Article from:

Reinsurance Section News

May 2006 – Issue 57

Society of Actuaries

Reinsurance News

May 2006, Issue No. 57

newsletter for members of the reinsurance section

LIFE REINSURANCE ADMINISTRATION: PANEL DISCUSSION

There has been a lot of attention given to improving the state of life reinsurance administration over the past few years, with more companies paying attention to the quality and timeliness of the data they pass to and receive from their reinsurers. The SOA Reinsurance Section Communications and Publications team, Bob Diefenbacher and Richard Jennings, recently organized a Panel Discussion involving some key players in the field of Life Reinsurance Administration to discuss the current state of events:

Randall (Randy) M. Benton, FLMI, ALHC,
Senior Vice President, Munich American
Marshall Saunders, Assistant Vice President,
AXA Equitable Life Insurance Company
Chris Murumets, FLMI, AIRC, ARA,
Chief Executive Officer, LOGICQ^3
John Carroll, CLU, FLMI, ARA,
President, TAI Re Life Reinsurance Systems Inc.

Richard Jennings: Welcome to our discussion. To get things started, if you could just quickly introduce yourself and the role you play in your organization.

Randy Benton: I am a senior vice president in charge of our Corporate Operations Division at the Munich American Reassurance Company here in Atlanta. The Operations Division encompasses the administration, claims, IT and facilities functions. I have been with the company for about 24 years now.

Chris Murumets: I am with a newly formed company called LOGICQ^3 here in Toronto in the role of chief executive. We concentrate on consulting, contracting and outsourcing on the operations side for the reinsurance community.

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Marshall Saunders: I am an assistant vice president in charge of reinsurance administration at AXA Equitable in New York. Reinsurance administration encompasses premiums, claims, and systems support. I have been with AXA Equitable 19 years, working in the Controllers division prior to joining the reinsurance department. I am a CPA.

"I THINK IN MANY RESPECTS AS INDIVIDUAL COMPANIES WE HAVE MADE A LOT OF HEADWAY INTO MANAGING THE DATA BUT AS AN INDUSTRY WE HAVEN'T REALLY BEEN ABLE TO ACCOMPLISH A GREAT DEAL IN TERMS OF STANDARDIZATION." —RANDY BENTON

John Carroll: I am President of TAI Inc. a major provider of life insurance software to insurance companies. I have been involved in reinsurance administration for almost 30 years, and working with ceding company issued for the past 20 years. We introduced electronic reporting of billing transactions and inforce information in 1987, almost 20 years ago, and we have expanded our EDI capabilities to include reserves, claims and policy movement.

RJ: Essentially what we want to do here is to present an overview of where life reinsurance administration is these days, and what are some of the main challenges in this area that you face from your particular perspective? Again, what we wanted to get is a flavor of how the perspective varies between the direct side, the reinsurer, and the retro.

RB: So much of what we do today is about the data that we get. Because of the explosion in the amount of business that we reinsure and the amount that we retrocede; as we have moved to first-dollar quota-share reinsurance; as companies as companies acquire and merge with other companies, managing the data and bringing it all together is critical for all of us; for understanding our results and being able to manage the business going forward.

I think in many respects as individual companies we have made a lot of headway in managing the data, but as an industry we haven't really been able to accomplish a great deal in terms of standardization. I am not sure that we will be able to do that in the near future either. One of the critical issues for us, at my company, is being able to work closely with our clients to improve the quality of the data that we receive from them. Quite often, we find that as we work with the data, as we use it to verify treaty parameters and treaty terms and things of that nature to verify claims, and just a whole host of different things that we do with the data, quite often we find that as we dig into the data we sometimes become more knowledgeable than our clients, or counterparts. It has been difficult for us, I think in many respects, to try to get to the right people at the ceding company, at the direct level who can help us understand the data that they send us, and help us improve that data. That is one of the major issues that we are facing.

Bob Diefenbacher: Do you find that is getting any easier now than it was say three or four years ago with clients? Is there now greater emphasis and awareness in the importance of this than there was?

