

FINANCIAL FOCUS

SPRING 2009

**REP. MELISSA BEAN
SPEAKS AT NFI'S 6TH
ANNUAL INSURANCE
REFORM SUMMIT**



Networks Financial Institute at Indiana State University was founded in 2003 through a grant from Lilly Endowment Inc. and strives to facilitate broad, collaborative thinking, dialogue and progress in the evolving financial services marketplace, focusing on the areas of student programs, financial literacy and thought leadership. NFI is a leader in preparing students for careers in the financial services industry. NFI connects Indiana State's financial, business and educational expertise and resources with today's needs in the financial services marketplace. NFI is a primary source for objective and applied research within the financial services industry. For more, visit NFI online at networksfinancialinstitute.org.



Indiana State University, established in 1865, is a four-year public university that embraces its mission to educate the leaders of tomorrow with focus on research, experiential learning and civic engagement. Its five colleges and the School of Graduate Studies offer courses leading to undergraduate and graduate degrees and certificates in arts and sciences, business, education, health and human performance, nursing and technology. Financial services is one of many distinctive programs you'll find at Indiana State. It is one of two programs designated Programs of National Distinction for achieving a national reputation for the quality of its work and reflecting the values of Indiana State while meeting state and national needs. To learn more, visit www.indstate.edu or call 800-GO-TO-ISU.

FEATURE

6TH ANNUAL INSURANCE REFORM SUMMIT

- 12 The current financial crisis may make the debate over insurance regulatory reform more of a priority.
- 14 National Insurance Modernization Act will be co-sponsored by Representative Melissa Bean. Representative Spencer Bachus will co-sponsor the Non-Admitted and Reinsurance Reform Act.
- 16 Martin Grace reexamines federal regulation in the insurance industry.
- 17 NAIC Chief Executive Officer Therese Vaughan discussed her paper *The Implications of Solvency II for U.S. Insurance Regulation*.
- 18 At the Summit, a panel addressed the consumer impact that occurs when an insurance company fails.
- 20 An industry panel comprised of CEOs discussed state and federal regulation and consumer protection.
- 23 Sophomore Networks Scholar Kelsey Throckmorton provides a student's perspective on the Summit.



12

5 LOCAL FOUNDATION INVESTS IN KIDS COUNT

An online version of the Kids Count program, that will enable teachers to implement financial literacy education into their classrooms immediately, will be developed thanks to a generous grant from the Nina Mason Pulliam Charitable Trust.

6 RESEARCH QUICKTAKES

NFI has hosted three recent events: a financial literacy conference, a presentation by Christopher Whalen and a discussion by Charles Evans. Also new Fellows and faculty have joined NFI and several recent papers have been published.

8 COLLEGE OF BUSINESS QUICKTAKES

ISU has been home to several recent events focusing on financial services. ISU's College of Business IRM program has been recognized as one of the nation's best.

10 EDUCATION QUICKTAKES

Networks Scholars explore the financial services industry in Indianapolis and plan to visit New York City and Europe. And the Networks Professional Development Program celebrates with its Year-In-Review and Awards program.

24 4TH ANNUAL ETHICS CONFERENCE

The junior class of Networks Scholars welcomed more than 400 students, educators and industry professionals to campus for the fourth annual Ethics and Corporate Social Responsibility Conference.

28 INVESTING IN A NATIONAL SOLUTION

NFI's Kids Count: Road to Financial Literacy went national with the launch of the Kids Count™ online curriculum, the introduction of Kids Count Game of Dollars & Sense™ and the first phase of a program to educate teachers in the fundamentals of financial literacy.



FINANCIAL FOCUS

Financial Focus is a quarterly magazine published by Networks Financial Institute at Indiana State University.

