



SOCIETY OF ACTUARIES

Article from:

Small Talk Newsletter

April 2000 – Issue No. 15



Are Small Companies Victims of Overregulation?

by Jim Connolly

Editor's Note: This article is reprinted with permission by National Underwriter. It ran in the January 24, 2000, issue in the Life & Health/ Financial Services Edition.

In an S.900 world, are regulators doing enough to make sure that small, independent insurers don't disappear into oblivion?

The question was raised in a letter sent to insurance commissioners by James Van Elsen of Van Elsen Consulting in Colfax, Iowa, who frequently represents the interests of small companies.

In the letter, Mr. Van Elsen starts by noting that "every year, there are fewer independent companies as smaller companies are acquired by or merged with larger companies."

In the course of the letter, Mr. Van Elsen writes that an insurance commissioner has a "significant influence on whether smaller companies will continue to disappear."

Insurance commissioners, according to Mr. Van Elsen, must examine the cost of mergers and acquisitions as well as insist on a better analysis from the National Association of Insurance Commissioners when new regulations are being proposed.

"Many new regulations offer very little protection to the public, but continue the assault on the smaller companies' ability to stay in business," he wrote, citing the new model Actuarial Opinion & Memorandum Regulation being considered by the Life & Health Actuarial (Technical) Task Force of the NAIC as a case in point. This regulation's possible cost of requiring a gross premium valuation, he wrote, was a reason for concern by small companies.

The AOMR draft would require all appointed actuaries to render an opinion concerning the adequacy of a company's



reserves, something smaller companies say would be an onerous added expense.

Mr. Van Elsen that state laws regarding mergers and acquisitions need to be changed because commissioners are limited in what actions they can take.

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Small Talk from the High Chair

by Rod Keefer

Those of us who have school-aged children know that May's arrival means two things are not far behind: (1) summer vacation and (2) report cards. While most eagerly anticipate the former, many await the latter with mixed emotions, as the objective assessment of how one's performance compares with expectations can result in much anxiety.

As the Smaller Insurance Company Section approaches its seventh anniversary, perhaps it is a good time for a report card that measures our performance in light of our purpose. Combined, the five bold headings below comprise the Section's purpose as it appears on page 141 of the 1999 SOA Yearbook. Along with the purpose are some of the items that are being done to fulfill that purpose, as well as a few suggestions for

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Small Talk From the Highchair

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how we might improve our efforts in the future.

The purpose of the Smaller Insurance Company Section shall be to encourage and facilitate the professional development of its members...

Before we discuss what the Section is doing, it might be useful to first identify exactly who our members are. While the typical member practices in a small life insurance company and lives and works in the United States, the on-line actuarial directory available at www.soa.org reveals some interesting statistics about our 784 constituents (note — figures were extracted in December 1999 and may have changed slightly since then).

- 22% of our members' addresses are in 38 countries other than the United States.
(Canada — 9%, all others — 13%).
- 40% list employment type as something other than insurance organizations (consulting actuary — 30%, all others — 10%).
- 34% identify their primary area of practice as something other than life insurance (44%), general management (12%), or financial reporting (10%). Health (12%) heads the list of exceptions.

As you can see, we are a diverse group with diverse professional needs and skills. To the extent that the Section does not fulfill its purpose in your specific situation, I encourage you to get involved, as there are probably other members in similar situations.

...through activities such as meetings, seminars, and the generation and dissemination of literature pertaining to the unique problems that face actuaries employed by smaller life insurance companies.

Our Section participates yearly in the SOA Spring Meeting, Annual Meeting, and Valuation Actuary Symposium

(VAS), typically by planning one to three sessions at each. The nine-member Section Council, whose names are listed on page 2, coordinates these sessions as well as other Section activities. This year we plan to host (1) a session on smaller company hot topics at the June meeting in San Diego, (2) a discussion on cash flow testing aspects and alternatives at September's VAS in Washington, and (3) a session at the October Annual Meeting in Chicago on technology and administrative systems, plus a roundtable breakfast discussion.

While our Spring Meeting presence is limited to the life product development / financial reporting meeting, we could

together the ideas of those facing similar challenges in smaller companies. The results of that survey are summarized in a separate article. Our colleagues who have insights as to the kinds of methods, techniques, and solutions listed previously, or how they might be shared more effectively, are invited to get involved.

It provides a forum where professionals working in a smaller company environment can discuss their special concerns.

If you attend one of our Section's planned meeting sessions this year, you may notice an increased emphasis on roundtable discussions. While panel discussion formats are valuable and will continue, we want to take more advantage

“While our Spring Meeting presence is limited to the life product development/financial reporting meeting, we could certainly expand our future involvement to include the health/pension meeting if enough interest was expressed.”

certainly expand our future involvement to include the health/pension meeting if enough interest was expressed. Anyone who has ideas regarding future meeting topics or participation is urged to get involved.

The Section focuses on methods, techniques, and solutions that do not require the more extensive actuarial resources available to large companies.

Optimum use of minimal resources tends to be the focus of all of our Section's meeting sessions and communications. Members are encouraged to network and share ideas about how to most effectively deal with the barrage of regulatory, competitive, management, automation, and other issues that we have in common.

