

REAL LIFE STORIES



Peg Ogonowski (center) and her daughters, (from left) Caroline and Laura

When the Unthinkable Becomes Reality

John Ogonowski grew up on a farm and never wanted to give up that life, even as he pursued a distinguished military and civilian flying career. While a young pilot for American Airlines, John began buying land in his hometown, and eventually developed a second career as a hay farmer. John's wife, Peg, was a flight attendant at American, and they knew her salary would not be enough to support their three young daughters and keep their farm going if something were to happen to John. So John bought life insurance to supplement the coverage provided by the airline.

On Sept. 11, 2001, the unthinkable happened. Terrorists hijacked American Flight 11, commanded by Capt. Ogonowski, and flew it into the World Trade Center. In an

instant, Peg found herself at the center of the worst terror attack in the nation's history, her grief compounded by concerns about how she would manage without John. A few days later, the Ogonowskis' insurance professional, Richard Bourgault, CLTC, LUTCF, came by to offer condolences. The oldest daughter, Laura, then 16, approached him apprehensively and asked whether they would have to move out of their home. No, he said firmly. "That made all the difference in the world," he recalls.

With the insurance proceeds, Peg was able to pay off the mortgage on her home, retire all of the debt on the farm and set aside college money for her girls. Today the 150-acre family farm is still in business, operated by John's brother, Jim. Peg recently retired after a 30-year career with American. "I can't begin to tell you how huge it was to have had the insurance and to know that we were completely covered," she says.

This story underscores the fact that no one can predict what tomorrow may bring, so the best time to get life insurance is now. To get started, estimate how much you might need with this easy Life Insurance Needs Calculator at www.lifehappens.org/howmuch.



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Watch Peg's story at www.lifehappens.org/ogonowski

An Economic Driver Supporting Families, Businesses, and the American Community

An Interview with **Thomas E. Workman,**
President and Chief Executive Officer, Life Insurance Council of New York, Inc.

EDITORS' NOTE *Thomas Workman is the President and Chief Executive Officer of the Life Insurance Council of New York, Inc., leading LICONY since 1999. Prior to that time, he served as Chair of the Insurance Law Department in the Ohio law firm of Bricker & Eckler LLP, based in Columbus. He had been affiliated with them since 1969 and became a partner in 1977. Workman received his Bachelor of Science in Business Administration and his Juris Doctor degrees from The Ohio State University. He served as a Captain in the United States Army Judge Advocate General's Corps from 1970 to 1973, and as Legislative Counsel to the Association of Ohio Life Insurance Companies from 1973 to 1999.*



Thomas E. Workman

COMPANY BRIEF *The Life Insurance Council of New York, Inc. (LICONY) is the voice of the life insurance industry in New York. LICONY works to create and maintain a legislative, regulatory, and judicial environment that encourages its members to conduct and grow their life insurance businesses in New York State.*

How would you describe the impact of the life insurance industry on American society?

The life insurance industry is a long-standing pillar of the American economy in so many ways and on so many levels, through times of economic crisis and times of financial boom. Tens of millions of households across the United States depend on the vital protection it provides, millions are employed by the industry, and trillions of dollars are invested in the economy each year. Within each state across America there is a compelling story to tell and, in New York State, the story is just as significant.

The life insurance industry in the state of New York started with the formation of one company in 1842. Today, there are 135 life insurers licensed to do business in New York State. Seventy-nine of those insurers are domiciled in New York and call it home. The larger New York domestic life insurers are among the largest life insurers in the world. The industry provides critical insurance protection through life, disability income, and long-term care insurance, and annuities, policies and contracts that

help people move on financially, keep small businesses going, and make it possible to live without government assistance after an insured loss.

How much is given to New Yorkers each year to help them in their time of need?