STAFF



ELIZABETH A. COIT
Executive Director
Ext. 701
elizabeth.coit@isunetworks.org



ANDREA BORDENKECHER
Director of Corporate Development
Ext. 717
andrea.bordenkecher@isunetworks.org



ALISON PALMER
Director of Marketing & Communications
Ext. 702
alison.palmer@isunetworks.org



LIVIA SCOTT
Director of Networks Professional Development Program
Ext. 704
livia.scott@isunetworks.org



JOHN TATOM, PH.D.
Director of Research
Ext. 712
john.tatom@isunetworks.org



KRISTINA ULAND
Director of Grant Development
Ext. 703
kristina.uland@isunetworks.org



PRISCILLA WOLFE, PH.D.
Director of Education
(812) 237-8271
priscilla.wolfe@isunetworks.org



JOE ZACHERY
Director of Operations
Ext. 705
joe.zachery@isunetworks.org



SANDRA BRIGANDO
Financial Literacy Coordinator
Ext. 707
sandra.brigando@isunetworks.org



MARLENE ENGLISH
Budget Coordinator
(812) 237-2011
bssmar@isugw.indstate.edu



MECHELE HODGE
Executive Assistant
Ext. 706
mechele.hodge@isunetworks.org



MARTHA HENN MCCORMICK
Research Coordinator
Ext. 708
martha.mccormick@isunetworks.org



NICK OCHIENG
Research Associate
Ext. 714
nick.ochieng@isunetworks.org



KATHLEEN PARISH
Career Development Specialist
Ext. 716
kathleen.parish@isunetworks.org



CORRIE SCARINGE
Event Coordinator
Ext. 720
corrie.scaringe@isunetworks.org

OFFICES

INDIANAPOLIS, IN
2902 N. Meridian St.
Indianapolis, IN 46208
317-536-0281
800-603-7113 toll-free
317-536-2269 FAX

TERRE HAUTE, IN
800 Sycamore St.
Room 415
Terre Haute, IN 47809
812-237-7628
812-237-4540 FAX

WASHINGTON, D.C.
805 15th St N.W.
Suite 700
Washington, D.C. 20005
202-312-7071
202-589-2879 FAX

ADVISORY COUNCIL

Michael J. Alley
Owner, Patriot Investments LLC; former President and CEO, Fifth Third Bank

Kevin A. Hoolehan
Managing Director, Indiana State University Foundation

H. Peter Hudson
Retired President and CEO, Chair Monroe Guaranty Insurance Co.; former Indiana Commissioner of Insurance; former President, NAIC; former President, Insurance Institute of Indiana

Dr. Steven W. Lamb
Professor and Chair, Indiana State University Analytical Department

Dr. C. Jack Maynard
Provost and Vice President for Academic Affairs, Indiana State University

Charles T. Richardson
Partner, Baker and Daniels; Chair, Insurance and Financial Services team

MISSION
Networks Financial Institute at Indiana State University was founded in 2003 through a grant from Lilly Endowment Inc. and strives to facilitate broad, collaborative thinking, dialogue and progress in the evolving financial services marketplace, focusing on the areas of student programs, financial literacy and thought leadership. NFI is a leader in preparing students for careers in the financial services industry. NFI connects Indiana State's financial, business and educational expertise and resources with today's needs in the financial services marketplace. NFI is a primary source for objective and applied research within the financial services industry. For more, visit NFI online at networksfinancialinstitute.org.



© 2009 Networks Financial Institute. All rights reserved. For more information about NFI or to download this and previous issues of Financial Focus, visit [Networks Financial Institute online at networksfinancialinstitute.org](http://NetworksFinancialInstitute.org). To be added to our mailing list, please call toll-free 800-603-7113 or make your request by email to info@isunetworks.org.

local foundation invests in



Research conducted by NFI indicates that parents and teachers believe financial literacy is an important piece of our children's education. Many parents believe personal finance is taught in school; however, only about half of classroom teachers report actually teaching their students anything about money management.

That's why NFI created *Kids Count on the Money Bus*™, the financial literacy curriculum and mobile "field trip" that visits third through fifth graders in Indiana. You may have read about the Money Bus right here in *Financial Focus* or in your local newspaper. You may even have seen the colorful 40-foot custom RV traveling through your neighborhood as it makes its way to schools throughout the state. In fact, since hitting the road in 2006 the Money Bus has visited over 100 schools and has helped more than 10,000 young Hoosiers learn the basics of financial literacy.

