOMA Society's third luncheon event of the year on Tuesday, September 19th at AEGON. The topic, Implementing Internal Controls over End-User Computing Applications, will be presented by Meredith Hettinger, Director of Financial Reporting at ResCare, Inc. (Meredith is also Vice President of the Kentucky LOMA Society.) Attend this presentation to learn a few tips that could help your organization develop more robust spreadsheet controls.

Certain professional designations may qualify for 1 hour free CPE. **Also, members can enjoy a free lunch of pizza and softdrinks.** The pizza lunch will be provided to non-members for \$5.00. Bring your own brown bag lunch if you wish and enjoy a complimentary soft drink.

Please RSVP to Dianne Jensen at 502-560-3094 or via email at djensen@aegonusa.com.

See you at noon on the 19th! Also, don't forget to bring your pull-tabs for Ronald McDonald House (see Dianne Jensen's article below.)

President's Message from Eddie Cook

I recently received news from the National LOMA Office that our chapter is the recipient of the Achievement Award in Customer Service. This is based upon our community service participation, which took place during 2005. Congratulations to our Past President and current Vice President, Meredith Hettinger for her leadership and to the other board members and general members who participated in our community service activities.

Speaking of Meredith, she will be our featured speaker at our next Lunch and Learn, which is scheduled for Tuesday, Sept. 19th. Meredith will be speaking about End User Computing. More specifically, she will be speaking about how to implement end user computing controls to ensure the completeness and accuracy of spreadsheets used to compile information reflected in financial statements and disclosures. This topic has gained a lot of interest recently as a result of the passage of Sarbanes-Oxley. I think you will find this presentation very interesting. Refer to the flier on our web site <http://www.kyloma.org> for more details.

Finally, consistent with prior issues, we profile a member in this issue. Check out Jean Catalano's profile. You will find her background fascinating!

Mark Your Calendar! Downtown Trolley Hop, Friday, October 6, 2006.

Calling all Kentucky LOMA Society members and friends! On Friday, October 6th at 5:30 PM we'll be meeting in front of Glassworks to enjoy the art, wine, cheese and other refreshments that are part of the First Friday Downtown Trolley Hop.

Network and have fun with fellow professionals in the financial services industry. We'd love to see all of you current members, former members and interested persons who have attended Society events in the past.

Please RSVP to Jane Buckley at jbuckley@humana.com or via phone at 502-580-3920 if you'd like to attend.

See you at the Hop!

Mark Your Calendar! 2006 Annual Banquet, Negotiating Skills Workshop, November 7, 2006 (1.5 Hours Free CPE)

The Kentucky LOMA Society will be holding its annual banquet at AEGON on November 7, 2006. Rheanna McFarland, Employee and Organizational Development Consultant at AEGON USA, will be giving a special presentation on how to increase negotiating skills to promote collaborative negotiations. Collaborative Negotiation works toward a goal of achieving a substantive outcome and fostering long-term relationships. This topic is help you in your business and your personal life.

Individuals who obtained the FLMI and FFSI designations during 2006 will be recognized. We will also install the new slate of officers and directors for 2007. Please let us know if you have interest in serving on our board or would like to be a committee chairperson.

Details will be forthcoming via email and at our web site www.kyloma.org.

Kentucky LOMA Society Lunch and Learn "Asset/Liability Management" by Karen Christensen and Mark Evans

Dan Fox, Executive Vice President, AEGON USA, delivered a presentation on Asset Liability Management at AEGON at the June 6th Lunch and Learn. Dan is responsible for Risk Management for AEGON USA's Investment Division.

Asset Liability Management (aka ALM or Risk Management) is a technique that companies employ to help minimize the effects of risk. The goals of ALM are to (1) maximize risk-adjusted returns as appropriate for insurance liabilities sold in an insurance company context, (2) support an attractive company earnings profile by integrating the efforts of Investments and Product Lines / Businesses to proactively address key ALM and business issues, and (3) manage risks using quantitative techniques and sound judgment, in order to moderate variability in earnings and limit economic loss.

