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Letter From The Chair

By Ronald Klein

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A few months ago I received a call from my good friend Denis Loring. It seems that Denis had a dilemma that he needed my help in solving. Every year Denis teaches a course called ***Introduction to Life Reinsurance*** at the Reinsurance Association of America's conference entitled Re-Basics. This year, it seems, Denis planned a well-deserved vacation to France at the same time as the conference. During the phone call, Denis proclaimed that I would be his first choice to teach this course in his place as I knew a lot about the basics of life reinsurance (he emphasized the word "basics"). I am still trying to figure out if this was a compliment or an insult … Anyway, I immediately accepted his kind invitation.

This conference mainly attracts people whose jobs touch upon reinsurance in some capacity. The attendees included employees of insurance companies that work with claims, contracts, administration and other technical areas; some state insurance regulators; reinsurance brokers; and a few employees of reinsurance companies. What I did not realize is that none of the participants had any life reinsurance knowledge—all attendees had a non-life background.

To make matters worse, I followed a 1:45 minute presentation that was entitled ***Introduction to Property and Casualty Reinsurance***. Not only did I have to re-teach all of the vocabulary that was mentioned in this session, but I only had one hour to do so. Once again, I am reminded how the life insurance and reinsurance industries are ugly step-children to their non-life counterparts. During my presentation, I showed a slide with some data from the latest Society of Actuaries/Munich Re (US) life reinsurance survey. It shows that RGA sold the most new recurring reinsurance premium in 2009. RGA was followed by Swiss Re, Munich Re, Transamerica Re and Hannover Re. (Please see Dave Bruggeman's article on the MARC reinsurance survey in this issue).

When I asked the audience which companies they had heard of, the answer was quite interesting, but understandable. Not one person in the audience had heard of RGA, while every attendee heard of the other four reinsurers. Why? The answer is quite simple. RGA is the only company in the top five that does not participate in non-life reinsurance. What is even more interesting is that Denis is the usual presenter and he works for RGA!

To those of us who work for a multi-line insurer or reinsurer, we are reminded each and every day that we are second-class citizens. I remember marveling in my early years at Swiss Re at how the stock price would skyrocket when an article would hit the trade journals that property and casualty rates were expected to harden, but how there would be no effect on the stock price when a major life reinsurance deal was announced. Also, it never ceases to amaze me when external auditors try to understand risk transfer in a financial reinsurance agreement by asking if there is a 10 percent chance of a 10 percent loss. My reply is always the same, "I sure as heck hope not."

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Now we move to one of my favorite subjects—the LEARN initiative. This is a brand new initiative of the Reinsurance Section Council and a pet project of mine. I would love to give you the meaning of the acronym LEARN, but quite honestly, I can't remember (although I know that the "R" stands for Reinsurance). For those of you who are not familiar with LEARN, it is an initiative to teach state regulators the basics of life reinsurance at their place of business. The goal is for the Reinsurance Section of the Society of Actuaries to become ***the*** source of unbiased information pertaining to life reinsurance. Wouldn't it be great if our regulators knew more about life reinsurance so that they could effect better regulation upon the industry?

The reason that I bring up LEARN is that we ran our first session recently and received feedback. While the feedback was unbelievably positive (mainly due to the presenters—Sean Burt and Jim Burtt, the project leader Jeff Katz, the Reinsurance Section Coordinator, Kelly Levy and our slide reviewer Donna Jarvis), there was one comment that baffled me. The regulator asked if we could talk about non-life reinsurance as well the next time that we present … Ahhhhhhhhhhh, the non-life bug bites again!

Then it dawned on me—if you can't beat 'em, join 'em. Why don't we as life reinsurance actuaries learn more about non-life reinsurance? Why don't we attend more non-life meetings, speak at more non-life meetings, get out and fight for our cause? Let's put RGA on the non-life map (Greig, I would like the blue car with the white detailing that we discussed).

As my time as chairperson of the Reinsurance Section Council winds down and as Larry Stern gears up to become the new Chairperson, I would like to challenge Larry to take on this project. We should coordinate better with historically non-life organizations and become known. Instead of whining about being second-class citizens (although I am quite good at whining), let's do something about it. Well, this is just a thought from the Chairperson's corner.

Finally, I would like to encourage you to join the Reinsurance Section Group on LinkedIn. It was created with the desire to have Reinsurance Section members engage in thoughtful conversation on reinsurance-related industry topics. What do you think about an optional federal charter? Should reserve credit for reinsurance be based upon the reinsurer's ratings as opposed to state of domicile? Will principle-based reserving help or hurt the reinsurance industry? Please join the Group, if you haven't already done so, and begin to post some comments. For more information about LinkedIn, visit the website at **http://linkedin.com**. ■