Because the "real life" Money Bus can only be in one place at any given time, and due to the popularity and demand for the program, resource limitations have meant that schools requesting participation have had to be placed on a waiting list for several semesters before an opening is available. Now, thanks to a generous grant from the Nina Mason Pulliam Charitable Trust, an online version of the program is being developed that will enable teachers

to implement financial literacy education into their classrooms immediately. The grant will be used to pilot the new Kids Count Online Classroom right here in central Indiana.

"Nina would have appreciated the importance of this grant that brings personal financial management skills to students, preparing them for life," said Nina Mason Pulliam Charitable Trust Chairman Frank E. Russell. "Nina believed in personal responsibility and the importance of education as the avenue for success. This program combines both and the Trust is proud to support Kids Count Online Classroom in Nina's hometown of Indianapolis."

Specifically, NFI will work with teachers and administrators in central Indiana, selecting five pilot schools that exhibit socioeconomic diversity and a keen interest in financial literacy education. Professional development modules will enhance the experience for teachers, providing skills they can draw upon throughout their careers in education. Best of all, the completed project will eventually be implemented throughout the United States, dramatically increasing the number of students and teachers impacted by this innovative learning tool. Look for updates regarding this exciting project in upcoming issues of *Financial Focus*.



Back left to right: NFI Director of Education Priscilla Wolfe, NFI Executive Director Elizabeth Coit and ISU Foundation President Gene Crume. Front left to right: Nina Mason Pulliam Charitable Trustees: Nancy M. Russell, Frank E. Russell and Carol Peden Schilling.

Recent NFI Research Events

FINANCIAL LITERACY CONFERENCE

On May 14-15, 2009, NFI hosted a cutting-edge academic research conference in Indianapolis bringing together national experts such as **Werner F.M. De Bondt**, the Richard H. Driehaus Professor in Behavioral Finance at DePaul University, and **Tahira K. Hira**, professor of Personal Finance and Consumer Economics at Iowa State University in Ames, Iowa, along with a prestigious group of scholars from across the U.S. and the globe. Entitled “Improving Financial Literacy and Reshaping Financial Behavior,” the conference explored the costs of suboptimal consumer decisions and their impact on the recent foreclosure debacle and the financial crisis. With household wealth and the personal management of assets, income and consumer behavior under strain, the focus of this conference was on the



De Bondt



Hira

factors that shape financial behavior and how individuals, educators and policy makers can most effectively improve financial literacy and its influence on financial decision-making. Select conference papers will be featured in a special issue of the *Journal of Consumer Affairs* to be published in Spring/Summer 2010.

EVANS PRESENTATION

Federal Reserve Bank of Chicago President **Charles L. Evans** visited Networks Financial Institute for a discussion of the ongoing mortgage and financial crises with local financial executives on November 21, 2008. Following a reception in his honor, President Evans gave informal remarks on the crises to 18 central Indiana financial services Chief Executive Officers and Chief Financial Officers. He detailed the extent of the problem and the Federal Reserve and U.S. Treasury policy responses. In an extended discussion, Evans also sought the financial executives’ feedback on local credit and economic conditions. Evans emphasized the easing of monetary policy in mid-September and October 2008 and that the Federal Reserve System was ready and willing to do

Recent NFI Research Publications

Note: NFI research papers and publications are available at www.networksfinancialinstitute.org/research/publications. NFI’s monthly research newsletter is also available on the website as well.

INDUSTRY PERFORMANCE AND REGULATION: POLICY BRIEFS

- Grace, Martin F. “A Reexamination of Federal Regulation of the Insurance Industry.” 2009-PB-02. February 2009.
- VanHoose, David. “Policy Implications of Endogenous Sunk Fixed Costs in Banking: Has U.S. Antitrust Policy Been on the Wrong Track?” 2008-PB-06. December 2008.
- VanHoose, David. “Two-Sided Markets, Bank Card Payment Networks, and Public Policy.” 2009-PB-01. January 2009.
- Vaughan, Therese M. “The Implications of Solvency II for U.S. Insurance Regulation.” 2009-PB-03. February 2009.