RB: I think there is better awareness and greater emphasis. That is probably the result of a number of things. Sarbanes-Oxley is one driver to encourage clients to provide better data. The other issue that comes about, particularly as companies merge, is that it is not uncommon for an acquiring company to learn about, or to discover large blocks of business or certain types of transactions, that have been overlooked in the whole reinsurance administration process. As they work

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with their reinsurers to resolve those problems, to correct those issues, and to get all of that business reported to us, they become keenly aware of the fact the reinsurers are not contractually obligated to accept that business. It is not subject to the E&O provisions. As companies have gone through these types of exercises, they find, in most cases that their reinsurers are happy to work with them, but they are not obligated to accept the business. That has placed a lot of emphasis on the need to improve the reporting as well.

JC: There are still a lot of companies out there that have not kept pace with the systems, procedures, going along the treaty lines, or even having the staff that is adequately trained to handle the large volume of reinsurance that is created by quota share and first-dollar arrangements.

Reinsurance itself is activity-laden, and the information really needs to be accurate and timely, reflecting what occurs on a company's policy administration system. As Randy pointed out, as companies buy other companies or blocks of business, this can create a huge administrative burden both for the acquiring company and for the reinsurers that are on the blocks of business.

I think Sarbanes-Oxley has heightened the awareness among senior management at most companies, and I think they are looking at the issues surrounding reinsurance administration. Some of these companies have actually dedicated resources to dealing with some of the shortcomings, but I think there are still companies out there that have been concentrating on documenting their current procedures, but have not yet committed to implementing long-term solutions.

CM: For example, on the Sarbanes-Oxley issue, quite often you see SOX-dedicated resources, yet if we are doing an independent assessment of a company, for example, they can be SOX compliant but there may still be significant operational risks. So a lot of people like to think that being SOX compliant gets rid of all your issues, but that is really not the case at all.

On the merger and acquisitions side, every organization seems to have something going on and there can be significant overpayments and underpayments going on. There was recently a very public example. A ceding company overpaid almost $100 million due to an administrative error. From what we have seen the issues are exactly what everybody has already said—the lack of attention to operations, the lack of funding and the lack of real strategy around some of the administration issues out there. From what we have seen, there are more examples out there like the recent public one. Others have happened that are even bigger than that, and you know there are going to be more because the attention isn't quite there yet.

Treaty language is, without a doubt, getting to be a lot tighter now than it ever has. There has been more time spent with lawyers and in arbitration conversations in the last six months than I ever had in the prior ten years. So treaty language is getting a lot more specific, and I think that is forcing people to be a little bit more proactive in their offer letters.

RB: I think we are moving from having treaties between partners to having contracts between partners. It is definitely becoming a legal process rather than the old tried and true gentlemen's agreement type situation that we had for so many years in the reinsurance industry.

CM: Do you think that is better or worse Randy?

RB: I think it is necessary. I think it is unavoidable. I think it definitely complicates things in many respects.

CM: You want a lot more consistency in language. And you want people to be able to enforce contracts for many years. You had all this language and nobody would enforce it anyways. It has to be legal, but it doesn't have to be as complicated in my mind because we are seeing treaties getting signed a little bit faster; however now if you go through internal legal areas, there are more parties involved. Not only your own reinsurance company, but it involves corporate and it may require input from other offices. So from what we have seen of lags, it seems to be going up and that doesn't really help anybody.

RB: Those lags in getting the treaty signed have, direct implications on reinsurance administration. As a reinsurer, if we don't have a signed treaty, we often see premium and claims come into us before the treaty is signed. It is difficult to understand or to know how to determine whether that business is being administrated appropriately, and that claims are being submitted appropriately, if we don't have a signed treaty. Our counterparts at the direct companies are at an extreme disadvantage too. How do you go into a reinsurance administration system and build the treaty parameters, and establish the rules and the criteria for administering the business, if you don't have a signed agreement in front of you?

JC: In fact in our own system we had to put in logic so that if a company came out with a new plan or a new reinsurer where they did not have an agreement in place, the system would create placeholders for that business and later would retry to add reinsurance when the treaty tables were available. We have clients that have placed thousands of cessions long after they began selling the product.

CM: We had one situation before where there was a block of business that was so far out, without ever getting agreement to terms, that we tried to send it back. I don't see how you could ever avoid this. As soon as you have accepted that business or as soon as you have cashed that check, it could be argued that you are on the hook. How can you ever stop getting a check cashed at the very front end? So from a legal implication, not getting these arrangements stuff signed quickly upfront creates a ton of problems downstream.