The ability of the Company to meet its obligations to policyholders cannot be compromised; therefore, risk management activities should be granted a certain level of independence within the organization. Asset/Liability issues should generally be worked within a business context to clearly identify risks making them easily visible to Management. Risks should be regularly measured and monitored against predefined limits, with actions recommended, if appropriate. ALM should proactively address all ALM issues confronting the business which means it should determine the appropriate investment strategy, ensure product pricing processes have integrity, review actual investment portfolio experience against expected, manage key ALM and investment risks, support product development efforts, and ensure compliance with Corporate profit standards and risk limits.

Close cooperation and communication between Investments, Risk Management, and the Division is very important. This includes ensuring aggregate risk and capital levels are consistent, ensuring adequate diversification of risk sources, periodically reviewing risk analyses, recommending risk mitigation techniques, and reviewing portfolio compliance with all applicable risk policies. The following lists the key investment / ALM risks that must be carefully monitored & managed:

- Credit Risk—the deterioration in asset values from credit-related events (downgrades, defaults).
- Interest Rate Risk—the loss of economic value arising from adverse interest rate and investment spread movements.
- Liquidity Risk--the inability to raise sufficient cash to support potential liability cash needs.
- Derivatives Use Risk—the risk of financial loss arising from the use of financial derivatives in managing A/L risks.
- Foreign Currency Risk—the risk of financial loss due to adverse currency movements.
- Equity Risk—the deterioration in asset values and fee income levels from depressed equity and other capital markets.
- Alternative Investments Risk is the loss of economic value in alternative investments, arising from adverse market movements and / or poor performance.
- Pricing Risk is the risk of selling products at investment spread / yield levels that are unrealistic and/or not achieved.

Risk-Based Capital (RBC) is related to ALM and Risk Management. RBC ensures that sufficient risk capital is maintained by companies to withstand adverse economic events.

RBC requires companies to remain well-capitalized in order to meet obligations to policyholders. It establishes a relationship between company risks, capitalization, and ratings and encourages prudent management disciplines that connect economic risk, capital, product development, and pricing. Regulatory RBC was established by the NAIC in the US about 15 years ago. It was designed to identify insufficiently capitalized companies and requires companies' to publish supporting results in statutory Annual Statements. RBC regulations continue to evolve.

Rating Agencies also use RBC since they are based on similar frameworks. They are designed to aid in the rating process and are sometimes used comparatively.

Companies generally hold actual capital at a level satisfactory to all key internal and external audiences. Internal audiences are company risk officers and senior management.

External audiences are regulators, rating agencies, and company and industry analysts.

Economic Capital is a relatively recent addition to the risk capital landscape. This involves companies developing their own views and quantification of risk. This is done on an economic (mark-to-market) basis. There is a focus on possible economic value deterioration (tail risk) and depends heavily on companies' modeling skills and risk expertise. There are questions of applicability to all insurance businesses including time horizon and tail event definition. Rating agencies are expressing interest in economic basis for determining capital adequacy and Economic Capital might even replace their own RBC ratio formulas.

In summary, effective ALM / Risk management does not seek to eliminate risk, but rather to manage it to an acceptable level. The ability of the Company to meet its obligations to policyholders cannot be compromised; therefore, risk management activities should be granted a certain level of independence. Asset/Liability issues should generally be worked within a business context so that risks are clearly identified and made visible to Management. Risks should be regularly measured and monitored against predefined limits, with actions recommended, if appropriate.

