



SOCIETY OF ACTUARIES

Article from:

Reinsurance News

August 2012 – Issue 73

Interview with Paul Rutledge, President & CEO SCOR Global Life Americas

By Paul E. Rutledge

Reinsurance News: For our readers who may not be familiar with SCOR Global Life Americas (SGLA), could you please describe your role within the company and within the SCOR group?

Rutledge: SCOR Global Life Americas is the combination of business that Transamerica Re had in North and South America with SCOR's existing business in these regions. This increases our presence in the United States, Canada and most of Latin America. I serve as president and CEO of SCOR's life reinsurance operations in this part of the world, a role which involves setting overall policy, governance and strategy within the framework of the SCOR group. I also sit on the SCOR Executive Committee, which sets policy and oversight for the SCOR group.

Reinsurance News: We understand that you are a fellow of the Society of Actuaries. Nowadays, it has become less common to see actuaries appointed to the position of president at insurance companies. Why do you believe this is? What would you recommend for actuaries who want to pursue greater leadership opportunities in their companies?

Rutledge: I'm not sure how true this is, generally. I would say that a diverse background has always been advantageous for actuaries, and as complexity increases in our business it has become a necessity. I know on the reinsurance side, which I view as having a more technical business model, we face a far more complex environment than in the past. It's the same on the retail side. We all deal with enormous complexity with respect to regulations, legal issues, governance, economics, capital markets and on and on. The insurance business today lends itself to people with diverse backgrounds and a range of knowledge and experiences. My recommendation to actuaries is to broaden your interests and explore non-technical pursuits, on the legal and regulatory side, for example. I also encourage actuaries to continue to keep current with their knowledge and skills because so much of what we do involves complex and dynamic factors that are in a constant state of flux.

Reinsurance News: Could you tell us about your own career path? What are the key moments of your career that you remember most?

Rutledge: I started as an actuary in a fairly traditional debit company, and was fortunate to be there when

they formed a holding company. So at an early stage in my career I moved to a holding company environment where I gained exposure to a broad view of the life insurance business. I worked with investments, tax planning, cash flow planning. I got involved in board issues, capital markets and spin-offs' activities. This experience really added dimension to what until then had been a largely technical career path.

My next role was president of a much larger company, Life of Virginia, which participated in every form of distribution to be had. I was lucky to work with a very professional group of individuals and I learned a great deal from them as we continued to build the business. Then, after 25 years on the retail side, I jumped over to the dark side—reinsurance. But the incentive was personal as much as professional. Relocating my family was a key consideration. When the reinsurance opportunity came up in Charlotte, I have to admit that the location was as good as the opportunity.

Reinsurance News: When AEGON announced the sale of Transamerica Re before finding a buyer, what kind of difficulties did the announcement cause to your day-to-day operations?

Rutledge: Human capital and knowledge is the essence of our business so putting in place a retention plan was the first point of order. The second priority was to wall off as much as possible those individuals with client facing responsibilities. We made certain that our client teams remained focused on client needs and were not sidetracked by the work associated with the sale of the business.

This was not our first experience with an acquisition; within a year of my joining Transamerica the company was acquired by AEGON, so we had prior experience in dealing with this situation. When going through a sale, you always need to communicate as much as possible about the process. This is critical because ambiguity is not your friend! People tend to construe the worst possible outcome when ambiguity is left unattended so we made every effort to address this both during and after the sale process.

Reinsurance News: As Transamerica Re continues its transformation into SGLA, could you talk about



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some of the changes that your organization is going through?

Rutledge: Organizationally we have to understand a different approach to the business. SCOR is a professional reinsurance organization that has been in existence for some time. Transamerica Re was a division within a large retail organization. The parental perspective on various issues and the approaches to management and communication are somewhat different. Also, we were a fairly small segment within AEGON whereas with SCOR we represent a bigger share of the business so, as a result, our day-to-day decisions have greater impact on the parent organization and affiliates than in the past. Aside from the technical integration of systems and the transition to a new governance process, communication is the critical component of a successful transition.

Reinsurance News: Unlike Transamerica Re, which operated as a division of Transamerica, SGLA has legal entity responsibilities. What new activities does this introduce to the organization?

