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Co-Editor Commentary on

"Relationship of IRR to ROI on a Level Term Life Insurance Policy"

By Kurt Guske

The divergence between the pattern of year-by-year GAAP ROI (or RoE) and the statutory IRR measure is at least as meaningful a topic today as it was in 2002 when Wayne Stuenkel first published this vintage article. While the two measures equate over the long haul, recent developments such as the introduction of FASB rule ASU 2010-26 put pressure on new business first year ROI. This naturally tilts the ROI scale more to the favor of later years. The new DAC rule applies especially to more traditional product, distribution, issue and underwriting models whose expense deferability depends on things like high placement rates.

If aligning the relationship of IRR to ROI is important to you, design thinking might be a great way to "d-think" your business model and product strategy.

"Relationship of IRR to ROI on a Level Term Life Insurance Policy" was first introduced in the August 2002 issue of Product Matters! (no. 53). The article was also published in September of the same year in The Financial Reporter (issue no. 50). ◻

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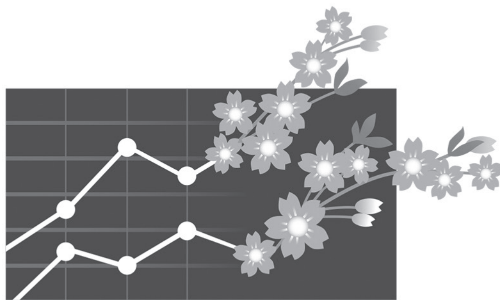

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