

WEATHERING THE PERFECT STORM



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**FUNERAL
DIRECTORS
LIFE**

Continuing Education Credit

- Approved for 1 hour of funeral director continuing education by Academy of Professional Funeral Service Practice.
- Today, after the webinar, you will receive an email with a link to a survey. You must complete the survey within **5 business days** to receive a certificate of completion. Your certificate will be emailed to you in **7-10 business days**.
- Please follow the procedure required by your state for CE credit.
- Questions about CE?
- Contact Terri Bannister terri.bannister@funeraldirectorslife.com or Don Strickland don.strickland@funeraldirectorslife.com

How you can participate

- Use Chat for comments
- Use Q&A for questions

Presentation Overview

- Fundamentals of an Insurance Company
- Economic and Market Impacts of COVID-19
- Are the Assets of an Insurer Safe?
- Unique Characteristics of an Insurance Company
- What are there Risks for an Insurer?
- Questions

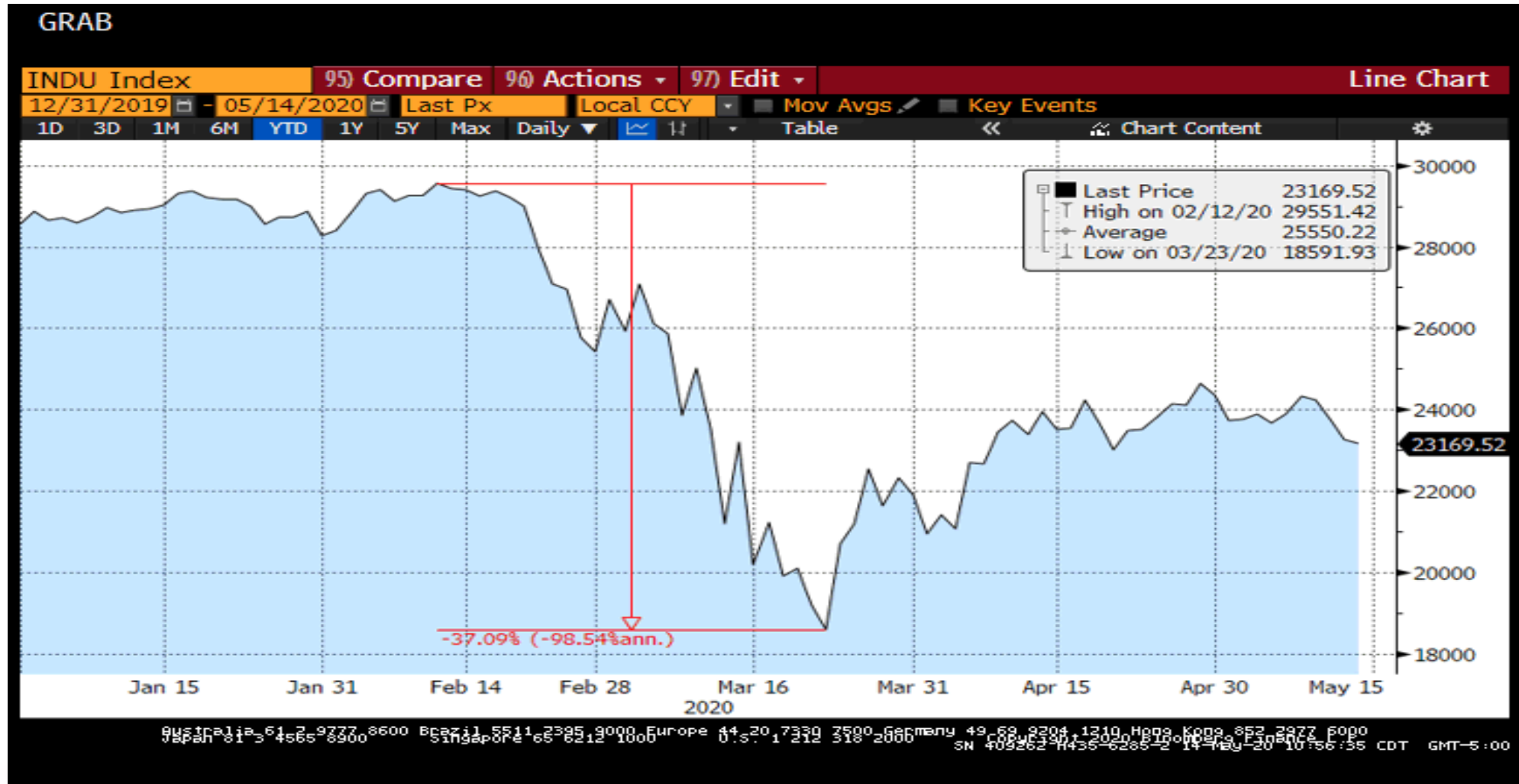
Fundamentals of an Insurance Company

- A Financial Institution
- The Majority of Company Assets are Comprised of Investments
- The Funds for these investments come from the sale of insurance policies
- Ultimately the Assets must provide for the clients funeral or Death Claim as Specified within the Policy

