

# RECORD OF SOCIETY OF ACTUARIES

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### REINSURANCE SECTION FORMATION

Through the efforts of the Reinsurance Organizing Committee and under the auspices of the Society of Actuaries, the first official meeting of the Reinsurance Section was held on April 1, 1982 at the Regional Convention in Houston, Texas.

MR. JOHN C. WOODY: The purpose of today's session will be to begin the formal organization of the Reinsurance Section of the Society of Actuaries. You are probably all aware of the steps which led up to this session so I will not reiterate them. You should be aware, however, of the efforts of the Organizing Committee, and especially Mr. Denis Loring, in putting this meeting together. I will therefore turn the meeting over to Denis who will proceed with the business at hand.

MR. DENIS W. LORING: As of March 26, 1982 the Reinsurance Section had 257 fully paid members. The Society requires 200 paid members for official status. We have therefore fulfilled the requirements and are now an official Section of the Society of Actuaries.

Since the purpose of our meeting today is to organize ourselves to accomplish certain as yet undefined tasks, I would like to start the meeting by following the outline of the letter which was sent to you and which closely follows the discussion at the organizational meeting of the Health Insurance Section held not long ago.

What is the purpose of the Section? In essence the Section should make personnel available to address specific areas of interest, involve more people in the Society's activities, and improve the continuity of these people as their interests affect the various Society committees and task forces. It is a chance for us to improve communications among members and perhaps eliminate some of the time conflicts at the Society meetings, since we would have smaller specialized meetings in non-conflicting time spots. The Section hopes to improve the amount and quality of discussions and at the same time lessen the level of formality involved. We hope to serve as a resource for not only the Society and external bodies but for our members as well. We can perform experience studies and prepare Society educational materials and study notes. In short, the Section is anything we want it to be.

How do Sections function? There has been some concern that Sections will force Society members to specialize. This is not our feeling since members are not restricted in the number of Society Sections they may join. You join Sections purely on a voluntary basis. They exist only to serve the members' interests.

Since we have fulfilled the membership requirements of the Society, we will be distributing By-laws which outline the organizational guidelines under which we must operate. We are all-encompassing as far as

reinsurance is concerned. This would include all forms of reinsurance, and certainly would not preclude actuaries from ceding companies from joining the Section. This is not just a reinsurers Section, it is a reinsurance Section. One of our goals should be to improve communication among ceding companies, reinsurers, and retrocessionnaires. We hope to be addressing issues that are not particularly partisan toward one or the other. Our relationship to the Society and to the Academy will evolve as we evolve. Specifically, we will be looked upon to provide information for reinsurance sessions at Society meetings, and to provide study notes and educational materials. In other words, we will be the Society's resource for topics relating to reinsurance. Where we go from this point is essentially up to us.

Certain members have expressed interest in designing a program for the Reinsurance Section at the annual meeting in Washington. Since it appears that our time constraints are fairly severe I would like the current attendees to consider this as we proceed with the meeting.

At this time I would like to call on Mr. Mel Young, who is Chairman of the Reinsurance Task Force for the Education and Examination Committee.

MR. MELVILLE J. YOUNG: As most of you may know we had a recent letter in the Actuary asking for any material on reinsurance relevant to the Society syllabus. We currently have a Task Force of eleven people, three from Canada and eight from the United States, reviewing the syllabus and making suggestions for additions or modifications to the existing materials. We are making good progress but would naturally appreciate anything the current membership can do to help us. We have compiled some very good material and are continuing our search for additional pertinent information.

MR. LORING: I feel one of our highest priorities should be the communication among our members. One item which was brought up at the Health Insurance meeting was the possibility of establishing a newsletter produced by the Section. Another possibility is a bibliography of available reinsurance information. This may be something that could be done in conjunction with the work of the Task Force.

Our very first obligation, however, is the election of a Council. According to the By-laws the Council will consist of nine members. During this session we will solicit nominations for those Council memberships from the floor. It is also possible to solicit nominations by mail. Nominees will be screened by the Governing Committee, which will contact the nominees to determine if they are willing to serve. No one on the Board of Governors is eligible to serve on a Section Council. The Society will contact nominees and ask them to prepare a brief biography describing their educational and professional background. The Society office will prepare and mail a ballot to those members eligible to vote. Current eligibility is extended to paid-up members of the Reinsurance Section who are Fellows of the Society of Actuaries. Ballots will be returned to the Society, the Society will validate them and the Organizing Committee will count the official ballots. The results of the voting will be mailed. The top three elected members, based on vote count, will be given three-year terms ending at the annual meeting in 1985. The three receiving the next

highest number of votes will receive two-year terms ending at the annual meeting in 1984. And finally the next three will receive one-year terms ending at the annual meeting in 1983. The newly elected Council will then meet to elect its officers: President, Vice-President, Secretary, and Treasurer. The first official meeting of the Council will be taped by the Society with the resulting minutes forwarded to the official list of members of the Section.