RB: In the absence of having the signed treaty, it is definitely prudent to have a signed Letter of Intent in place. That doesn't cover all of the different types of situations that you need to address in the treaty in order to properly administer the business, but it is certainly a good indicator of what the intentions were between the parties involved.

CM: Plus you need that Letter of Intent signed to get the reserve credit, correct?

RB: Yes.

JC: I think with a Letter of Intent you are supposed to have a treaty done within 90 days, right?

"REINSURANCE ITSELF IS ACTIVITY-LADEN AND THE INFORMATION REALLY NEEDS TO BE ACCURATE AND TIMELY, REFLECTING WHAT OCCURS ON A COMPANY'S POLICY ADMINISTRATION SYSTEM." –JOHN CARROLL

CM: Is a Letter of Intent enough to get the reserve credit or are people pushing that you have to have the contract?

RB: Actually the requirements to have the documentation signed within 90 days is something that I think ceding companies, the direct industry, may be aware of but it is a very important thing. The implication is certainly more serious for the direct market than it is for the reinsurance market. It comes down to them being able to take credit for the reserves on the business that they have ceded to us. If they don't have that agreement in place within the prescribed amount of time, then technically they cannot take the reserve credit. It is not a real issue for the reinsurance industry or for the retrocessionaires

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but it is something that the direct writers should be very aware of.

CM: Does that come up in your conversation with direct writers Randy?

RB: Yes it does.

BD: So, Randy, is it fair to say that your letters of offer are now getting more detailed as well? I mean certainly that is true with us as a retrocessionaire.

RB: Yes, I think the Letters of Intent have to be more detailed than they have been in the past.

BD: I have always thought of the treaty as essentially the specifications for the admin area, and I am not sure that all direct writers have that kind of concept. If you think about it that way, you sure wouldn't leave specifications for a systems project until two years after you implement the project.

JC: That is a good analogy.

RB: Going back to some of the difficulties in administration we were talking about before we got into the treaty issue, there are a couple of things that we are seeing that really impact the quality of the data and the type of reporting that we are seeing. One of the things that we see quite often is that there are inadequate internal control systems in place in terms of reinsurance administration, and that there is poor integration of systems, with the reinsurance administration system not being appropriately integrated with the underwriting system for example.

I think there is too much of a reliance on vendors like TAI to make sure that reinsurance admin systems have been put in place appropriately and that they satisfy all the internal control requirements that they should. I think sometimes when companies hire TAI or another vendor to come in and do the work with them you certainly need to be able to depend on their expertise and their knowledge and their experience from all the years of work in that area. Ultimately it is still the direct company's responsibility to make sure the system has been implemented correctly, and that the internal controls are what they should be, and have been properly integrated with their other systems.

CM: Randy, do you see a weakening of good operational experience or good operational capabilities at the direct companies?

RB: I see that, yes. It is definitely an issue. I jokingly tell some of my fellow senior managers here that I can go out and hire ten good actuaries much faster than I can find one good operational person to fill a spot here at MARC. Reinsurance administrators, people who have the right kind of experience to do the kind of job that we need them to do, are hard to come by.

JC: A lot of the good people that I have met over the years are either retiring or they are merging and acquiring another business. You just don't see that strength a whole lot anymore, and you don't see a lot coming up through the ranks.

MS: I certainly agree with what Randy just said. There is no question it is difficult to replace good administrative people.

JC: One of the things that Marshall had the advantage was in acquiring another company, is that his company, was able to keep existing staff on board during the acquisition so they had a sense of what was in place, and how it was to be administered. That is not always the case in an acquisition. Sometimes files arrives in boxes and it is up to the acquiring company to figure out and interpret what was the intent of the original ceding company.

RB: Sometimes in transactions like that, John, we underestimate the value of what I call the institutional knowledge.

MS: There is no question we were helped by having staff who knew their business for their operation.

BD: We have talked a lot about the need to report on a timely basis, but what is the definition of timely out there at this point? How long does it take to get from a policy being issued to getting reported out to the reinsurer? What would the reinsurer consider timely at this point? What would a direct writer think is timely? Three months? Or is six months more realistic?