INDUSTRY PERFORMANCE AND REGULATION: WORKING PAPERS

- Chandra, Aruna and Magda Narczewska. “Business Incubation in Chile: Role of Government in Incubator Financing and Financial Services to Incubatees.” 2009-WP-02. March 2009.
- Tatom, John A. “Imbalances in China and U.S. Capital Flows.” 2008-WP-14. November 2008.

FINANCIAL LITERACY: WORKING PAPERS

- Osili, Una Okonkwo. “Bank Crises and Investor Confidence.” 2009-WP-01. February 2009.

ECONOMIC DEVELOPMENT: WORKING PAPERS

- Balasubramanyan, Lakshmi. “Measuring the Efficiency of Financial Outputs for Entrepreneurship.” 2009-WP-03. March 2009.

Recent NFI Research Events *(continued)*

everything possible to spur a return to normalcy in the pricing and availability of credit in the economy. He enumerated a variety of new credit programs available to banks and to other financial intermediaries who have never before had access to Federal Reserve credit. Several of the local executives indicated that the local economy had remained relatively strong, with credit available and financial institutions still profitable, though they were concerned that the nation's economic weakness might be about to spread to the Indiana economy. Evans holds a Ph.D. in Economics and has taught at the University of Chicago, University of Michigan and University of South Carolina. Evans' visit to Indianapolis also included a noon speech on national economic conditions to the Economics Club of Indiana.



LEFT TO RIGHT NFI Executive Director Elizabeth Coit, ISU President Don Bradley, Federal Reserve Bank of Chicago President Charles Evans and Dean of the ISU College of Business Nancy Merit at NFI's Indianapolis headquarters.

New Fellows and Faculty

As of late winter of 2009, and in anticipation of his research presentation at NFI's 6th annual Insurance Reform Summit, NFI welcomed to its ranks Senior Fellow **Martin F. Grace**, Ph.D., James S. Kemper Professor of Risk Management and Professor of Legal Studies and Risk



Grace

Management and Insurance in the Robinson College of Business at Georgia State University and Associate Director and Research Associate at GSU's Center for Risk Management and Insurance Research. Grace is also an Associate in the Andrew Young School of Policy Studies, Fiscal Policy Center. His research has been published in various journals in economics and insurance concerning the economics and public policy aspects of regulation and taxation. In particular, Dr. Grace has studied various aspects of the regulation and taxation of the insurance industry. Dr. Grace is a former President of The Risk Theory Society and he is a current associate editor of the *Journal of Risk and Insurance*. Dr. Grace earned both a Ph.D. in economics and a J.D. from the University of Florida in 1987.

In the Fall of 2008, Indiana State University's College of Business welcomed new faculty member **Lakshmi Balasubramanyan** as an assistant professor of finance. Shortly thereafter, she also joined the ranks of NFI

Fellows. Balasubramanyan received her Ph.D. in Agricultural Economics, with her major fields being Finance and Production Economics, from Pennsylvania State University. Her research interests include international financial markets and institutions, production analysis, risk management, credit analysis in commercial banking and the efficiency of financial inputs to entrepreneurship. Her present research focuses on commercial bank size, risk variability and how cost inefficiency can be a signal of bank vulnerability.

Arriving at Indiana State University for the Fall semester 2009 as a new faculty member in the Insurance program is **Jin Park**, Ph.D. Dr. Park's Ph.D. in Business Administration, with emphases in risk management and insurance, comes from the Department of Risk, Insurance and Healthcare Management, Fox School of Business and Management, Temple University. He also earned an M.B.A. from the Department of Finance, Insurance and Real Estate, Minnesota State University at Mankato. He comes to ISU from his most recent post at Illinois Wesleyan University. In 2007, Dr. Park's paper "Interest Rate Sensitivity of Financial Institutions by Liquidity Risk: Evidence from U.S. Property/Liability Insurers" won best paper in the Real Estate and Insurance track, Academy of Finance. He has published in the *Journal of the Academy of Finance*, *International Journal of Business* and *Economics Perspectives and Pravartak: A Journal of Insurance & Risk Management*.

