



SOCIETY OF ACTUARIES

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On the Research Front



The following is a list of current research studies that will pique your interest and keep you informed.

2007-09 U.S. INDIVIDUAL LIFE PERSISTENCY UPDATE

This report presents the results of the most recent study of individual life insurance lapse experience in the United States conducted jointly by LIMRA International and the SOA. The observation period for the study is calendar years 2007-09. The study is based on data provided by 27 individual life insurance writers and presents lapse experience for whole life, term life, universal life and variable universal life plans issued between 1910 and 2009. An Excel spreadsheet is available which contains supporting source lapse rates for figures within the U.S. Individual Life Insurance Persistency report. <http://www.soa.org/Research/Experience-Study/Ind-Life/Persistency/2007-09-US-Individual-Life-Persistency-Update.aspx>

ACTUARIAL MODELING CONTROLS REPORT POSTED ON WEBSITE

As the life insurance and annuity industries move toward model-based approaches to reserve and capital valuation (MBV), actuarial models are increasing in complexity and sophistication, while the imperative to avoid modeling errors is also increasing. In a new study sponsored by the Financial Reporting Section, Committee on Life Insurance Research, and Committee on Finance Research, actuarial modeling control practices are examined. Authored by Sara Kaufman, Jeff Lortie and Jason Morton of Deloitte, the report summarizes the results of an online survey and follow-up discussions with survey respondents on the control systems U.S. and Canadian life insurance and annuity companies have currently implemented. The report then evaluates the current state against the controls expected to be in place upon adoption of MBV approaches and increased external scrutiny, and proposes considerations for enhancing the current state to get to the necessary controls within a more highly controlled model framework. <http://www.soa.org/Research/Research-Projects/Life-Insurance/Actuarial-Modeling-Control.aspx>

SOA COMMITTEES, SECTION RELEASE LIVING TO 100 MORTALITY OVERVIEW REPORT

Get a good overview and analysis of the mortality models, theories and trends contained in the papers presented at the past four international Living to 100 symposia by reviewing a new report sponsored by the Society of Actuaries' Committee on Life Insurance Research, the Committee on Knowledge Extension Research and the Product Development Section. Authored by Jennifer Haid, Michael Chan and Christopher Raham of Ernst & Young, this paper offers an overview of the technical materials related to data sources, validation techniques and methodologies used by practitioners to develop mortality estimates for present and future periods. A summary of discussions regarding business, policy and social implications of increased longevity is also included. <http://www.soa.org/Research/Research-Projects/Life-Insurance/soa-living-100.aspx>

NEW REPORT, "RECOGNIZING WHEN BLACK SWANS AREN'T" JUST RELEASED

Read this new research report, sponsored by the Reinsurance and Joint Risk Management Sections and Committee on Life Insurance Research, to better recognize, assess and respond to emerging events. Authored by Guntram Werther of Temple University with the assistance of Thomas Herget, this paper provides a holistic framework for foreseeing large scale, large impact rare events (LSLIREs). The report covers, among other topics, the definition of a black swan vs. LSLIRE; why current recognition methods for these extreme events fail; potential solutions for better foreseeing emerging LSLIREs; and how to improve timing and recognition of the trigger points within an LSLIRE. <http://www.soa.org/research/research-projects/life-insurance/research-2013-black-swan.aspx>

NEW REPORT JUST RELEASED ON LIFE REINSURANCE TREATY CONSTRUCTION

Reinsurance treaty negotiations can be a long process that may lead to lengthy, unwieldy documents and

negative experiences for the direct writer and/or reinsurer. The SOA's Reinsurance Section and the Committee on Life Insurance Research have just released a new report on Life Reinsurance Treaty Construction. Authored by Steve Stockman and Tim Cardinal of Actuarial Compass, this report discusses the importance of many reinsurance treaty terms/provisions, identifies common treaty structures, practices, and/or solutions in reinsurance treaty construction and negotiation and illustrates how treaty terms have evolved over time. The knowledge from this research will assist individuals involved in reinsurance treaty negotiations to optimize resources and success in future reinsurance treaty development potentially leading to enhancements in current processes and treaty language, as well as a reduction in the length of time needed to complete negotiations. <http://www.soa.org/Research/Research-Projects/Life-Insurance/Life-Reinsurance-Treaty-Construction.aspx>

REPORT COMPLETE: COMPARATIVE FAILURE EXPERIENCES OF BANKS AND INSURERS

Much has been written about the underlying causes and effects of the most recent financial crisis. The effects of this crisis on financial institutions have certainly differed in the United States, compared to Canada. A new study, sponsored by the Financial Reporting Section and Joint Risk Management Section Research Committee, and authored by Stephen Robb, Paul Della Penna, and Alicia Robb, examines what factors account for these differences; how the recent events differ from previous financial crises; and how their effects differ among the various types of financial institutions. The research uncovered limitations in the available data for the number of failures. The research also indicates that without good data, setting public policy or solving the problems that led to the financial crisis might be difficult. <http://www.soa.org/Research/Research-Projects/Life-Insurance/research-2013-comparative-failure-exp.aspx> □