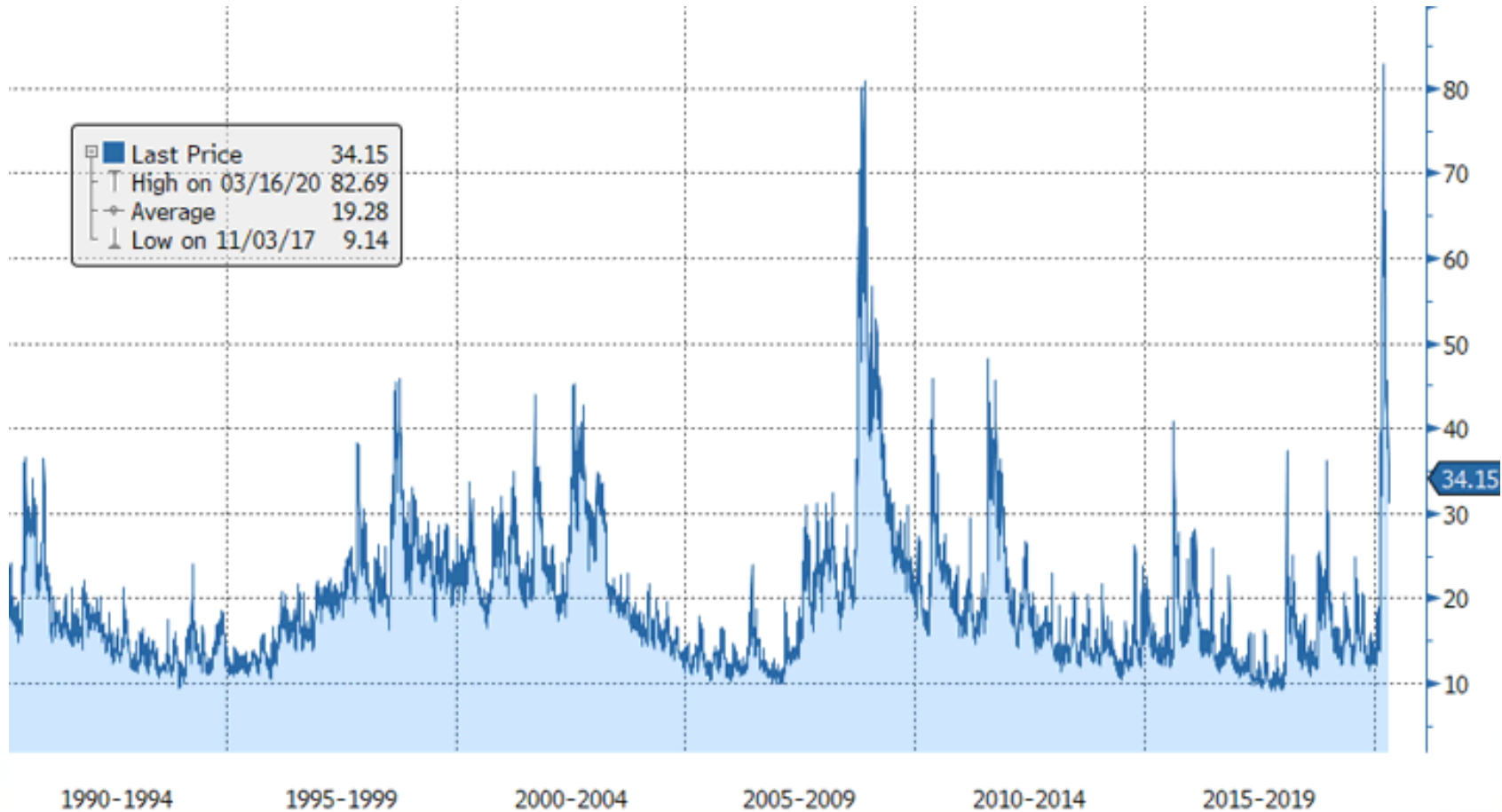
Economic & Market Impacts of COVID-19

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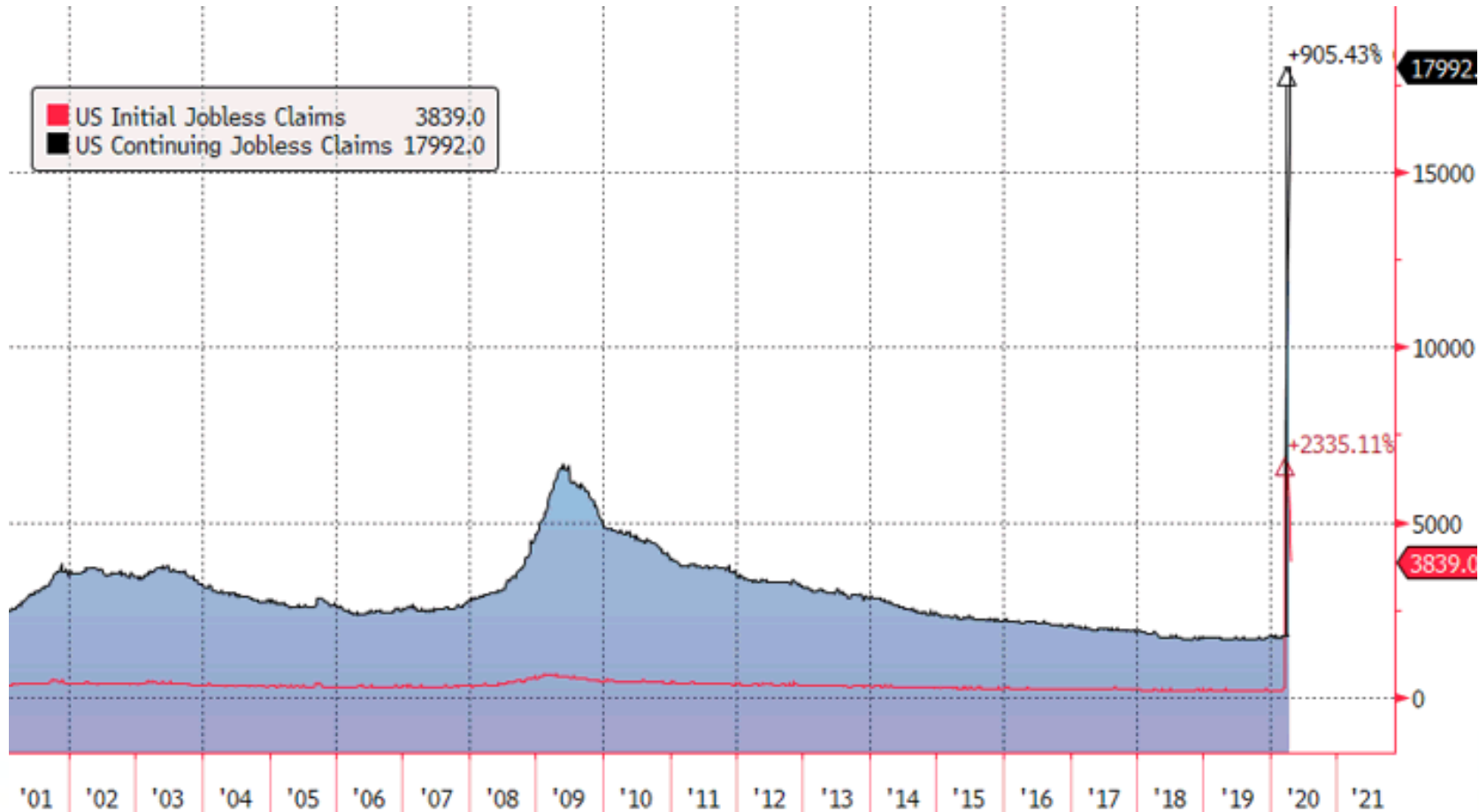
The Equity Markets



Volatility Index (VIX)



US Jobless Claims



Market Impact

- Crude oil traded negative first time ever (intraday low of -\$40.32); now ~\$15/barrel which is only down ~75% YTD
- Fastest bear market correction on record (22 days for S&P, 19 for Dow Jones)
- Short-end of the Treasury yield curve negative yielding for about a week in late March
- 10-year Treasury hit an all-time intraday low of 0.33%
- At one point, the entire Treasury yield curve was below 1%
- Stock market experienced multiple days of the largest or one of the largest point drops in history
- The S&P 500 down 34% from Feb high to Mar low; recovered about 2/3 of losses
- Stocks such as Norwegian Cruise Line, Royal Caribbean and Carnival Corp among the most negatively impacted, each losing over 65% of their market capitalization since the outbreak (over 80% at one point).
- Public companies are not providing any guidance into the future of 2020

Do Insurance Companies Experience this Volatility?



