



SOCIETY OF ACTUARIES

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# Product Matters!

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# Chairperson's Corner

By Mitch Katcher



Mitch Katcher

Greetings to All,

It has been a while since I, as chairman of the Product Development section, have had the privilege of speaking to all of you. It has been a very productive period since we last spoke. In my prior letter I discussed the section council's need to hear from the section members on your ideas, and we asked for your input on education and research that would be of greatest value to you. Based upon feedback we received from you and our own input, here are the activities we have undertaken to date:

## Research

RESEARCH THE SECTION HAS INITIATED:

**Market Consistent Embedded Value (MCEV)**—It is becoming ever prevalent and is not well understood by many on how it compares to other profit measures many are accustomed to using. This research will include case studies on three types of annuities and three types of life products along with discussing many other issues like assumptions and surplus impacts. *(Sponsors are the Product Development Section and the Committee on Life Insurance Research (CLIR))*

**Premium Persistency**—We are reviewing bids to select the researcher for the study. This research examines premium persistency assumptions companies are using for their flexible premium UL products. The project will also gauge companies' willingness to participate in a full data study. *(Sponsors are Product Development and Financial Reporting Sections)*

RESEARCH THE SECTION IS COSPONSORING:

**Implications of Perceptions of Post Retirement Risks**—This study examines the impact of public perceptions on post-retirement risks to life insurance, product development, and marketing strategies. *(Sponsors are the CLIR and the Product Development Section)*

**Mortality Improvement in the United States and Internationally**—This project examines historical life insurance and annuity policyholder mortality improvement trends and/or mortality improvement rates and how they compare to that of the general United States and international populations. *(Sponsors are Reinsurance, Product Development, and Financial Reporting Sections and CLIR)*

**2011 Living to 100 Call For Papers and Research Symposium**—The Product Development Section was a sponsor of this fourth international research symposium held Jan. 5–7, 2011 that brought together actuaries, demographers, physicians, gerontologists, and others to discuss advanced age survival and its implications to social, financial, retirement, and health care systems. Approximately 35 papers were presented on such topics as mortality modeling, measurement and trends, obesity, and other factors that may affect mortality, mortality compression, predictors of exceptional longevity, and slowing the aging process. In this issue there is a more detailed article about this symposium from Douglas Doll. *(Sponsors are International, Long-term Care, Pension, Product Development, and Reinsurance Sections and the Committee on Knowledge Extension Research)*

**New Medical Markers**—The purpose of this project is to systematically identify laboratory tests that are not currently widely used in the life insurance industry but could have a potential use in the underwriting process. *(Sponsors are Reinsurance, Product Development, Committee on Life Insurance Research, Association of Home Office Underwriters and the Canadian Institute of Underwriters)*

**Stochastic Modeling Efficiency**—In collaboration with the Academy's Modeling Efficiency Work Group, this study investigates various modeling efficiency methods as they might be applied to the required stochastic modeling

under a principle-based framework for determining reserves and capital. (*Sponsors are Financial Reporting and Product Development Sections and CLIR*)

## Webinars

The PD section sponsored a webinar on **April 20** titled **Economic Cost of Obesity**. This webinar was a review of the Society of Actuaries study, *Obesity and its Relation to Mortality and Morbidity Costs*. This study was released earlier this year and received national media attention. While much research has been conducted on obesity, the SOA study looked at the economic costs of increased need for medical care, and loss of economic productivity resulting from excess mortality and disability. Lead researchers for the study, Don Behan and Sam Cox, presented the results of the study.

The PD section is in the process of planning two additional webinars that will occur in 2011.

## Life and Annuity Symposium

**Sessions**—The Product Development Section sponsored seven sessions in the Product Track, five of which were repeated in an additional time slot. The Product Development Section also co-sponsored five other sessions in the Product Track, one of which was repeated. The Section developed these sessions by taking the survey input received from you last year along with a review of the attendance at all of the sessions sponsored and co-sponsored by the Product Development Section at last year's Life & Annuity Symposium and SOA Annual Meeting to determine the sessions that would be most interesting to you.

**Breakfast Speaker**—The topic was **Innovation is the Name of the Game in Product Development. Bringing New Ideas to the Table May Not Be Easy**. We were very excited to have Dr. Cherie Courseault Trumbach from the University of New Orleans discuss an accelerated innovation approach utilized in technology industries. This approach is based on incorporating external information sources into the innovation process. I can't help but editorialize here. I love speakers who are passionate and knowledgeable enough about their subject that when asked how much time they need the response is, "I can speak for as long as you give me!"

**The "Day After" Seminar**—The seminar was called, "**Insights into the Pricing of Policyholder-Related Assumptions.**" Industry experts from many types of firms (consultants, insurers, LIMRA, SOA) shared their knowledge about how policyholder-related assumptions are evaluated and set, including mortality, lapsation, partial withdrawals, funding patterns, and more. Speakers provided up-to-date experiences and techniques, including some views on how the financial crisis impacted us all, and the impact of today's historically low interest rate environment.

## Product Development Newsletter

**Letters to the Editor**—We received our first letter to the editor. Again I must editorialize. I am surprised that more of us do not take advantage of this forum. It is a venue to speak to what sessions you liked and didn't, what articles you liked and didn't, learn more about the subject by asking the presenter or author additional questions or share your own experience with respect to a topic. It is also a great venue to give us additional feedback on the types of research and session you would like to see in the future if we are missing the mark.

So, as I look back upon everything we have accomplished this year to date and plan to do for the rest of the year, I have to thank the members of the Product Development section for all of their efforts. This is a real working section! In addition, I want to thank section members who have reached out to us to give us input or support our efforts.

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And to those section members who do not fall into either group above, you would be surprised how rewarding and fulfilling getting involved is. We still value you!

### Upcoming Elections

It seems like just yesterday but it is time for us to start recruiting new candidates to run for the Product Development section. Here are a few key dates:

- Candidate bios are due July 1 (SOA staff will work directly with the candidates on this)
- Voting will be open from August 8 – September 2

Please take this opportunity to get engaged and help mold the future of the section. There is time and effort that is required. But nowhere near the amount might you otherwise think due to the outstanding support we get from the staff of the SOA.

It is our goal to make the committee as relevant to you as ever. We do not need a lot from you, but to succeed we do need your engagement.

Please feel free to contact me anytime with your thoughts or suggestions to help us build an even more relevant Product Development section or if you are interested in running for the council. I look forward to receiving your e-mails and to seeing and talking to you at the upcoming Life & Annuity Symposium.

In closing, I want to thank you all for the opportunity to serve you. I'm looking forward to hearing from you and also what promises to be a very interesting and impactful rest of the year! ▣

Best Regards,  
Mitch Katcher

# SOA '11 ELECTIONS!

Mark your calendar and let your voice be heard!



### CALLING ALL ELIGIBLE VOTERS

This year, elections open **August 8** and will close **September 2 at noon Central time**. Complete election information can be found at [www.soa.org/elections](http://www.soa.org/elections). Any election questions can be sent to [elections@soa.org](mailto:elections@soa.org).

