



SOCIETY OF ACTUARIES

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# Reinsurance Section News

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## Reinsurance Section Survey Results

by Bill Wellnitz

Last year the Reinsurance Section conducted a survey of Section members and a sampling of nonmembers to obtain feedback on the level of satisfaction with the information and services provided by the Section and to identify issues that the Section should consider addressing in the future. In all, about 4,000 survey forms were sent out; the response rates were 12% and 19% from Section members and nonmembers, respectively. The response rate from members is consistent with that obtained on surveys conducted by other Sections, while the nonmember response rate is better than expected. Some of the more interesting findings from the survey include:

- A higher percentage of nonmembers responding to the survey are employed in businesses that traditionally have not made much use of reinsurance—pensions, employee benefits, investments, and health insurance.

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## Life Reinsurance Data from the Munich American Survey

by James L. Sweeney  
and David M. Bruggeman

**Editor's Note:** *These survey data are prepared by Munich American Reassurance Company at the request of the Society of Actuaries Reinsurance Section as a service to Section members. The numbers are provided by the contributing companies in response to the survey. These numbers are not audited and Munich American, the Society of Actuaries, and the Reinsurance Section take no responsibility for the accuracy of the figures.*



Munich American's annual survey, which is conducted on behalf of the Statistical Research Committee of the Reinsurance Section, covers Canadian and U.S. ordinary and group life reinsurance new business production and in force. The ordinary numbers are further subdivided into:

- Conventional reinsurance (recurring) [1]
- Reinsurance with an issue date in a year prior to the year in which it was reinsured, or financial reinsurance (portfolio)
- Reinsurance not directly written by the ceding company (retrocession).

Complete survey results are available from the authors upon request. These results can also be obtained at Munich American's web site, [www.marclife.com](http://www.marclife.com).

### Life Reinsurance Production

The largest production increase ever in the history of the survey occurred in 1997 as new business rose 54.9%. This marks the fourth straight year new business production in the reinsurance market experienced a sizable increase. In 1996, new business increased 24.0%, while 1995 and 1994 had increases of 34.8% and 16.2%, respectively. Prior

to 1994, life reinsurance production remained relatively flat. The U.S. market experienced a 56.8% increase with impressive increases in ordinary recurring, ordinary portfolio, and group business, while the Canadian market increased by 21.8% with ordinary recurring and retrocession business exhibiting strong increases.

U.S. ordinary life production increased 51.5%, and Canadian ordinary business rose 26.9% over the prior year. This resulted in a total U.S. and Canadian ordinary business increase of 50.3%. On the group side, U.S. group new business increased 225.6% from 1996, while Canadian group business experienced a decrease of 25.4%. This resulted in an overall increase in group business for 1997 of 186.4%.

Life reinsurance production results for 1996 and 1997 are summarized in Table 1 on page 2.

Recurring business can often prove to be a more revealing indicator of production trends. We have attempted to remove most of the double-counting on retrocession and block reinsurance from the recurring figures.

Large increases in recurring new business appears to have been the norm rather than the exception in 1997. Three companies reported incremental increases in total Canadian and U.S. recurring new business in excess of \$20 billion and another five companies reported recurring increase in excess of \$10 billion. Security Life and Swiss Re/M&G each reported new business increases of \$21.9 billion. Life Re reported an increase of \$21.8 billion, although the company was unable to provide a breakdown of its business into the various categories, thus all business has been categorized as recurring. Companies with increases over

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TABLE 1  
Life Reinsurance New Business Production (\$U.S. Millions)

	U.S.			Canadian			Total		
	1996	1997	Change	1996	1997	Change	1996	1997	Change
Ordinary Life									
Recurring	\$350,440	\$509,653	45.4%	\$17,424	\$21,789	25.1%	\$367,863	\$531,442	44.5%
Portfolio	74,157	148,267	99.9	5,426	4,635	-14.6	79,583	152,902	92.1
Retrocession	34,970	38,494	10.1	1,686	4,717	179.7	36,656	43,211	17.9
Total Ordinary	459,566	696,414	51.5	24,536	31,141	26.9	484,102	727,555	50.3
Total Group	14,418	46,950	225.6	2,673	1,994	-25.4	17,091	48,944	186.4
<b>Total Life</b>	<b>\$473,985</b>	<b>\$743,364</b>	<b>56.8%</b>	<b>\$27,209</b>	<b>\$33,135</b>	<b>21.8%</b>	<b>\$501,193</b>	<b>\$776,499</b>	<b>54.9%</b>

\$10 billion include: RGA (\$13.3), Employers/ERC (\$13.1), Phoenix Home Life (\$12.8), AUL (\$11.3), and Lincoln Re (\$10.3). The significance of such large increases from individual companies can be put in better perspective by considering that prior to 1996, only one company had ever reported a new business increase in excess of \$10 billion. Also noteworthy is the fact that no company reported a decrease in recurring business in excess of \$500 million.