ISU College of Business Events

13TH ANNUAL GROUNDHOG DAY ECONOMIC FORECAST BREAKFAST

The dismal economic climate is likely to get worse before it gets better, yet with those challenges come opportunities, according to a panel of experts at the **13th annual Groundhog Day Economic Forecast Breakfast**. Business leaders from across Terre Haute and Wabash Valley gathered at Indiana State University on Tuesday, February 3, 2009 for this annual event, sponsored by the Terre Haute Chamber of Commerce, ISU College of Business and Terre Haute Savings Bank. Panelists included Louis Joseph of Hospital Corporation of America Physicians Services; Gerry Dick of Inside Indiana Business; Brian Conley of Conley Real Estate Appraisals Inc.; and ISU economics professor Robert Guell. Nancy Merritt, dean of the ISU College of Business, served as facilitator.



Gerry Dick of Inside Indiana Business was just one of the panelist at the 13th annual Groundhog Day Economic Forecast Breakfast Indiana State University.

ISU ALUMNUS STEVEN PRUETT VISIT

Other College of Business events themed around financial services included the visit of ISU alumnus and retired Wall Street executive Steven Pruett to campus on January 20, 2009. Pruett, who served as managing director of global investment bank Goldman Sachs, discussed ethics, commodities trading and the environment, advising students to look at the market as a whole, which means understanding the financial climate

not only of the United States but those in Europe, Asia and elsewhere around the globe. "It's a global market," he said. "It's not U.S.-centered anymore."



ISU alumnus and retired Wall Street executive, Steven Pruett, spoke to the ISU College of Business in January 2009.

ALUMNI PANEL EDUCATED STUDENTS ON THE FIELD OF INSURANCE AND RISK MANAGEMENT

On March 19, 2009, the Insurance and Risk Management program hosted an alumni panel designed to help direct high school and college students toward career goals related to insurance and risk management. Panelists included Marsh USA vice president Maureen Biehl, Aflac agent Charlie Gossett, Gibson Insurance chief growth officer Tim Lehman, and J. Michael Vaught, executive director of national sales and strategic relationships for Zurich North America Commercial.



LEFT TO RIGHT Maureen Biehl, Charlie Gossett, Tim Lehman, and J. Michael Vaught.

Campus events stress importance of personal financial management

2009 ISU FINANCIAL LITERACY CONFERENCE

Business leaders, students, and community members gathered on the campus of Indiana State University on Saturday, February 21 for the **2009 Financial Literacy Conference**, hosted by ISU's Financial Management Association chapter. Addressing questions surrounding credit card use, mortgages, and retirement, bankers and investment professionals gave presentations and offered advice. ISU College of Business graduate and Old National Bank wealth management advisor Brian Cain addressed credit debt topics; while David Sprigg, Citizens National Bank Vice President for Business Development discussed mortgages and the pros and cons of refinancing. Investment advisor and Innsbruck Financial Management's CEO Jeff Spencer joined the forum to address retirement planning. John Conant, ISU professor and Chair of Economics, provided a broad perspective on issues of financial literacy. Along with sponsorship from NFI, the event was also sponsored by the ISU Gongaware Center, the Center for Economic Education, the School of Graduate Studies, and the College of Arts and Sciences.