MS: Well, I haven't been at all the meetings, but I think we have been one of the companies pushing for shorter times on the retro side, in terms of late reporting and trying to nudge the industry into shorter reporting cycles.

BD: As a retro, if we were talking about months I think we would all be high-fiving each other.

MS: Yes, I think we were pushing for six months at one time. I don't know that is viable but that was our long-term goal, our vision on the horizon. From a direct point of view the only thing that would hold me up from reporting, is really having a valid in-force policy on the admin system. If there is a long underwriting lead-time, the policy may be in underwriting for four, five or six months and we won't get it.

RB: Reporting from the direct company to us as a reinsurer is typically like this: if a report is due at the end of January, it is not uncommon for us to actually receive that report about mid-March, or about a 45-day lag in reporting to us. If you had a policy issued in January that should have been on the January report, right there you have a 45-day lag. With us, it is not uncommon to see policies reported in the four to five or six-month lag range from the direct companies.

CM: That is six months after issue Randy?

RB: After issue, right.

CM: Really?

RB: Yes, that is not uncommon. We have to have time to translate the data, to analyze it and process it ourselves. Then we have to have it flow through our admin systems all the way through to the retrocession systems and then report it. Typically we have a 30- to 45-day lag in reporting to the retrocessionaires. So by the time that process is completed you may be looking at nine months total lag by the time it gets to the retrocessionaires. I wouldn't be surprised in seeing those types of lags at all.

MS: Well, nine months wouldn't be too bad Randy. As you know, some of the problems are cropping up because we are getting policies two, three, and four years later.

BD: That is actually the point I wanted to make too. I think nine months might be the mean for how it is reported, but there is an awfully long tail to that.

MS: Yes, nine months is probably something we could live with.

CM: I remember last year I think it was Gary Wilson did a study. I think he was looking at from issue to when the policies were showing up on his inforce file, was something like 18 to 24 months.

BD: That is an awfully long time. Do you have that kind of tail from direct writers?

MS: Not so much on the direct side.

RB: I don't think most of our clients are reporting in the 18 to 24 months range. It is sooner than that, although we do have exceptional cases where that is certainly true.

CM: Yes, there are probably a few chronic troubled clients.

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JC: All companies that use our system should be able to report transactions monthly. Some companies may choose to accumulate the monthly reports and send information quarterly. Hopefully most of them are sending it out within 15 days after the end of the month or quarter. Even those companies where we have gone in and converted them from spreadsheets were typically reporting their data at least quarterly.

"I THINK THE REINSURANCE INDUSTRY, AND THE RETROCESSIONAIRES TOO, HAVE PROBABLY BEEN TOO SLOW TO ADDRESS THE POOR REPORTING. SO IT IS JUST NOT THE ISSUE WHERE THE DIRECT MARKET USES IT AS A CRUTCH. I DON'T THINK WE HAVE DONE AN ADEQUATE JOB SOMETIMES IN ADDRESSING THOSE ISSUES AS QUICKLY AS WE SHOULD HAVE." —RANDY BENTON

One of the issues that comes up here on the retro side, is that a lot of the reinsurers have issues with matching up lives on their systems because of the various formats that come in. Even breaking up the name can be an issue, so I think sometimes it takes quite a bit of analysis. As you know, Randy, we have worked with a few of you on the retro side and matching up those lives can be somewhat of a challenge depending on the amount of data that you get from the ceding company.

Some of this is caused by being able to consolidate and figure out what really needs to be retrocessioned out on a life, and sometimes if the information is not reported accurately or correctly, it is only seen after the fact when a reinsurer may be vastly over-retained on a particular life.

RB: I think that is true, John. In our case, when we do risk accumulation, we are looking at well over 20 million records. To give you an example of some of the data issues, one that we just recently discovered with one of our large clients was a situation where they seemed to randomly take the middle initial and place it in the field with the first name. There was no pattern to this, so there was nothing that we could do to go through and scrub that data, or to apply any kind of systematic correction to it. When it is a random thing that we cannot correct, we have to go back to the client and work with them to try to get them to identify the source of the problem and correct it. If you throw in that extra letter here and there in that first name or in the last name, more importantly, it plays havoc with your risk accumulation.

