



SOCIETY OF ACTUARIES

Article from:

Reinsurance Section News

August 2006 – Issue 58

REINSURERS AND THE SOA INTERNATIONAL EXPERIENCE STUDY (IES)

by William Horbatt



Starting with just a handful of participating companies in a few countries, the initiative has expanded to include over one dozen multinational and local country life insurance companies in over 10 countries (see box on the left). Preliminary results were presented at the recent International Congress of Actuaries in Paris with favorable responses from attendees. The figures on page 15 illustrate some of the results presented for Poland.

International reinsurance companies are beginning to develop interest in this study. A reinsurer may not, by itself, have credible data in a particular market and may be looking for resources to help evaluate potential market risks. A reinsurer may also wish to “benchmark” its experience against an inter-company study of the same market to help better manage its business. In some countries, other important management variables have been studied such as agent retention and productivity. Several countries are even considering expanding the variables studied to include expenses. Conducting experience studies is a lot of work and reinsurers are welcome to participate.

How is the IES Extended to a New Country?

Normally, a new country enters the International Experience Study IES as follows:

- The IES is directed by a working group (IESWG) that advises the SOA’s Research Department on directions that the study should take. Once three companies in a given country agree to participate, the IESWG and the SOA confirm that appropriate resources are available to conduct a study in the country and efforts begin.
- A separate working group (local IESWG) is formed from the local actuaries that will be participating in the IES, and this group is responsible for determining what will be studied (e.g.,

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Participating Companies

- AEGON
- Aspecta
- AIG/ALICO
- Bradesco
- Brazil Previdenza
- Generali
- G&T
- ICATU Hartford
- ING
- MetLife
- NY Life
- Occidente
- Prudential (U.S.)
- Winterthur
- Zurich

Countries under Study

- AR – Argentina
- BR – Brazil
- Ca – Caribbean
- CL – Chile
- GT – Guatemala
- IT – Italy
- MY – Malaysia
- MX – Mexico
- PL – Poland
- KR – South Korea
- TW – Taiwan

Knowing that approximately one tenth of the SOA’s membership lives outside North America, the Society of Actuaries International Section recently initiated a research effort to examine mortality and persistency experience of emerging insurance markets to help these foreign-based actuaries in their day-to-day work pricing and reserving life insurance products. In addition, the research results should be useful for North American and other life insurers considering expanding into international markets.

In many of the countries studied, local country actuaries have been involved in designing the inter-company study. To facilitate data collection, a Microsoft Access/Excel tool has been developed to standardize data as well as help local actuaries perform intra-company mortality and persistency studies.

Figure 1: Polish Individual Life Mortality (Policy Count Basis)

