



SOCIETY OF ACTUARIES

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On the Research Front

The following is a list of current research studies that will pique your interest and keep you informed.

RESEARCH PROJECTS – LIFE INSURANCE

The Individual Life Experience Committee has completed their latest report on intercompany mortality experience by amount of insurance under standard individually underwritten issues. This includes study years 2008-09. The Excel files contain the appendices and pivot tables that provide more detail of the data summarized in the report. If you have any questions, please do not hesitate to email Jack Luff at jluff@soa.org.

COMPLETED EXPERIENCE STUDIES

This report presents the results of the most recent study of individual life insurance lapse experience in the United States conducted jointly by LIMRA International and the SOA. The observation period for the study is calendar years 2007–09. The study is based on data provided by 27 individual life insurance writers and presents lapse experience for whole life, term life, universal life and variable universal life plans issued between 1910 and 2009. An Excel spreadsheet is available which contains supporting source lapse rates for figures within the U.S. Individual Life Insurance Persistency report.

COMPLETED RESEARCH STUDIES

In managing insurance, traditional actuarial methods use past policyholder experience in quantifying future liabilities and risks. In modeling future expectations, many assumptions need to be established that are influenced by policyholder behavior. However, since human behavior is difficult to predict, the use of historical policyholder experience to model future policyholder behavior may not produce the most accurate results as future policyholders may not behave the same as past policyholders. To expand our understanding of the theory of behavioral economics and its application to life and health insurance policyholder and annuitant behavior, the SOA's Committee on Knowledge Extension Research, Committee on Life Insurance Research and the Financial Reporting Section issued a call for papers, inviting actuaries, academics, economists, psychologists, sociologists, researchers and other professionals to explore this topic from a variety of perspectives. The result is a new paper, authored by Louis Lombardi, Mark Paich and Anand Rao of PricewaterhouseCoopers, which presents a new approach, called behavioral simulation, to model policyholder behavior.

NEW REPORT, "RECOGNIZING WHEN BLACK SWANS AREN'T" JUST RELEASED

Read this new research report, sponsored by the Reinsurance and Joint Risk Management Sections and Committee on Life Insurance Research, to better recognize, assess and respond to emerging events. Authored by Guntram Werther of Temple University with the assistance of Thomas Herget, this paper provides a holistic framework for foreseeing large scale, large impact rare events (LSLIREs). The report covers, among other topics, the definition of a black swan vs. LSLIRE; why current recognition methods for these extreme events fail; potential solutions for better foreseeing emerging LSLIREs; and how to improve timing and recognition of the trigger points within an LSLIRE.

NEW REPORT JUST RELEASED ON LIFE REINSURANCE TREATY CONSTRUCTION

Reinsurance treaty negotiations can be a long process that may lead to lengthy, unwieldy documents and negative experiences for the direct writer and/or reinsurer. The SOA's Reinsurance Section and the Committee on Life Insurance Research have just released a new report on Life Reinsurance Treaty Construction. Authored by Steve Stockman and Tim Cardinal of Actuarial Compass, this report discusses the importance of many reinsurance treaty terms/provisions, identifies common treaty structures, practices, and/or solutions in reinsurance treaty construction and negotiation and illustrates how treaty terms have evolved over time. The knowledge from this research will assist individuals involved in reinsurance treaty negotiations to optimize resources and success in future reinsurance treaty development potentially leading to enhancements in current processes and treaty language, as well as a reduction in the length of time needed to complete negotiations. □