The Section-wide survey on valuation issues that was circulated to members last August was one such attempt to bring

of the opportunities we have to discuss common concerns and solutions. For example, we currently anticipate having no agenda and no recruited speaker for the Annual Meeting breakfast, so that the entire session can focus on items of current interest to attendees.

With e-mail and Web access now available to nearly all our members, I think it is imperative that we make more effective use of this potential forum as well. The “Special Interest Sections” area at www.soa.org contains our Section's purpose, lists the names of Council members, and includes recent issues of *small talk*. In addition, the site now includes meeting minutes of the Section Council, which typically holds four or five conference calls plus a face-to-face meeting each year, and a recent treasurer's report. E-mail “blasts” hold enormous potential for getting information to

and feedback from members quickly and efficiently. If you have not already, please provide your e-mail address for publication in the SOA on-line directory.

The Section newsletter is *small talk*.

Our newsletter, which is compiled and circulated twice each year, continues to be one of the most widely read SOA publications among our members. Thanks to the vision of its editor, Jim Thompson, *small talk* consistently provides current topics of relevance to a diverse membership. You can get involved in selecting and / or addressing topics for future issues by contacting Jim at his directory address.

In case you are wondering about other ways to get involved, I can think of three. The first is to consider running for Section Council. In addition to the activities above, Council members are also included on the life and finance practice advancement committees, the committee on professional development seminars, and the council of Section chairpersons. We are fortunate this year in that each Council member has taken responsibility for at least one task, so that no one has been overwhelmed by the amount of work required. The deadline for Council nominations is May 12, so if you are interested, please contact me ASAP.

The second way is to contact a Council member if there is an area in which the Section is, or you think should be, involved that interests you. Fresh ideas and an extra set of dedicated hands are always welcomed. The third way is to share your concerns and suggestions, either through meeting discussions or newsletter publication. Whatever way you choose to get involved, you will find that our Section's size and composition give you the opportunity to be heard, to have an impact, and to make a difference.

Rod Keefer, FSA, is associate life actuary at Erie Family Life Insurance Company in Erie, Pennsylvania, and Chairperson of the Smaller Insurance Company Section Council.

Minutes of the Smaller Insurance Company Section Council Meeting

Thursday, March 2, 2000, 3:00 PM EST, Conference Call

Present: Rod Keefer, Ed Slaby, Dale Hall, Lori Truelove, Jim Thompson, John O'Sullivan, Lois Chinnock, and Richard Ostuw.

Approval of Minutes of December 9 Conference Call

ROD KEEFER NOTED THAT the minutes of past section meetings and treasury reports were now on the SOA Web site under the SIC Section heading.

We briefly discussed the pros and cons of blast e-mailing the members of the Section with a set of updated news. This would cost about \$10. We decided to pursue this and include in the e-mail information about the Spring Meeting, Web site information and a call for anyone interested in running for the SIC Council. Rod will be drafting the text of this and sending it to Lois.

Treasurer's Report

DALE HALL INDICATED THAT the Section has a fund balance of \$15,447 as of December 31, 1999. The fourth quarter brought expenses associated with the Annual Meeting, as well as printing and mailing costs for the newsletter and Section ballots. Additional commitments include \$2,500 for the SOA expense allocation project, \$1,000 for library indexing, \$1,500 for "The Actuary's Career Planner," and approximately \$1,400 for the Annual Meeting luncheon. The unallocated balance at year-end was \$10,447. Dale will be writing up this information for the next newsletter.

Newsletter:

JIM THOMPSON HAS A March 20 deadline for the May issue of *small talk*. He will be following up with some ideas from the NAIC meeting on March 9-13, including the AOMR, XXX, and the resulting ASOP for XXX. We decided to pursue reprinting a *National Underwriter* article that ran in January.

Spring Meeting

DALE HALL WILL BE facilitating our session at the Spring Meeting in San Diego. A "hot issues" session is being planned. Scott Cipinko from the NALC and Doug Robbins from Tillinghast will be speaking. Dale will be writing an article for the newsletter to advertise the session.

Annual Meeting: We will have one session and a roundtable breakfast at the Annual Meeting. Our speaker on database marketing will not be available to attend. Rod and Jim will assist in running the breakfast. The session will revolve around technology decisions that small companies face. Ed Slaby will be run this session.

Valuation Actuary Symposium

JOHN O'SULLIVAN MENTIONED THAT the SIC was reportedly holding a seminar before the meeting on September 13. This was the first we had heard of the idea. We decided that while there may be merit in hosting or splitting a seminar with another Section in the future, the time-frame was too short for this year. An interactive forum will be held for our Section at this meeting. Several topics will be discussed including new C3 RBC methods, Section 7 opinions, setting X factors, internal management and the use of consultants.

Other business

ROD KEEFER AND ED SLABY will attend the up-coming meeting of the Council of Section Chairs. We should all think of SIC Section members who would be interested in serving on the Council so we can fill our election slate.

The next meeting has been set for a conference call on May 10, 2000, at 3:00 Eastern time.

*Submitted by Dale Hall
March 14, 2000*