RJ: Do you see a lot of problems with second-to-die products? I have heard second lives being coded as spouse or some sort of amendment to the first life record, but not really a true second-to-die or second life format?

RB: I think you see all kinds of issues with second-to-die, and with just the data in general. Almost every client's data is unique. Even clients who use TAI, or some other system, don't always use the data files consistently. If you are dealing with a company that uses an old version of TAI versus one of the new versions of TAI, mapping the data, translating it, and understanding those issues with each client's data can be very difficult sometimes.

BD: That has implications beyond risk accumulation. It makes it incredibly hard for reinsurers to do a mortality study or things like that.

RB: Absolutely.

CM: That is what people tend to forget. It truly is the beginning of everything, whether you are looking at mortality studies, retention checking, calculating reserves, experience refunds or financial statements, yet it doesn't seem to get the same awareness inside some organizations where that is where you should be spending some time interviewing resources.

MS: Where this may ultimately be going is there may be some push in the industry. I think that there maybe already has been some push from a business standpoint of being a retro. Whatever the agreed upon time is for timely reporting cases that don't meet that deadline, they may be considered on a fac-ob basis, and some of the companies may look to disavow the risk if they don't have the capacity two or three years down the road, because it plays havoc with your retention calculations.

CM: One of the general things I have seen as well is there are genuine errors that happen that should qualify as E&O. As Randy mentioned earlier, going from a treaty to a contract, almost true errors are getting contractually written out of a contract. So everybody is supersensitive to making any kind of mistake. It is altering how people are doing business and where people are doing business.

RB: That is something I have been very concerned about, because we don't need to develop treaty language that eliminates coverage of a true E&O type situation. The types of problems we are talking about—the chronic late reporting, the systemic and repetitive errors in administration—they have never been subject to E&O provisions in my opinion. But we do need to be careful that we do not exclude coverage of true E&O, the one-off type situations.

BD: That is certainly not what E&O was originally intended for yet many cedents have assumed that it was, right?

MS: Well, I think there is a difference, between chronic late reporting and an E&O. I would agree with you.

CM: The super sensitivity is justified now in the sense that E&O provisions have been used as a crutch for bad administration; however, you do worry that the industry is going almost too far and almost not allowing that true error which does happen. We need to be conscious of only punishing the behavior that is meant to be punished, as opposed to punishing everybody.

RB: I agree with you, but I don't look at it just as the direct market using E&O as a crutch for poor reporting. I think the reinsurance industry, and the retrocessionaires too, have probably been too slow to address the poor reporting. So it is just not the issue where the direct market uses it as a crutch. I don't think we have done an adequate job sometimes in addressing those issues as quickly as we should have.

"I HAD ONE SITUATION BEFORE WHERE THERE WAS A BLOCK OF BUSINESS THAT WAS SO FAR OUT WITHOUT EVER GETTING AGREEMENT TO TERMS THAT WE TRIED TO SEND IT BACK. I DON'T SEE HOW YOU COULD EVER AVOID THIS ..." —CHRIS MURUMETS

BD: Said another way, we asked earlier about the emphasis of direct writers on administration and that may be increasing. We see, even within our own organization, the emphasis on administration increasing. I have seen it at other companies that I have worked at, and I think it is going on here, where now there is an awareness of the importance of our own administration that was not occurring some years ago.

RB: I agree with that.

MS: I also agree.

RJ: We talked earlier about the inconsistency in the way ceding companies report data. I would like to turn the conversation to the implementation of standards. Is this the cure-all? Or is this something that companies are

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working towards? Perhaps Chris could comment as to what he is seeing from a standards adoption viewpoint, and the others can respond as to whether that is something they are working towards, or are they fine with the way things are?

CM: The standards certainly aren't one fix for everything. They are far from being a silver bullet. Where we are with standards is, as most of you know, that we are working with ACORD. ACORD is the global insurance standards body that is very heavily involved in the P&C market, and has very recently become very active on the life insurance side. So they own, develop and support standards across all lines of insurance.

