

Interview With Bob Tiessen

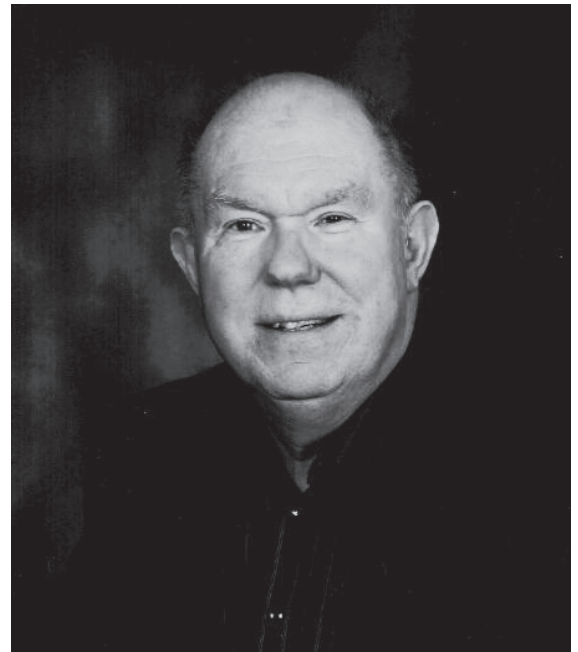
By Reinsurance News

First, thank you Mr. Tiessen, or should we call you Bob, for taking the time to speak with us. For our readers who may not be familiar with your career, could you tell us a little about how you got into the insurance business and your time with the Mercantile & General Reinsurance Group (M&G)?

My roots are in southwestern Ontario and all of my schooling has been there. I went to the University of Waterloo and initially tried the mathematics teaching option. Jobs were scarce and after one co-op work term as a high school mathematics teacher I switched to the actuarial science program. Waterloo was just starting to establish its actuarial science program at the time and my class was small compared to those that came later, one summer there were only four of us in the class. The co-op education system was very big at Waterloo and it was a great way to learn by being involved in the actual application of what you learned in the classroom.

My co-op teaching experience taught me that I was not a teacher of young adults and the actuarial examination process was intriguing. I also thought that actuarial science was more interesting than computer science at the time. I joined the M&G as a University of Waterloo Co-op student in 1971 which confirmed that actuarial science was the career for me. At the time, the actuarial pricing team was small and work was hardly standardized so your boss was very hands-on in what you did. My early bosses Gilles Dufresne and Peter Patterson were major influences on my early development as an actuary.

At the time the M&G was active in areas of the British Commonwealth and had been acquired by the Prudential of England from Swiss Re in the late 1960s. M&G started in Canada in 1957 and built its block of business by first dealing with other U.K.-based companies and offering underwriting services, especially in some areas then thought to be too risky such as diabetic risks. After establishing itself in Canada, the M&G expanded into the United States from its Toronto office in the late 1970s and grew rapidly in both life and health offerings. Eventually the Prudential decided that a large reinsurance operation was not something they wanted to own and made plans to spin off the M&G as a standalone entity. Near the end of this process Swiss Re



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came in and offered to buy the entire company, which they did in 1996.

When I joined, actuarial pricing was being done with commutation tables or on 16 column manually created spreadsheets using electric calculators. I was doing Canadian individual life pricing at the time and we did very unusual things like pricing Joint-Life Last Survivor (JLLS) on a renewable term basis. I joined the M&G on a full-time basis upon graduation in 1974. The M&G was expanding into the United States and it was exciting to be part of that expansion. I worked on U.S. pricing and product development until 1992 when the U.S. side went through a major reorganization. We went from a functional to a client-based structure and I moved into the role of providing management information and supporting treaty work, our retrocession program and our internal and external audits. For a very short period of time I was also in charge of underwriting and helped write the manual section on private aviation. I stayed in roughly similar roles after the Swiss Re purchase of the M&G even though we changed the name to Risk Management. It was interesting to see reinsurance

change from what was in many aspects an underwriting support service to also be a pricing and product development support service. In the United States this would change again later to a financing support service.

What are some of the key moments in your career that you remember most?

Several things stand out for different reasons. Going from manual premium calculation to APL programmed spreadsheets and then to all-encompassing calculations systems like AXIS were a major change in that you could spend your time on product design and policy issues and not have to worry about calculation correctness so much. Contract or treaty wording was an aspect of reinsurance that I enjoyed working on. This seems to be an aspect of reinsurance that still generates the need for working groups. I worked on three of them during my career, and I recently saw that a group had produced a new report on the topic. Treaty wording is difficult because reinsurance has changed its role from underwriting to pricing to financing support of direct companies. Reinsurance counterparties in direct companies are looking for different things as a result of the changing nature of the reinsurance relationship. Being the actuarial editor for *On the Risk* and helping underwriters see the actuarial side of risk was something that I enjoyed as a cross-discipline role that I think actuaries should do more of. A final highlight was being able to get my team to develop a mortality study for our large-size cases where there were a lot of data issues to overcome. A nice side benefit was that the results surprised a lot of people.

With U.S. life reinsurance cession rates in decline, what is your view of the market and what should reinsurers be doing to remain viable?

Reinsurance is a tough business since you are helping your client do something that he/she is already doing well themselves. Therefore, you have to do some part of that job better, easier or cheaper. In the past, insurance companies could look to reinsurers, who were usually larger and often international, to have more underwriting exposure, to be able to access international reserving standards or have information on new product types from other countries. Much of this was changing when I retired in 2007. I still think that many organizations are

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afraid of risk or do not even know what kinds or how much risk they are taking. Reinsurers will need to be ahead of the field in spotting and managing these risks. Longevity risk is one area where risk is misunderstood to a large degree and one that it seems reinsurers are exploring more.

Many businesses are unbundling what they do in order to concentrate on what they do best. Insurance involves many risks: mortality or morbidity, lapse, interest rate, regulation, underwriting and claims practices. Reinsurers can provide support in these areas. They may need to change how services, such as underwriting manuals, are offered in order to provide and properly price those services.

What are your priorities now? What are your plans for the future?

While I did come back for a short-term specific project after retirement, I wanted to make a clean break from the business after leaving Swiss Re. I did serve on the boards of several charitable groups and am now working on my church's building expansion committee. My wife and I like to travel and right now we are looking forward to cruising to the Arctic Circle off Norway next summer.

We appreciate the time you've spent with us. Thank you, and all the best for the future.

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