I would like to take this opportunity to thank the Society's central facilities for making our organizational job very easy. We owe them our gratitude. Without them we would not have been able to coordinate our mailings and receive the response evident by the attendance at this first session. At this point I would like to open the floor for comments, and then proceed to the business of elections.

MR. LESLIE J. LOHMANN: How will we be able to identify members of the Section so that we can communicate among ourselves?

MR. LORING: The Society Office will prepare a list of members of the Reinsurance Section and send it to all members.

MR. HARRY H. PANJER: Since my interest lies primarily in the risk-theoretical type of problems, I would like to stress the importance of having a strong research component within this Section. At the Montreal annual meeting, one of the sessions dealt specifically with research. There appeared to be a consensus among the attendees that there should not be a specific research Section since each specialized Section should deal with its research activities specifically. For that reason I would like to reemphasize the need for a strong research component within this Section.

MR. LORING: One of things that we can do as a Section is establish standing committees. Naturally there could be a standing committee on research. Anyone willing to volunteer for the Chairmanship of such a committee is more than welcome to step forward. It is important that activities such as research keep our section alive and well. I would like to stress that we are looking for active membership. We want people who are willing to do research, serve on the Task Force for the Education and Examination Committee, and assist in the establishment of our Newsletter. In other words, we will only be as active and as valuable as we ourselves want to be.

MR. ANTHONY GENNAOUI: Why do Section Council members have to be Fellows of the Society?

MR. LORING: This is prescribed by the By-laws as constructed by the Society's Board of Governors.

MR. WOODY: I feel it only fair to mention that this is not an option. The Board of Governors has so far insisted that voting and the holding of office in any Society group is a Fellowship function. Although that may change, we felt it important at this point to change as little as possible in the establishment of the Sections. We felt it especially important simply to get things going.

MR. LORING: Are there any other thoughts or comments as to what this specific organization should be doing?

MR. HAROLD G. INGRAHAM, JR: I was on the original Steering Committee and I guess it is my responsibility to watch over Sections as the Society's Vice-President in charge of services to members. I would like to remark that the requirement for voting status was made by the Board of Governors last year. My personal feeling is that an Associate should be able to run for and vote on Section Councils. In a meeting of the Society's Executive Committee last month, also with the middle Board class, I led the discussion of Sections and this was one of the open questions. My personal feeling is that it's an idea whose time has not quite come. There are naturally reasons for not opening up the voting rights, but I would be very surprised if in two or three years the matter is not again submitted to the Board for review. The whole thrust of the Sections is to encourage bottom-up activity: to get the younger members of the Society, the Associates and the new Fellows, involved in Society activities. Natural evolution is to extend the voting rights to members of non-Fellowship status. I simply wanted you to know that there is a point of view among the Society's Board that favors the concept.

MR. YOUNG: To follow up on that comment, I read in the By-laws that Associates can be members but they cannot vote. If this is correct, how many voting members do we have?

MR. LORING: As of last count, we had 257 fully paid members. I don't know as yet how many of those are official voting members. Based on the current percentage membership in the Health Section I would estimate we have 180 voting members.

I would like at this time to address the possibility of our getting on the program at the annual meeting in Washington. My feeling is that since we are now an official Section, we should make every effort to develop a program for a regular time slot at the meeting.

MR. INGRAHAM: Since I have seen the supposed final program for the meeting, I feel that it may be too late for us to find a regular time slot even though there is much merit in doing so. The Health Insurance Section has been allocated time and it would be logical for us to have a time period opposite theirs. Since it's logical to assume that by the time the annual meeting rolls around you will have elected officers and organized the necessary subcommittees, I feel it is important that you contact Mr. Fredrich Frickers immediately to notify him of your intentions.

MR. ROBERT P. JOHNSON: Since a few of us have been talking about how excited we are that there is a Reinsurance Section, I personally would be very disappointed if we did not do everything possible to get off to a good start. Since today may prove to be a difficult day to form committees, I would suggest that we proceed with the voting and then try to find some way to have time allocated to us in Washington. At that time we can start forming our committees and get off to a flying start. I would therefore like to move that we do everything possible to get on that program.

