

20 PD - Getting Your Point Across

Douglas Eckley

E-mail

To other department heads:

just returned form VAS; let me know if you
want to see session notes

E-mail

- Pros

Short

Nice idea

The right communication method

E-mail

- Cons

No clue on the value of the meeting

Need to spell out “VAS”

“notes” is not an attractive word

“Let me know if” is not a grabber

The distribution is not focused

Misspelling

Memo-1

- Re: Actuarial Opinions based on state of domicile reserves and liabilities acceptable to other states

As I see it there are three main issues:

1. Can we find a way to reduce the cost to companies of state variations in valuation requirements?
2. How do we maintain a level playing field if a non-domestic company can sell in our state and hold reserves lower than a domestic company is required to hold?
3. What can a non-domestic state Department of Insurance do to ensure it can rely on the level of reserves required by the company's state of domicile?

Memo-1

- Pros
 - The issues are relevant
 - Players' identities are clear
- Cons
 - The “Re” is unclear
 - Issues phrased as questions
 - The wording begs the solution: uniform requirements

Memo-2

- Re: Actuarial Opinions based on state of domicile reserves and liabilities acceptable to other states

Either we trust the valuation actuary's opinion or we don't. If we do, then provide minimum reserve standards (legal or otherwise, state of domicile or national) and guidance (legal, ASOPS or otherwise) when to exceed those minimum standards, and let the VA do his/her job. If we don't, then let's discard the valuation actuary concept, and establish conservative national reserve standards.

Memo-2

- Pro: Has an excellent point to make
- Cons:
 - Need to define the valuation actuary concept
 - The first option looks like what we have
 - The second option was embedded in the first

Opinion

The results of the asset adequacy analysis support the conclusion that these reserves, when considered in light of the assets held with respect to such reserves, make adequate provision for moderately adverse conditions and are sufficient to support the obligations of the Company under the policies and contracts covered by the analysis.

Opinion

- Pro: Standard wording precludes horrible wording
- Cons
 - Impersonal
 - Sentence is too long
 - “in light of the assets” is too vague
 - “these” and “such” refer to the same thing

Alternative Opinion

I determined that assets with a book value equal to the reserves, plus future premiums, will be sufficient to pay claims. This is the measure of whether my reserves are appropriate.

10-Q Footnote

- Future Policy Benefits

The Company also establishes liabilities for amounts payable under insurance policies, including traditional life insurance, annuities and disabled lives. Generally, amounts are payable over an extended period of time and the profitability of the products is dependent on the pricing of the products. Principal assumptions used in pricing policies and in the establishment of liabilities for future policy benefits are mortality, morbidity, expenses, persistency, investment returns and inflation. Differences between the actual experience and assumptions used in pricing the policies and in the establishment of liabilities result in variances in profit and could result in losses.

10-Q Footnote

- Pro: Better than nothing
- Cons
 - Amounts payable when?
 - Need to define “traditional life insurance”
 - Life insurance, annuities, disabled lives, widgets
 - ...
 - Unnecessary to state that pricing affects profitability

Alternative 10-Q Footnote

- Future Policy Benefits

The company establishes a liability equal to the excess of future policy benefits over future premiums. If experience develops more poorly than the assumptions used in determining the liability, losses will result.

Rules of Procedure

- Use the right method of communication
- Be straightforward
- Use enough wording
- Use simplified examples to illustrate complex topics
- An explanation is more impressive than lack thereof
- Consider the audience

Consider the Audience

- Familiarity with the topic
- Views on the topic
- Possible reactions
- Usually is slightly less knowing than you think