Totals for Canadian and U.S. recurring ordinary reinsurance assumed in 1996 and 1997, as well as percentage

changes, are as shown in Tables 2 and 3 and Figure 1 on page 4.

**Comparison with Direct Market**

Unlike the reinsurance market, new direct-life insurance purchases continue to be flat. The American Council of Life Insurance (ACLI) estimates that 1997 U.S. ordinary life insurance purchases increased only 0.76% from last year. In fact, the data from the ACLI reveal that life sales have increased only 5.33% for the period 1990-1997. However, during that same period, recurring life reinsurance sales have increased more than 230%! Figure 2 compares ordinary life new business totals with the recurring life

reinsurance totals for the industry over the last decade.

It is apparent that the increase in first-dollar quota-share arrangements has had a tremendous impact on new business reinsured. A most telling statistic is that the percentage of life sales reinsured has grown from 14.4% in 1990 to 45.3% in 1997. Only time will tell if such a high percentage of reinsurance will continue or even grow in the future, but the number of first-dollar quota-share arrangements will definitely be the key factor.

**Life Reinsurance In Force**

As a result of the large new business production, 1997 life reinsurance in-force business increased 25.2% from 1996. This follows increases of 14.8% in 1996 and 12.5% in 1995. U.S. total life in force increased 26.9%, while Canadian in force experienced an increase of 6.4% for 1995.

The in-force survey results for 1996 and 1997 are summarized in Table 4.

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**END NOTE**

1. Included in the definition of conventional category is business assumed from the direct side of companies which also maintain a reinsurance division. Business assumed from the reinsurance division would fall under the retrocession category.

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Photocopies of back issues may be requested for a nominal fee.

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TABLE 2  
U.S. Ordinary Recurring Reinsurance (\$U.S. Millions)

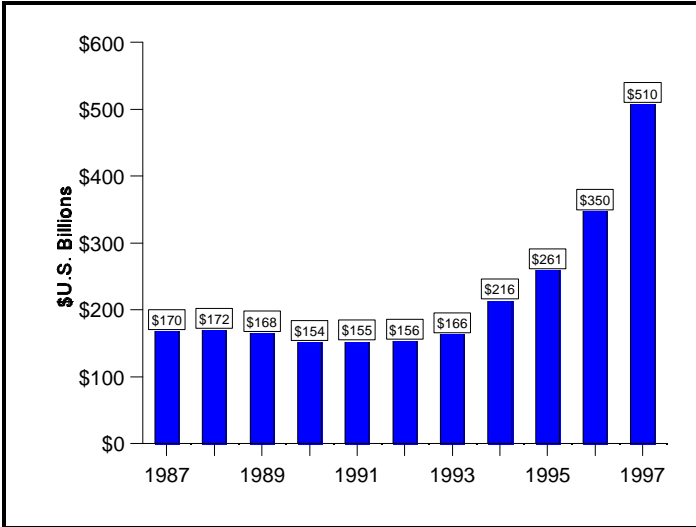
Company	1996			1997		
	Assumed Business	Market Share	Increase in Production	Assumed Business	Market Share	Increase in Production
Allianz	\$19,294	5.5%	181.7%	\$27,870	5.5%	44.4%
American United Life	14,259	4.1	14.9	25,603	5.0	79.6
Business Men's	17,399	5.0	10.6	20,132	4.0	15.7
CIGNA Re	1,392	0.4	-26.9	1,015	0.2	-27.1
CNA	9,269	2.6	174.0	9,473	1.9	2.2
Cologne Life Re	11,899	3.4	7.1	14,934	2.9	25.5
Crown Life	977	0.3	0.9	3,584	0.7	266.9
Employers Re/ERC Life	10,647	3.0	50.9	23,757	4.7	123.1
Gerling Global Life	11,899	3.4	-1.0	13,217	2.6	11.1
Life Reassurance Corp.	29,298	8.4	71.5	51,088	10.0	74.4
Lincoln Re	29,646	8.5	-12.7	39,897	7.8	34.6
Munich American Re	12,037	3.4	58.5	17,937	3.5	49.0
Optimum Re (Canada)	0	0.0	-100.0	0	0.0	0.0
Optimum Re (U.S.)	1,029	0.3	-7.3	1,439	0.3	39.8
Phoenix Home Life	21,523	6.1	135.3	34,347	6.7	59.6
Reassurance Co. Of Hannover	1,432	0.4	46.4	2,333	0.5	62.9
RGA Reinsurance	28,259	8.1	16.0	41,527	8.1	47.0
Security Life	40,260	11.5	91.3	62,202	12.2	54.5
Swiss Re (incl. M&G)	36,907	10.5	46.0	58,801	11.5	59.3
Transamerica Re	52,122	14.9	28.3	59,513	11.7	14.2
Winterthur/Republic-Vanguard	489	9.1	59.3	486	0.1	-0.6
World-Wide Re	403	0.1	12.3	498	0.1	23.6
<b>Total</b>	<b>\$350,440</b>	<b>100.0%</b>	<b>38.3%</b>	<b>\$509,653</b>	<b>100.0%</b>	<b>45.4%</b>