Summertime Social Event, Bowling at Lucky Strike – by Jane Buckley

On Friday, June 19th, the Kentucky LOMA Society held a Social Outing at Fourth Street LIVE's Lucky Strike Lanes. Attending were Mark Evans, Tim and Jane Buckley, Polly and Conway Stone, and Meredith and Steve Hettinger. After a round of cocktails, shoe fitting and ball choosing, we played our first game. We split into gender specific teams at first. Most everyone, prior to the first game, remarked on how long it had been since they last bowled, who had knee problems, etc., etc., etc. The reel ringer in the group was Conway, who impressed all with his (personal best!) score of 168. He even had 4 strikes in a row. We split up into more mixed groups for the second round and everyone got at least one strike (even though some, such as this writer, chalked it up to divine intervention). We shared a couple of plates of very eye-appealing appetizers, and enjoyed the overall ambiance of this bowling alley (complete with fine woodwork details and modern art slides projected over the alleys). We also got to all try our hands at beginner juggling (with slow moving silk scarves). At the end of the evening, some of our group shared a meal at the Hard Rock Café. It was at this venue that we brainstormed some ideas on a next outing (perhaps involving live music at someone's home). More on this next outing as details become available.

Society Member Profile – Jean M. Catalano - by Eddie Cook

Jean is currently a Manager of Financial Reporting and Analysis within the AEGON Agency Group Division: AEGON Financial Partners (AFP). To Jean, it seems like yesterday that a Wisconsin high school teacher instigated good-natured competition and camaraderie in her accounting classes encouraging each to pursue that career path.

Jean's path led to an undergraduate degree from the University of Notre Dame. With a CPA certification and several public accounting years behind her, Jean was sure that a partner track at a CPA firm was not her life quest. Fast growing Hewitt Associates, seemed to be a great place to learn the "real world ropes" while she balanced getting married, obtaining her MBA and starting a life raising two children. After 8 years at Hewitt, controllership career aspirations on her mind and an AuPair to balance her family life, she took the challenge from a recently appointed CFO to re-engineer the back office operations at the YMCA of Metropolitan Chicago. This was a challenging and rewarding role; Jean learned that with good leadership all things seem possible. Over time, a Chicago commute grew burdensome to the family growing up. So, Jean took a planning and strategic management role at Allstate, introducing her to the life insurance industry.

After her husband's job transfer to Louisville, Jean pursued controllership and VP of Finance roles in various industries to include: manufacturing, hedge funds, and benefits services. During this time, Jean experienced first hand the business need for Sarbanes-Oxley. But every obstacle has led to unforeseen opportunities. Jean believes the key to a good night's sleep is to: stay humble, treat people with respect and dignity and fiercely defend having integrity within the financial results.

Making a choice to surround herself with talented people who have the wisdom to choose "doing the right thing," Jean focused on AEGON, a company whose drive and desire to compete focuses on a consumer-oriented approach in the marketplace. AEGON seemed also to have core employee values that supported the overall strategy, diversity & growth while encouraging a fun and rewarding work environment. Jean joined AEGON in September 2005. Jean has confirmed her belief about AEGON; it has the same high set of insurance standards of honesty and fairness that she had formerly experienced at Allstate. She loves her team and their unique talents that blend to produce amazing results.

Jean has earned the professional designation of Fellow, Life Management Institute and plans to attend the industry conference in September.

Jean, her husband, Jeff and children Thomas and Alison live in Crestwood. They enjoy traveling and neighborhood activities. Everyone takes a hand at cooking. It amazes them what can be made with or without a recipe but their dog does enjoy an occasional flop.

What most people don't know: Jean is an Army Captain and has obtained several military awards as well as her Airborne and Northern Warfare certifications. In addition, she has been privileged to visit the war-room inside the Pentagon.

2006 Ronald McDonald Campaign – by Dianne Jensen

Did you know that the Kentucky LOMA Society was recognized at the 2005 LOMA Annual Conference as a 2005 Outstanding Society Award winner in the Community Service category? Whether you know it or not, every one of you contributes towards our society earning this honor and distinction by putting that little pull-tab in your Ronald McDonald house each day. And because this effortless act is something we each can do all year long, the Society isn't the only benefactor. So are all the families of seriously ill children, helped by the Ronald McDonald House Charities.