What ACORD and the reinsurance community are trying to come up with is an inforce file that can be used, and that everybody agrees, is a good minimum dataset to manage retention. That first round agreement has happened and an ACORD XML and flat file will be coming out of one large direct company this quarter. The Reinsurance Administration Professionals Association (RAPA) committee is also working with the same direct company on a standard transaction file. Again, it is meant to not only standardize what fields are used, but it also goes to one of Randy's comments earlier about the consistent understanding of what those fields are. It is trying to come up with a common dataset, as well as a common understanding of what is actually in that field to solve that specific purpose.

In terms of adoption, anybody who has been going to RAPA meetings for the last decade knows that adoption is always the hard part. There have been standards before this, and there have been conversations about this for easily ten or more years that I have been participating in. What we are hoping with the initiative this time is truly just trying to push on the implementation side, so it's still very small steps.

It is not a silver bullet by any means in our mind. It is a starting point. Randy mentioned earlier that standards will never be adopted in this industry, but I truly hope it does just from the sense that we have to make the moving of data mechanical, so that all the other stuff that we should do—analyze, understand, interpret the data, so that we can actually spend the effort, energy and resources there as opposed to just importing and translating.

In terms of other files the ACORD initiative is looking at, I believe that after this there is an audit file. A merchant bank in New York that wants to work with ACORD to do a securitization standard has also approached us. It is a long ways off but that is a sign of where things are going.

RB: How do these standards differ from the work that was done by some of the ACORD working groups in the past?

CM: Remember the LREACT message?

RB: Yes, that is specifically what I am talking about.

CM: LREACT was part of the basis for this, but trimmed down to capture data that you truly need as an inforce file? So we honed it down a little bit, because I am sure you remember the implementation guide for LREACT was about 100 pages. It was very intimidating. So they took that, pared it down to what was truly necessary to manage retention, which was what an inforce file was for, and then they standardized the meaning of the fields using ACORD language, but otherwise LRE-ACT was the basis of it all.

RB: A couple of thoughts I have about the standards process. I think we all agree that if we had a standard format that would be wonderful. But that doesn't address the quality of the data necessarily. If you don't address internal control systems; if you don't address the proper integration of the reinsurance admin systems or the policy admin systems, and the underwriting systems at the direct companies; if you put poor data into a standard format, that really doesn't do much for us. So there is still a big issue with making sure that we get good data out of the direct company systems and then put it into a standard format.

The issue has always been the economic models that have been developed really did not make sense. We haven't been able to show the direct market why or how standards will benefit them. It clearly benefits the reinsurers; it clearly benefits the retrocessionaires; but convincing the direct client to spend money to move the reporting over to these standard formats has been difficult for us to do. We haven't been able to present a model to them that clearly demonstrates why moving in this direction would be truly beneficial to them as direct writers.

RJ: Maybe it should be in the pricing.

RB: Maybe we need to be talking about that to our retrocessionaires.

BD: I think actually that is part of the issue. There has historically anyway been such competition in the life reinsurance marketplace, that reinsurers have been loathe to want to push these things for fear that clients would just go somewhere else to someone who was emphasizing standards less than they were.

CM: Randy, I wouldn't disagree one iota that data quality is by far the biggest issue. What I hope to see happen is at least standardizing some of the transport of it, but on the other side would be the other value that ACORD brings to this, specifically, is that a lot of these organizations, which are largely direct writers, are spending a fair bit of time, energy, and money on implementing standards in other places in their organizations which truly does add value like underwriting on the brokering commission side.

"I DON'T THINK AS AN INDUSTRY WE HAVE BEEN ALL THAT GOOD AT ENFORCING STRICT REPORTING REQUIREMENTS. COMPANIES HAVE BEEN WILLING TO ACCEPT LESS THAN QUALITY DATA. I THINK THAT IS CHANGING..." –JOHN CARROLL

So when you are talking to them in that forum, this is just another reason to use a standard. So it is not a big expense any more but because they are generally on-side because they are seeing value from other parts of their organization with standards, that hopefully that they will extend that existing work to look at their outbound reinsurance.

RB: That's great, and that is really the point I am making, is we have to be able to demonstrate the value to the direct market for doing this. Historically, we have not been able to do that.