TOWN AND GOWN DISCUSSION

Death by Credit Cards: Essentials for Survival was the focus of an Indiana State University Cunningham Memorial Library Town and Gown discussion held on Tuesday, February 24, 2009. The gathering addressed the ever growing fear of debt in America and what individuals can do to help themselves. Since Americans are no strangers to credit card debt, this discussion shared a few everyday changes consumers can make to insure credit card survival. The free, public event featured Pete Piazza, Vice President of lending at the Indiana State University Credit Union, and a short ISU Business student-made video entitled "Cash Rules." Professor Bill Wilhelm, program coordinator of ISU College of Business' Business, Education, Information, and Technology department spoke about the video and about credit card management in general. The final speaker, Amro Maher, Assistant Professor of Marketing addressed issues of consumer behavior.

Honors accrue to ISU College of Business

The insurance and risk management (IRM) program at Indiana State University's College of Business has been recognized as among the nation's best. The program is one of eight profiled in the September 2008 issue of *Risk Management Magazine*, a national publication for corporate risk managers. "We are among very distinguished schools," said Nancy J. Merritt, dean of the ISU College of Business. "Our students, instructors, internships, job placement, and development put us right there with other national programs." According to the article in *Risk Management*, ISU's insurance and risk management program ranks as a top school because of its support from the Gongaware Center, along with other industry sponsored scholarships and nearly 100 percent job placement. "As dean, I am very proud of this program and its continued reputation of excellence," Merritt said. In two subsequent (January

2009) articles in *Business Insurance* magazine, a major trade publication for commercial insurers, risk managers and commercial insurance consumers, the IRM program at ISU again garnered acclaim. They highlighted collegiate IRM programs and the development of marketable skills for students. This student feature profiled ISU senior IRM major John Lough and his summer 2008 internship with Lockton Companies of Kansas City, MO.

"As dean, I am very proud of this program and its continued reputation of excellence," Merritt said.

Indianapolis Corporate Exploration

Sophomore Scholars in the Networks Professional Development Program have formed three working teams, each with a different professional focus – Industry, Service and Teaming. On March 20th – 21st, the three teams came together for a two day event held in Indianapolis. “Indianapolis Corporate Exploration” is the first step in exploring the financial services industry. Twenty-two freshman and sophomore Scholars took advantage of this opportunity to visit Indiana Insurance, The National Bank of Indianapolis and BKD, a leading accounting firm headquartered in Indianapolis. Following their corporate visits, the group spent a day giving back to the community through volunteering to serve meals to families in need at the Dayspring Center. In May, the scholars will broaden their geographic scope with industry visits in New York City, Germany and Switzerland.



Networks Professional Development Program Scholars visit Indianapolis to explore the financial services industry.

Scholars Plan Visit to New York City and Europe

Networks Scholars at Indiana State University strive to stand out among their peers with respect to real-world experience. Throughout their four years at ISU, they take on a number of projects and leadership positions, while continuing to excel in the classroom. Many Scholars plan to work abroad at some point in their careers, and therefore, place a special emphasis on opportunities for international business experience.

One such experience will take place May 10-19, as a group of 18 Scholars in the Networks Professional Development Program and their advisors travel to New York City; Munich, Germany; and Zurich, Switzerland. Beginning with their brief stay in New York, students will visit the offices of NOMURA Americas, Morgan Stanley and the New York Stock Exchange. In Munich, industry visits are planned for Unicredit Group Research, BMW Finance and KPMG. Finally, the group will tour Zurich Insurance and Credit Suisse in Switzerland before returning home.

Of course, the students are also looking forward to taking in the rich cultural opportunities afforded by

European travel. In addition, they plan to conduct pre-trip workshops on travel safety and procedures as well as research about the European financial services industry.

Sophomore Networks Scholar Kelsey Powell has taken a leadership role in planning the trip, and says the goals are “first and foremost, to increase our knowledge and understanding about how international financial services markets function – specifically banking, accounting and insurance. At the same time, we want to be able to compare our U.S. experiences to those in European markets. And of course, it is essential for young professionals to develop functional skills such as navigating international travel, exchanging currency and understanding a variety of cultural norms that impact business transactions. This trip will allow our group to meet all these goals and ultimately enhance our professional readiness and confidence in international business.”

Look for a recap of the Scholars’ trip to Europe and photos of their travel experiences in the next issue of *Financial Focus*.