The life insurance industry pays billions to New Yorkers annually – \$28 billion was paid to New Yorkers in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013, according to

the ACLI (American Council of Life Insurers). Another \$7 billion was paid in the form of annuity payments for a total of \$35 billion. Those funds keep people in their homes, pay the car loans, continue paying for education, continue to operate the family business, and provide financial assistance for other needs. As a comparison, OASDI (old age, survivor and disability insurance) and Social Security Income payouts totaled about \$56 billion in 2013, making insurers responsible for almost 40 percent of all benefits paid in New York.

No other industry can provide the essential financial safeguards that people need throughout their lives to protect their loved ones. According to LICONY-sponsored research, there were almost eight million individual life insurance policies in force in New York in 2012 with a face amount (value upon death or policy maturity) of \$1.4 trillion.

Are there any significant challenges for the life insurance industry?

A major challenge for the life insurance industry is to reach the uninsured. According to LIMRA (Life Insurance Marketing Research Association) estimates for New York State, there is \$2.1 trillion of life insurance in force, plus an unmet need of \$950 billion. Said another way, for every \$2 of existing life insurance coverage in New York, there is approximately \$1 of unmet need to protect families and businesses through life insurance products.

Furthermore, according to LICONY-sponsored research, the number of individual life insurance policies in force declined from nearly nine million in 2003 to eight million in 2013. The existing coverage gap coupled with the reduction in the number of policies in force suggest a growing challenge. The life insurance industry is well equipped to meet this challenge

and has the capacity and capital to insure as many New Yorkers as would seek coverage, as well as to fulfill its obligations to those covered New Yorkers.

The life insurance industry is a significant employer. How many thousands of employees are in the industry?

The industry supports approximately 160,000 jobs in New York, or 1.4 percent of statewide employment in 2012, according to LICONY-sponsored research. Included in that total are approximately 75,000 people at life insurance carriers and agencies, including independent licensed life insurance agents.

Interestingly, the other jobs included in the 160,000 figure are the non-insurance positions. The life insurance industry generates thousands of additional jobs (11 jobs in other industries for every 10 jobs in the life insurance industry) by the goods and services it purchases or leases from other businesses in the state. The industry also works with law firms, as well as accounting, actuarial, and consulting firms throughout the state.

Licensed life insurance agents (76,100 total, with more than 44,000 employed by the industry) work throughout New York State to help citizens protect their families and their businesses. Life insurance agents initiate often difficult conversations with people about death and potential disability, about retirement planning, and about long-term care. Life insurance agents also have one of the most rewarding professions. The policies placed by a life insurance agent deliver on a promise made to a family covered by life insurance; the resulting benefit payment helps the family move on financially after an untimely death. Or when that retirement date finally comes, a life insurance agent helps start a stream of income from an annuity.

Behind the scenes, New York has the largest number of insurance carrier employees of any state. These 30,990 employees process claims, ensure compliant paperwork, provide customer service, and develop products and services, among other key responsibilities. Employees of life insurance companies ensure suitable insurance coverage and work to keep prices steady. These employees also protect the investments of their customers by following conservative investment strategies, minimizing losses, and ensuring that claims are paid.

According to the ACLI, the life insurance industry has invested approximately \$409 billion of its assets in New York's economy.

An important and often overlooked aspect of the employment picture is the role small and medium-sized life insurers play in the communities where they are located. In some upstate and western New York communities, an insurer with 500 employees is a major economic driver for that locality. These jobs support local schools and government; local businesses and trades people; and so much more.

It is interesting how much the life insurance industry invests in New York State. Would you describe the scope of these contributions?

Proof of the life insurance industry's financial strength and importance to the economy of New York State can be demonstrated by its sizeable investments. But it also demonstrates the industry's commitment to the communities it serves.