TABLE 3  
Canadian Ordinary Recurring Reinsurance (\$U.S. Millions)

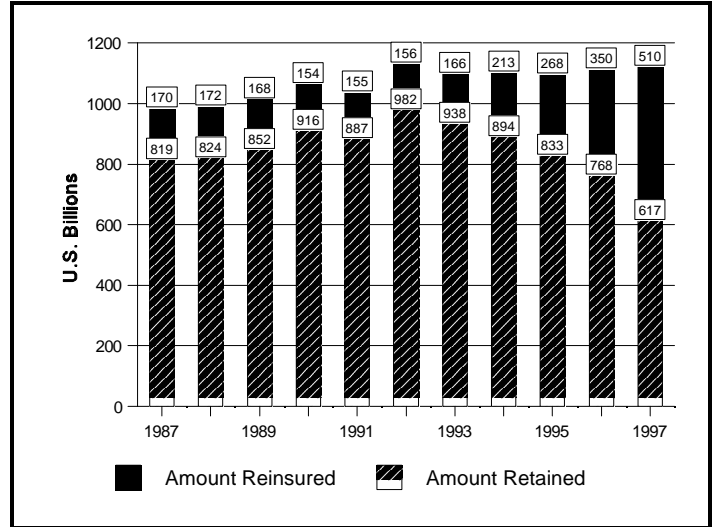
Company	1996			1997		
	Assumed Business	Market Share	Increase in Production	Assumed Business	Market Share	Increase in Production
Allianz	\$ 0	0.0%	-100.0%	\$ 0	0.0%	0.0%
Business Men's	9	0.1	-35.7	12	0.1	33.3
CIGNA Re	36	0.2	20.0	19	0.1	-47.2
CNA	4	0.0	-42.9	34	0.2	750.0
Cologne Life Re	2	0.0	-77.8	3	0.0	50.0
Gerling Global Life	9	0.1	-10.0	30	0.1	233.3
Life RE	0	0.0	0.0	9	0.0	100.0
Lincoln Re	408	2.3	-33.1	1,306	6.0	220.1
Munich Re (Canada)	4,468	25.6	17.6	7,053	32.4	57.8
Optimum Re (CAN)	967	5.6	-49.2	715	3.3	-26.0
RGA Reinsurance (Canada)	4,636	26.6	35.8	5,107	23.4	10.2
RGA	102	0.6	-18.4	40	0.2	-60.8
Swiss Re (incl. M&G)	6,780	38.9	5.1	7,460	34.2	10.0
Transamerica Re	2	0.0	0.0	0	0.0	-100.0
<b>Total</b>	<b>\$17,424</b>	<b>100.0%</b>	<b>6.4%</b>	<b>\$21,789</b>	<b>100.0%</b>	<b>25.1%</b>

**Munich American Survey**  
*continued from page 3*

**FIGURE 1**  
**U.S. Recurring Production**



**FIGURE 2**  
**U.S. Ordinary Individual (Life Insurance Sales)**



**TABLE 4**  
**Life Reinsurance In Force (\$U.S. Millions)**

Class	U.S.			Canadian			Total		
	1996	1997	Change	1996	1997	Change	1996	1997	Change
Ordinary Life									
Recurring	\$1,240,289	\$1,563,175	26.0%	\$104,957	\$109,928	4.7%	\$1,345,247	\$1,673,103	24.4%
Portfolio	245,056	326,287	33.1	10,359	11,899	14.9	255,415	338,186	32.4
Retrocession	159,035	172,664	6.6	11,953	15,188	27.1	170,988	187,852	9.9
Total Ordinary	1,644,380	2,062,126	25.4	127,270	137,014	7.7	1,771,650	2,199,140	24.1
Total Group	64,938	106,486	64.0	22,956	22,868	-0.4	87,894	129,354	47.2
<b>Total Life</b>	<b>\$1,709,318</b>	<b>\$2,168,612</b>	<b>26.9%</b>	<b>\$150,226</b>	<b>\$159,882</b>	<b>6.4%</b>	<b>\$1,859,544</b>	<b>\$2,328,494</b>	<b>25.2%</b>