Rutledge: As Transamerica Re a lot of the governance issues—both in the United States and Europe—were taken care of at the corporate level. As SGLA, we have to deal with these issues directly. We spend more time working with the board of directors, state regulators and group staff directors in dealing with capital management issues, corporate cash flows, impact of EU governance on our business, etc. So there is a greater allocation of time to governance, policy setting and capital management than before.

Reinsurance News: Should your clients expect any changes as you transition to SCOR?

Rutledge: We have taken care to make the transition as painless as possible for our clients, who have been very supportive throughout this process. They have had to make some procedural adjustments and there will be a few more changes as we complete the transition. By the end of 2012 we expect the integration to be largely complete. And when all is said and done, I believe SGLA represents a net plus for our clients. SCOR is committed to our market and I think clients will benefit from an enhanced value proposition as we leverage our combined resources and expertise.

Reinsurance News: The U.S. life reinsurance market is still shrinking year after year. New life sales and cession rates are still falling. How is SGLA adapting to this difficult environment?

Rutledge: We have had our value added business model in place for a number of years as a means of differentiation and to secure business outside the more commodity-like environment of the traditional life reinsurance market. We continue to invest in technology driven underwriting solutions and other non-traditional offerings in the United States, Latin America and Canada. So, fundamentally, the shift in the traditional life reinsurance market has not brought about big changes for us. We are focused on growing the percent of new business from our value added segment. An essential element of this strategy is to form tight partnerships with our client companies who invest in these capabilities with us. This has enabled us to secure ongoing relationships and a more strategic alliance, if you will, with our customers. We both are invested in the solution, which drives value for them and for SCOR.

Reinsurance News: Do you believe that U.S. reinsurers need to change how they add value to direct insurers in order to increase cession rates?

Rutledge: U.S. reinsurers over time have been agile in adapting their business model to changing circumstances in the retail market. Because of the nature of the business, reinsurers are able to respond quickly to market conditions. By contrast, retail insurers have constituencies—policyholders, agents, regulators, etc.—that tend to reduce speed with which they can change the business model. Generally reinsurers don't face these same hurdles and are able to modify solution sets more quickly than the retail market can.

Right now the industry is going through an unprecedented time of change in terms of state and federal regulation, tax law, EU regulation and accounting practices. It's hard to determine how things will shake out five to 10 years from now for the retail financial services industry. But whatever the path forward looks like, reinsurers have to respond accordingly. We generally see change as an opportunity.



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Reinsurance News: With SGLA retaining control of SCOR’s Latin American business, do you have a renewed emphasis on growing overseas?

Rutledge: We have always had an emphasis on international growth given the level of maturity of the U.S. market. Cession rates in the United States are decreasing and growth of the U.S. retail market has been slow for the last decade. Since we no longer are looking at Europe and Asia-Pacific—this TARE business has been integrated into other SCOR operations—we have a sharper focus on growth in Latin America and Canada than we’ve had in the past. We see a lot of opportunity to build on the track records of both SCOR and TARE in Latin America. We are combining best practices from both organizations into a larger, synergistic organization.

Reinsurance News: What would you say are the major differences between the North American and Latin American reinsurance markets?

Rutledge: Generally, Canada and the U.S. markets are somewhat similar, though the Canadian direct market is more concentrated than the United States. With Latin America there are a number of different markets. Major Latin American countries have distinct products, regulations, and economic environments. As a reinsurer you must treat these countries as completely different markets with regard to business planning, products and solutions. The combination of ex-Transamerica and SCOR businesses in Latin America gives us better critical mass to give these markets the attention they need.

Reinsurance News: What are your priorities now? What are your plans for the future?

Rutledge: A top priority right now is to complete the integration of the business and to assure that we have the skills and capital to remain a market leader in life reinsurance. From a business standpoint, our on going priority is to continue to grow by providing the products and services that our clients need in these dynamic and challenging times. We tend to grow incrementally off of our core knowledge and skills base, so we don’t see any big jumps into new areas of risk. The more attentive we are to our clients’ emerging needs and the environmental changes driving these needs the more opportunities we will have for growth—for the company and our people. And we will be keeping the integration in the background as we do this. ■