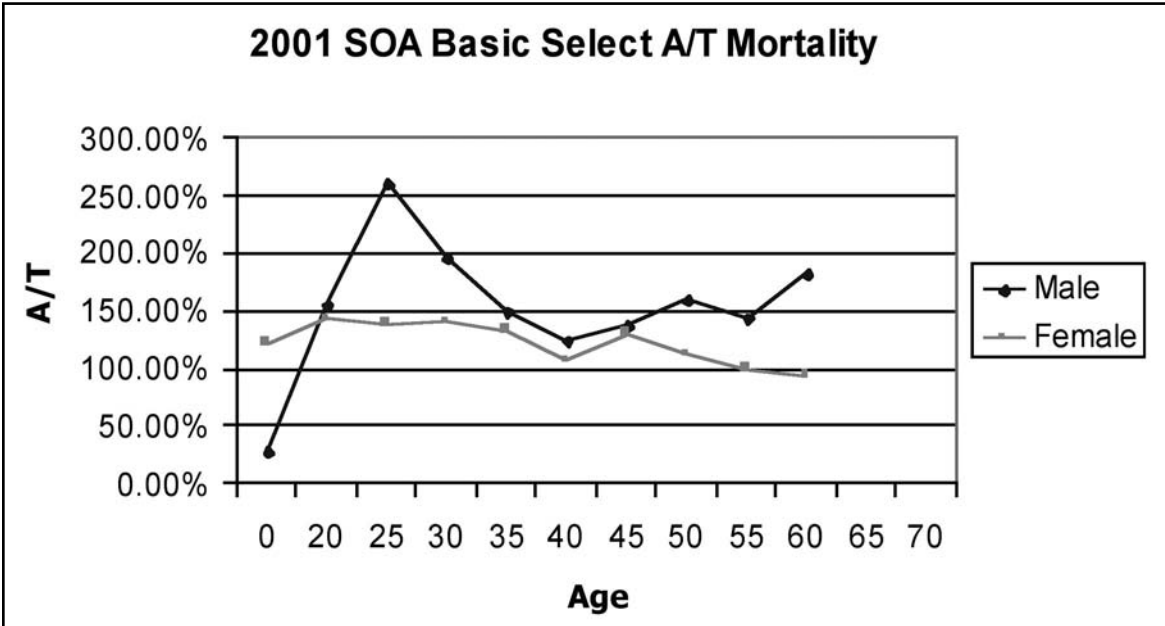
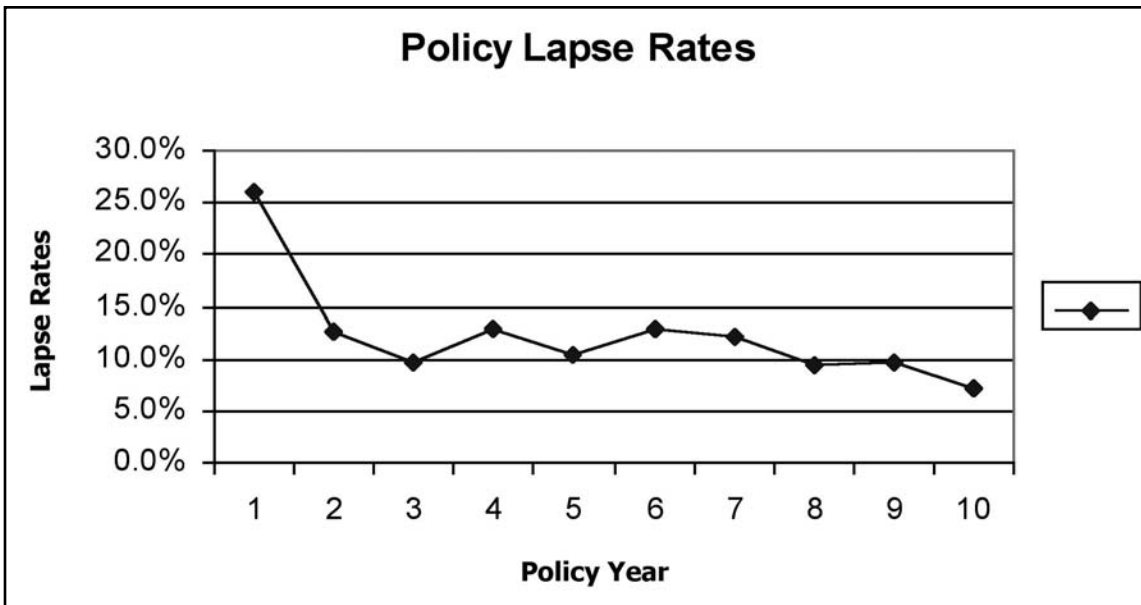


Figure 2: Poland Individual Life Persistency (Policy Count Basis)



individual life insurance mortality experience only, or individual and group life experience; mortality and persistency; etc.)

COMPANIES ARE ALSO USING THE SOFTWARE AS A MANAGEMENT TOOL TO PERFORM INTRA-COMPANY MORTALITY AND PERSISTENCY STUDIES TO BETTER UNDERSTAND AND MANAGE THEIR BUSINESSES.

- The SOA provides participating companies with the Microsoft Access/Excel experience study “tool” to help with validating the data submitted. Companies are also using the software as a management tool to perform intra-company mortality and persistency studies to better understand and manage their business.
- The SOA’s Research Department acts as the centralized clearinghouse for data. The “tool” outputs data into Excel spreadsheets and individual company data, which are then submitted to the SOA to be aggregated with the other data contributions. Summarized results are returned to the local IESWG for their review.
- The SOA’s Research Department provides technical support and advice and helps the local IESWG review their data for accuracy and consistency.
- Results are published in the IES report on the SOA’s Web site. To view the most recent report, please see:

<http://www.soa.org/ccm/content/areas-of-practice/special-interestsections/international/papers-presentations-research-and-resources/2004-international-experience-survey-working-group-report/>

How Reinsurance Actuaries Can Help

International reinsurance companies can play a unique role in this research effort:

- They can contribute exposure and claim data to the study, whenever permitted by the terms of their client agreements.
- As they have contacts with local country actuaries in the international markets they operate in, they can assist in recruiting additional companies to join the IES in any country.
- Reinsurance actuaries can assist the IESWG in analyzing country data in the markets where they participate.
- They can assist companies they reinsure in learning how to use the new Microsoft Access/Excel experience study “tool.”
- They can assist companies’ “data scrubbing” to solve the inevitable problems encountered with data errors.
- They can help with funding study expenses, such as the continued development of the Microsoft Access/Excel “tool” or travel expenses for in-country face-to-face meetings.

Reinsurers or reinsurance actuaries interested in participating may contact either Ronora Stryker, Research Actuary at the SOA at rstryker@soa.org or Bill Horbatt, IESWG co-chair at Horbatt@actuarialconsortium.com. *



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