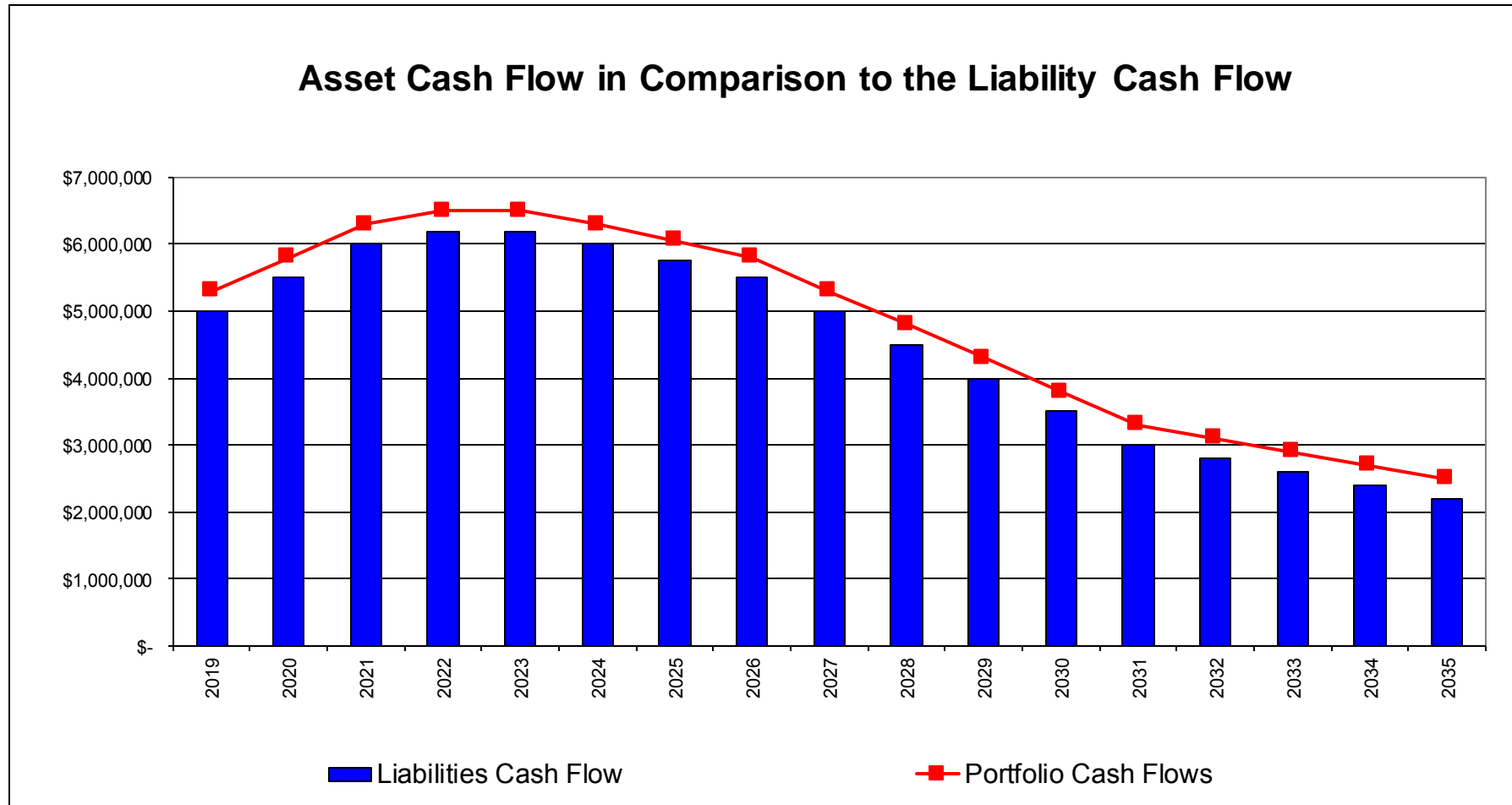
Unique Characteristics of an Insurance Company

- Regulation Designed to Protect the Policy Holder
 - National Association of Insurance Commissioners (NAIC)
 - State Department of Insurance
- Insurance Accounting is Unique and Designed around Cash Flow
- Investments and Portfolio Design are Unique
- Insurance Employee Positions are Unique

Unique Characteristics of an Insurance Company

- Assets are there to Support the Future Claims of the Company
- NAIC and State Insurance Code is Focused on Cash Flow
 - Policyholder Focus
 - Focus on Fixed Income
 - Required Annual Cash Flow Testing
- NAIC and State Insurance Codes are Focused on Reduced Volatility
 - Restrictions on Assets with Increased Volatility
 - Higher Reserves and Penalties on Certain Assets
- Insurance (Statutory) Accounting is Focused on Cash Flow
 - Fixed Income is Reported at Cost for an Insurer
 - Special Reserves that Limit Active Trading

Focus on Cash Flow



What are the Risks for an Insurance Company?

- Any Mismatch of Company Assets with the Liabilities
- Inappropriate Diversification
- Credit Risk
- Low Interest Rates Reducing the Yield on new Investments
- Claims risk

Questions to ask your preneed funding provider?

- AM Best rating
- Capital and Surplus to Assets ratio
- Credit quality
 - Exposure to common stock
 - Bond performance amid COVID-19 related bankruptcies
- NAIC consumer resources – download financial information