JC: I don't think as an industry we have been all that good at enforcing strict reporting requirements. Companies have been willing to accept less than quality data. I think that is changing because I actually have been contacted by a couple of ceding companies that probably wouldn't have considered purchasing a software program like mine, except for the fact that they have been denied reinsurance.

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RB: I think part of establishing new reinsurance relationships is that we are doing a lot more due diligence up front with potential partners. It used to be that we mainly looked at underwriting. But today, I think we are also looking at claims administration, practices, experience and expertise, and we are also looking at administrative capabilities, including their admin systems and their ability to provide quality data.

JC: Randy, I also think that even if we were to get adoption of the ACORD standards by the major companies, I still think we would not get compliance among some of the smaller players, and that is still going to cause a significant administrative issue for any reinsurer or retrocessionaire.

RB: Absolutely.

BD: I want to go back to the lag issue again, because this is a hot button for me. So let us say the average time to get all the way through the cycle is nine months, and the time to get to the reinsurers is three months, or something like that. Is there any way with today's technological framework to shorten that? One analogy I have heard used is that I can use my bankcard anywhere in the world and it deducts the money from my checking account almost instantly, so why can't we do the same thing in insurance? That is probably an oversimplification but is there a way to shorten the cycle any?

RB: Not really. I think that the issue that you bring up is that whenever you look at the banking industry, or other financial institutions like mutual funds and stock trading, all those things happen instantaneously, and here we generate billions of dollars in transactions and yet the life reporting seems to be so much more significant in reinsurance.

CM: I think it goes back to Randy's earlier point about getting good operational people. The technology has always been there as in other financial sectors, but it is a business implementation issue, and getting the right business people to focus on the issue doesn't seem to be happening.

RB: It is the fact too, that historically we haven't had the support from senior management to make reinsurance administration and reporting a top priority. I think that is changing and is moving in the right direction, but I think we still have a long ways to go in that regard.

I think, for too many years, reinsurance was looked at as a cost center. It was something that was a cost to companies until the company realized they had poor administration and hadn't reinsured a large case, and they had a claim. That is how it became important to them. I think today the emphasis is different. I think there is a different expectation, a different desire on the direct side to provide good and timely data, but it requires a commitment from the top in terms of IT resources, and human resources, and just across the board in order to achieve that and make it a realization.

JC: One of the issues you raised, Chris, just a minute ago was securitization, and if securitization is going to become prevalent in the industry, the bankers and the investors are not going to be satisfied with the quality of administration that is out there today.

CM: Good observation.

BD: So we have talked a lot about issues, and we have talked a little about the question over the adoption of standards, but I will just throw it out there again. What other recommendations would we have for moving forward? Are there other things in the industry that we can do? It sounds to me, if I summarize what I have heard today, is the patient is improving but we all wish it were improving more and faster than it is today.

JC: I think organizations like the SOA Reinsurance Section have to continue to put reinsurance administration issues in front of the members. I think companies like mine have to continue to use technology to improve reporting capabilities, and then educate our clients on how to best use those tools. I think insurance companies have to take responsibility for their reinsurance administration, and commit to doing it accurately if they want to self-report the reinsurance business and not later decide to restate the business due to administrative shortcomings Finally, I think reinsurers and retrocessionaires have to insist on timely and accurate reporting from their trading partners.

CM: I wouldn't disagree with any of that and as we talked about it a couple of times, it is putting emphasis on administration that is required. There has to be some time, energy and effort put into training and getting good people and paying for good quality operations.

RB: I agree with all of that. I think the one thing I would add too is something I touched on a little bit earlier. I think all of us in this chain, the retrocessionaires, the reinsurers, the direct companies, we all need to do a better job at making sure that all of our needs are better aligned than they have been in the past.

MS: Yes, I agree with everything that has been said. I think we are making some strides and some headway. All these relationships have been changing and everybody has commented on this. Sometimes there has been a little head butting, and sometimes companies get together and sometimes they don't, but we are all working towards better relationships and improved systems.

There is no question it takes senior management's dedication to get the right kind of systems in place, and that is what we had to at my company, but you have to have somebody's attention at the top so that you can get the right system in place if you are going to administer your reinsurance.

BD: We enjoyed these frank discussions and want to thank you very much for your time. ✷