SOCIETY OF ACTUARIES

Article from:

Reinsurance Section News

November 2007 – Issue No. 61

LIFE TREATY PROJECT UPDATE

by Tim J. Ruark

I have always enjoyed those documentaries on ancient civilizations being 'discovered.' Who knew that hundreds of terracotta warriors were buried in China? Or that an early caveman would be found intact, frozen in the ice? Or that Noah's Ark made it to NYC, only to be turned back because he lacked proper documents? These are wonderful stories of discovery, spanning hundreds and thousands of years.

But what to make of a modern discovery, the reinsurance equivalent of the Dead Sea Scrolls, involving a guide to reinsurance treaty language? [I know, my first paragraph was a trick, you're actually reading an article about treaty language.] Is the discovery a cause for joy, or only of sadness; after all, the document in question was only written in the '90s, how did we lose it so soon? Perhaps most important, can we figure out who had the document last, so we can at least blame somebody for misplacing it? Alright, let me start at the beginning.

This modern saga began October 2006, at a humble Reinsurance Section Hot Breakfast. Thinking we could learn something by surveying our members, we asked each patron what was on their mind. The results were alarming: 26 said they wanted more treaty advice, 12 said we should focus on continuing education, and four wanted ketchup for their hash browns. Your Section leadership sprang into action.

Lots were drawn, teeth were clenched and a scuffle ensued. When the dust settled, yours truly was in charge of getting the Reinsurance section membership some guidance on life treaty wording. Now it was my turn to spring into action, which in volunteer circles, means to write a note, put it in a binder and wait until someone confirms that they're really interested, then try to remember where you put the note. Fortunately, I put the note on my neighbor's cocker spaniel, and I saw the note every morning as their dog watered my lawn. When word returned that this was a valid project, I was ready.

I assembled a fine group of professionals, not just actuaries, but lawyers, underwriters, and other chatty people. Our charge was simple—create a document that would provide guidance and commentary on life treaty language. We didn't seek sample wording, that was already available. Instead, the Section membership had asked for insights, how to understand why certain provisions are used in treaties, the pros and cons of different language, and the things to think about when drafting a treaty.

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As I mentioned, sample treaty language is already available, most notably from the ACLI. Some of their professional staff put together sample life treaty language only a few years ago, and in fact, they have sponsored a workshop specifically for treaty language, and I believe they're thinking about repeating the workshop pretty soon. The ACLI work product goes by the name of the Life Treaty Sourcebook, and all companies with membership to the ACLI should have ready access to this Sourcebook. If you're not a member company, that doesn't preclude you from getting your hands on the sample treaty language. You can either contact the ACLI, or perhaps a simpler approach, reference the Third Edition of Life, Health & Annuity Reinsurance, by John Tiller. The Tiller book reproduces the ACLI sample language in its appendix. If you are not pressed for time, you can also scan Tiller's acknowledgements, where the authors thank the many reinsurance professionals that assisted with the book … what? They list me? I had no idea!

So, as our project team first met, we made plans for providing commentaries on treaty language, to help novices and experts alike to understand the choices and consequences of various treaty wordings. We divided our volunteers into subgroups, with each

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subgroup focusing on a specific treaty Article. This is where things got interesting, well at least in a reinsurance kind of way. Using the anonymity of a call-in conference, a strange voice was heard, apparently spouting gibberish. But later, when the tape was played back (you didn't know the SOA records everything?), the voice was very clear: "…an ancient transcript exists…get meds at half off…seek first the ancient text." So, we followed the voice, hoping we could either get the bargain on prescriptions, or some document deemed ancient. We never did find the meds, which is partly why this article might ramble a tad, but we did locate a 100+ page document authored by 20 reinsurance professionals in 1994. And what was this document? Guidance And Commentary On Life Reinsurance Treaties, by each Article!

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Of course, the document wasn't truly lost or buried, but knowing what we had, when we questioned people later about the document, maybe one out of 10 knew of its existence. So, this is why I posed the question, should we be happy or sad we made the 'discovery'? Undoubtedly, the discovery is good, because the work product was very thorough and very insightful, and this '94 document now becomes the basis for the current project team to complete our work. Our focus is less on creating new commentaries, and more on reviewing and adding to what was already provided. But the sad part is pretty obvious too. Treaty support really was a prominent concern of our membership at last year's hot breakfast, so we have lots of people looking for guidance, and we have a 100 page document offering guidance, and the two are not getting connected.

So, the Section's plans have not changed, we are still going to provide life treaty support to our membership. But equally important, we realize that with today's technology, we can do our predecessors one better, and make sure that our collective expertise is not only accessible, but also prominent. Our plan is to quickly update some of the '94 document's articles, and get them on our Web site before the end of this year. Then, to frequently remind the membership about our Web site, so that visitors can access not only the life treaty work product, but all sorts of materials relating to risk and reinsurance.

To wrap up, I would like to thank all of the volunteers that are diligently working on the commentaries for the current life treaty project. As always, it's our committed volunteers that determine our success: Paula Boswell-Beier, Ed Attarian, Christine Peloghitis, Connie Dewar, David Elias, Dan Krane, Drew Tindall, Ellen Fedorowicz, Dan Glowski, Jeff Halwes, Larry Carson, Mark Holbrook, Rich Tucker, and Ronnie Klein. Thanks team! ✷