Here's something else you may not have known. The Ronald McDonald Family Room at Medical Center Hospital in Odessa, Texas recently opened the 100th Ronald McDonald Family Room in the world. The newest Ronald McDonald Family Room, a program of the Ronald McDonald House Charities, offers families a warm and inviting place where they can rest, shower, and even do laundry - all without leaving the hospital.

The first Ronald McDonald Family Room opened in Kansas City, Kansas in 1993 as an extension of the Ronald McDonald House. Originally, the Ronald McDonald Family Room was intended for communities that didn't need or couldn't sustain a facility as large as a Ronald McDonald House. Or, in communities that did have a Ronald McDonald House, the Ronald McDonald Family Room provided a place for local families who lived too close by to qualify for a stay at the local Ronald McDonald House.

"The opening of the 100th Ronald McDonald Family Room is a real milestone for RMHC, the 30,000 RMHC staff and volunteers, and the families they serve," said Ken Barun, President and CEO of RMHC. "As the fastest growing of the Ronald McDonald House Charities programs, these rooms offer a refuge to families who are coping with the challenges of having a seriously ill child. Having a place where they can just be a regular family can make all the difference in the world."

Ronald McDonald Family Rooms are located in 10 countries: Australia, Guatemala, Netherlands, New Zealand, Russia, Switzerland, Taiwan, the United Kingdom and the United States.

So, when you drink that can of pop, get ready to through out the kid's gently used toys and books, travel or visit your dentist, think of all those you're helping. And yes, I did say dentist. Did you know that dentists through out boxes of sample toothpaste when they get near their expiration date? On your next visit, try asking if they have any boxes of sample toothpaste that's about to expire that they'd like to donate to Ronald McDonald. You may be surprised at what you'll get.

2006 Society Committees

Committee	Member Appointed
Audit	Meredith Hettinger
Community Service Projects:	
KDF Academic Challenge	Mark Evans
Ronald McDonald House	Dianne Jensen, Jeremy Vessels
Distinguished Service Award	Polly Stone, Mark Evans
Education and Program	Eddie Cook, Meredith Hettinger, Dianne Jensen
Membership	Mark Evans, Karen Christensen
Newsletter and Publicity	Eddie Cook, Meredith Hettinger
Nominations	Meredith Hettinger
Social Events	Jane Buckley
Technology	Sunny Dronawat, Jeremy Vessels

PERSONS of NOTE

2006 Officers

<p><u>President</u> Eddie Cook, FLMI, CPA Capital Assurance Corp. ecook55@yahoo.com (502) 228-2535</p>	<p><u>Vice President</u> Meredith Hettinger, FLMI, CPA ResCare, Inc. Mhettinger@rescare.com (502) 420-2502</p>	<p><u>Treasurer</u> Jane Martin Buckley, FLMI, JD, PAHM Humana, Inc. jbuckley@humana.com (502) 580-3920</p>	<p><u>Secretary</u> Polly Stone, FLMI, CPA Atria Senior Living Group, Inc. polly.stone@atriaseniorliving.com (502) 719-1630</p>
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2006 Board Members

<p>Karen Christensen, AAPA, ACS, CERT, FLMI, FFSI AEGON Khchristensen@aegonusa.com (502) 560-2981</p>	<p>Sundee Dronawat, PhD, FLMI, FFSI, AAPA, PCS Western & Southern Financial Group sunny@integritylife.com (502) 540-2829</p>	<p>Mark Evans, FLMI/M, FSA, MAAA AEGON mevans@aegonusa.com (502) 560-2338</p>	<p>Dianne Jensen, FLMI AEGON Djensen@AEGONUSA.com (502) 560-3094</p>	<p>Jeremy Vessels, ASA, CFA, MAAA, AAPA, ACS, CERT, FLMI, UND, FFSI Capital Assurance Corp. jeremy.vessels@ capassurance.com (502)228-2539</p>
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