

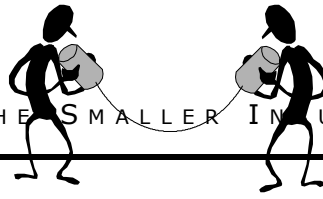


SOCIETY OF ACTUARIES

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Small Talk from the High Chair

by Edward J. Slaby

In the introductory piece I wrote for this newsletter as the incoming Chair of the Section Council, I commented on the enjoyment of actuarial work and promised to expand on this topic in a future issue. Well, time flies and the editor's memory is long, and so what follows will, I hope, redeem that promise.

Recently I was interviewed by a consultant that had been retained by our CEO to advise on the latest installment of strategic and operational planning. I knew that his major interest was in the organizational structure of the company, and, in particular any opportunities for Doing Things Differently, which is to say with fewer people. So it was disconcerting to have him ask, with his first question, whether I considered my work to add anything to the overall benefit of humankind. He was smiling as he asked this, but I was intrigued and disconcerted by his choice of question. What on earth did this have to do with anything? I replied somewhat defensively that I saw my role as a technician and manager involved with the design and management of systems to transfer and spread financial risk, etc. Later, I thought of all the clever retorts and more elevated sentiments I could have expressed, but, as usual, wit came with a lagged response.

This experience was reminiscent of a similar line of questioning. What do you do at work, Dad? Do you like it?

Let's consider this by asking the following question:

Do actuaries love their work and believe it is inherently good? Or

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Gramm Leach Bliley Survey

by Edward J. Slaby

During a recent meeting of the Smaller Insurance Company Section Council, the discussion turned to the effect of the Gramm-Leach-Bliley Federal legislation on our member companies. This bill, which became the law of the land in 1999, seemed at the time full of ominous portent for smaller size companies in the life insurance business. We decided to survey a group of people likely to have a privileged viewpoint on this issue, namely you — our membership. A survey questionnaire was prepared and placed on the Society of Actuaries Web site, with a blast e-mail sent to our membership to provide them a link to the survey response document. Your response



was excellent, with 235 replies out of a universe of 660 potential responses.

As promised, here are the results of this survey. Six out of seven questions required a yes/no response. These questions are shown in the table below, followed by the percent of the responses which were affirmative. Question 3 offered a choice of three responses, and the percent of the responses for each choice is shown for that question.

Question 1

The Financial Services Modernization Act (FSMA) has removed restrictions on banks affiliating with securities firms and insurance companies. Since passage of this law has your company had or considered any proposals by banks for affiliation?

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Gramm Leach Bliley Survey

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Yes	52%
No or no response	48%

Question 2

The FSMA introduced federal regulators into certain types of insurance operations. Has your company had any interaction with federal banking or insurance regulators?

Yes	51%
No or no response	49%

Question 3

The FSMA created stringent privacy and consumer protection requirements. Have these resulted in any of the following reactions by your company?

Very urgent activity	37%
Limited activity	43%
No activity	20%

Question 4

Has the FSMA changed the strategic planning or direction of your company?

Yes	59%
No or no response	41%

Question 5

Is your company currently an acquisition target, or do you expect to be a target in the foreseeable future?

Yes	37%
No or no response	63%

Question 6

Has the passage of the FSMA created any increased competition or contraction of your company's market share?

Yes	69%
No or no response	31%

Question 7

Do you perceive the FSMA as creating organizations which are too large to be efficient?

Yes	53%
No or no response	47%

While not intended to be scientific, this survey nevertheless does allow us to discern some general trends and effects on the Section membership.

Questions 1 and 2, for which the responses are highly correlated, indicate a fair amount of activity by either banks or insurers to investigate strategic combinations. At the SOA Annual Meeting in New Orleans, the Section will sponsor several lively programs for actuaries in smaller companies and their consultants. I hope we can hear from some of you how bank affiliation has worked for your company. Both success and failure experiences should be very instructive.

Question 3 responses indicate that the new privacy regulations are keeping a lot of us quite busy. I hope we get an opportunity to hear about some of your experiences with this issue. Is there a newsletter article waiting in the wings?

Question 4 responses show that smaller companies are generally rethinking their vision and mission statements, and are actively involved with an examination of their markets and business niches. Some would say this is a predictable response, but I'm not so sure that it is.

Question 5, on the other hand, reveals a relatively low level of takeover anxiety among the membership. If this is so, and I believe it is, it deserves further exami-

nation. Ostrich-like lack of concern? Or a reflection of a view that banks do not really want to be in the risk underwriting business.

Question 6 is likely correlated with Question 4, and reflects the increased focus that companies must have to succeed in current business conditions. This is another topic that deserves informed discussion by our membership.

Finally, Question 7, which betrays a small company bias in its phrasing. About half of the responses were supportive in their opinion that larger is not necessarily better. The issue is not simply scale versus flexibility and agility. There is room for both kinds of companies. But we should consider whether this legislation, and all that proceeds from it, tilts the advantage to the larger companies.

These responses have drawn, in very broad strokes, a picture of the new forces that are impinging on the smaller companies, and on all of us in our day-to-day work. We'll be digging into these topics in the sessions we sponsor at upcoming SOA meetings. Join us for the discussion. Send a letter to the editor of this newsletter. Let's keep this conversation going. And thanks for the great response.

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Ed Slaby