(After a short discussion, the following individuals volunteered to spearhead the effort for a time spot at the Washington meeting: Mr. Robert P. Johnson, Mr. Michael R. Winn, and Mr. John E. Tiller, Jr.)

MR. LORING: Since we have addressed the issue of the Washington Meeting, let us next move to the voting for the Section Council. Do you think we should solicit nominations through the mail?

MR. EDWARD W. O'NEIL: Since it is going to be a three-year appointment it seems reasonable to delay at least until we know how many voting members we have and who might want to be considered for nomination.

MR. INGRAHAM: Let me correct Mr. O'Neil's statement, it is not true that everyone will be nominated for three years. There will be three people nominated for one-year terms, three for two-year, and three for three-year terms.

MR. LORING: I would like to suggest that we proceed much like the Health Insurance Section: that we submit a slate comprised of the Organizing committee plus any other nominations from the floor, simply to speed things up. The Organizing Committee would automatically be nominated. (A show of hands was requested and unanimous approval was received for the automatic nomination of the Organizing Committee. The only exception to these nominations was Mr. Woody, who was disqualified because of his membership on the Board of Governors).

The members of the Organizing Committee are as follows: Mr. John M. Burleigh, Mr. John H. Harding, Mr. Denis W. Loring, Mr. Jay A. Novik, Mr. Steve Radcliffe, Mr. Paul E. Sarnoff, Mr. Courtland C. Smith, Mr. John E. Tiller, Jr, Mr. William K. Tyler, Mr. Irwin T. Vanderhoof, Mr. Melville J. Young and Mr. John C. Woody (Mr. Woody being previously disqualified). In addition to the Organizing Committee the following floor nominations were made and accepted: Ms. Michal I. Bauer, Ms. Sue Ann Collins, Mr. Dennis R. Corrigan, Mr. Jeffery T. Dukes, Ms. Monica Hainer, Mr. David M. Holland, Mr. Robert P. Johnson, Mr. Donald C. Kiefer, Mr. Leslie J. Lohmann, Mr. Harry. H. Panjer, Mr. James W. Pilgrim, Mr. Kent M. Simmons, and Mr. Michael R. Winn.

MR. RICHARD E. SWAGER: When we began our vote did we not say that we would notify the people who weren't here that we were nominating? Since we only have about 100 people here out of the 257 person membership, would it not be fair to notify those not attending of our procedures?

MR. LORING: We took a vote on precisely that question. The overwhelming response was that the Organizing Committee and the nominations from the floor would form the slate of nominees.

MR. YOUNG: Now that the nominations have ceased I would like us to give some thought to the research projects that we may undertake. Along those lines, I have had some recent discussions with other actuaries concerning the mortality on large claims. It was our feeling that this group should perhaps commission a study among reinsurers on the subject of claims above a certain amount. Since the reinsurers may have more information available, it may be possible for us to examine our pool of information for the difference in mortality patterns and the possible variations in the underwriting process on large claims.

MR. WOODY: My interests would lie in reinsurance mortality in general, not just large claims.

MR. LORING: It may be of interest to this group that the Equitable is currently compiling a mortality study of reinsured business using the formulas prescribed by Mr. Irwin Vanderhoof and Aaron Tenenbein in their recently published paper. We have had nearly unanimous cooperation from the reinsurance companies. The first set of specifications for the study went out on March 26, 1982. When the initial comments are received they will be reviewed, the specifications revised, and a final format for the study devised. It should be noted that for purposes of security only certain disinterested parties will compile the information, produce the studies, and mail the results to the participating companies. It should be noted that all possible concerns over the anti-trust implications of this study have been addressed, and the format of the study appears to meet the requirements of the various Legal Departments of the reinsurers involved.

MR. DAVID M. HOLLAND: I question whether this may be a proper study for the reinsurance section or possibly something for the mortality committee, but anyone who has attempted to use the most risk-theoretic approach in calculations finds that there is very little information with regard to distribution of claim by size. I assume that Mel Young was addressing himself specifically to amounts over \$2,000,000. I would like, however, for the Society's studies to give us a distribution of claims and inforce by amounts such as \$100,000 to \$250,000, \$250,000 to \$500,000, et cetera. Information such as this would be of great help in applying more modern actuarial techniques to pricing.

MR. LORING: If there are no further questions or comments we will adjourn and hopefully reconvene at the Washington meeting.