According to the ACLI, the life insurance industry has invested approximately \$409 billion of its assets in New York's economy. About \$335 billion of this investment is in stocks and bonds that help finance state and

municipal infrastructure, utilities, and public and private construction – all of which generate thousands of jobs and innumerable services in New York. The industry also has provided \$31 billion in mortgage loans on farm, residential, and commercial properties, and owns \$1 billion in real estate. In addition, life insurers directly or indirectly supported approximately \$22.5 billion in state GDP (1.8 percent of New York's economy) in 2012, according to LICONY research.

Furthermore, total economic activity by the life insurance industry generated an estimated \$2.5 billion in New York State and local taxes in 2012, including an estimated \$1.8 billion tax contribution directly from life insurers and their employees.

Would you describe the membership of LICONY and its commitment to New York State?

The life insurance industry is committed to New Yorkers, and is able and willing to grow and do more. This is a noble business

and the critical protection provided by life insurers provides a lifeline for families and businesses across our great state.

At LICONY, we are fortunate to have 52 domestic insurance companies, 21 foreign insurance companies, and 23 allied professional firms as members that provide the vast majority of annuities and life, disability, and long-term care insurance to New Yorkers. The strength of LICONY in representing the life insurance industry doing business in New York is derived directly from the support, contributions, and leadership of its members. And there is no question about their commitment.

How would you describe your team and your leadership style?

I am certainly proud of the team we have at LICONY. Each brings a different experience to the group and we can all benefit from it. Every time you are involved in a significant matter, it does not leave you where it found you. It is a great learning experience. I am a product of just plain hard work and a genuine appreciation for people.

What is your most important focus for the life insurance industry?

I have the pleasure of speaking with government officials at all levels – city, state, and national – to help them understand and appreciate the great value of the life insurance industry to their constituents.

We are not involved in legislative and regulatory issues just for the moment. The life insurance industry is nearly 200 years old. We will be here today, tomorrow, and well into the future.

We are advocating policy positions that we believe are in the long-term best interests of both the life insurance industry and the people the industry serves.

The life insurance industry's story in New York is one of service to the people, and that will never change. ●



Workman speaking at a recent meeting. "This is a noble business and the critical protection provided by life insurers provides a lifeline for families and businesses across our great state."

2015 FACTS: LIFE INSURERS in NEW YORK

paid \$28 BILLION
in life benefits
to New Yorkers
in 2013¹



paid \$7 BILLION
in annuity benefits
to New Yorkers
in 2013



New Yorkers have \$2.2 TRILLION in total life insurance coverage



Individual life insurance coverage purchased in 2013 by New Yorkers: \$133 BILLION

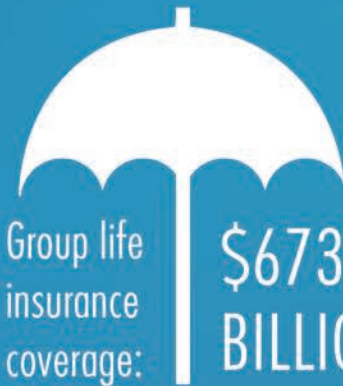


New Yorkers own 8 MILLION individual life insurance policies (average coverage: \$188,000 per policyholder)



Life insurers invest \$409 BILLION in New York's economy

Life insurers provide financial and retirement security through life insurance, annuities, long-term care and disability income insurance, and retirement plans.



Group life insurance coverage: \$673 BILLION

\$335 BILLION of life insurers' investment is in stocks & bonds that help finance business development, job creation, and services in NY



Life insurers provide \$31 BILLION in mortgage loans² and own \$1 BILLION in real estate



The life insurance industry generates 151,000 jobs in NY³



ACLI IN NEW YORK

79 ACLI member companies provide protection for New Yorkers

91% of all life and annuity payments are from ACLI members

90% of total life insurance coverage provided by ACLI members

¹ in the form of death benefits, matured endowments, policy dividends, surrender values, & other payments
² include commercial, farm, and residential properties
³ 60,000 direct jobs + 91,000 non-insurance jobs

Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC), 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

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176 life insurers are licensed to do business in New York and 87 are domiciled in the state.