RECORD OF SOCIETY OF ACTUARIES
1995 VOL. 21 NO. 4A

REINSURERS AND PRODUCERS: WHAT CAN WE LEARN FROM EACH OTHER?

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Recorder: RONALD L. KLEIN

Three panelists—an agent, a direct company underwriter, and a reinsurance underwriter—will make brief presentations and take questions. Topics discussed will be: jumbo risks, substandard cases, time service, and additional requirements, how to include the agent in the reinsurance process, and codes of professional ethics.

MR. RONALD L. KLEIN: We have a panel of all nonactuaries, which should be very interesting. I've asked the panelists to make some brief remarks and then we're going to open it up to questions. This type of interactive forum is brand new and is the brainchild of Paul Schuster. My job is to keep the conversation going and to make sure that there are enough questions.

First let me introduce the speakers. David Rittenberg is an agent with Mutual of New York, a field underwriter as they call it. He has been there since 1984 and is a life and qualifying member of the Million Dollar Round Table (MDRT) and has been for ten consecutive years running. His market is basically the upscale market with an average policy size of almost $1 million. David knows what it's like to run into reinsurance problems. David received his MBA from Temple University.

Bob Baszkiewicz is an assistant vice-president of new business services at The New England and has been with The New England for approximately 12 years. Previous to that, he worked for 12 years with the Prudential. He's the past president of The New England Home Office Underwriters Association and currently is president of the Bay Colony Underwriters Club.

Our third speaker, Bill Moore, is currently the vice president and chief underwriter at Life Reassurance Corporation of America (Life Re). He started with Life Re in 1974, actually with Gen Re, and then when Life Re was bought out and went public, he continued on with Life Re. Bill is a frequent speaker at industry meetings and is coauthor of the underwriting manual that Life Re put out two years ago.

MR. DAVID RITTENBERG: As a life agent, I'm faced with the daily barrage of regulatory concern and public awareness; all life agents are on the front lines. We are

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fielding the questions, comments, concerns, and, unfortunately, the anger of many of our clients and prospects today. I'm intrigued by the theme of your 1995 annual meeting: ethics and professionalism. Your theme is not unlike the theme espoused by my company, Mutual of New York, and probably that of many other companies in this country. We're all facing the same issues and challenges of the 1990s. As the agent, I'm selling the products to the public. As the actuary, you're designing and refining the product for public consumption. We must stringently adhere to the call for ethics and professionalism in our industry and not just make it a nice and cute theme for an annual meeting. We must follow up and practice what we preach.

As Ronnie said, I'm a career agent with Mutual of New York, and I primarily represent one carrier for 90% of my life business. I do some brokering, but the majority of my business goes to Mutual of New York. Over the years, my practice has evolved to where I primarily deal in the large-case marketplace or you used the term, jumbo marketplace. I'm fortunate that my company, Mutual of New York, allows me to have contact with the home office underwriters. I've been told that this is the exception as opposed to the norm; I'm sure Bob will discuss that in detail.

Because of the nature of my practice, I deal, for the most part, with the chief underwriters or even sometimes with the underwriting officers of our company. Again, the majority of our field underwriters don't have that opportunity. When I submit a case to my underwriter, I don't just submit an application. I include what I call background summary with all applications in an attempt to provide the underwriter with a more complete understanding of how I wrote the case: what my relationship is with the client; how I established the need for the client; how the face amount was established; what the competitive environment that I'm in is like; if there are any specific or specialized underwriting circumstances that the underwriter should be aware of and, most significantly, how the important the case is to me. So the underwriters really know what it's all about. Why is this case important, and why do I want to place it?

I recognize that in today's underwriting environment the application is only a small component in the underwriting process. For the most part, it's just a piece of paper intended to keep attorneys, regulators, and home office bureaucrats happy. Most information used by today's home office underwriters comes from the medical information bureau (MIB), from attending physicians' statements, from examination and testing, and from inspection reports. My background summary is my one opportunity to put a face on the application for the underwriter.

As I said earlier, although I'm provided the opportunity to speak to my company home office underwriter on a daily basis (sometimes two or three times a day), I am never allowed to speak to the reinsurance underwriter. Reinsurance underwriting decisions regarding difficult cases are typically passed on to me by my home office underwriter. The destiny of my case for my perspective has been determined not only by someone I've never spoken to, but more often than not, by a company of which I'm totally unaware. I don't know what company is being used or who it goes to. My company does not inform me of who the reinsurance carrier is, and in most cases is even reluctant to show the information or the name of the carrier. My question is, What's the mystery? Why is this part of the underwriting process cloaked in such secrecy by the field underwriter? I can only assume that my underwriter at Mutual of New York is passing along the information that I have prepared to the reinsurer. But what assurance do I have that is actually taking place?

Again, from a field underwriter's perspective, how do the reinsurers do what they do? I have not a clue. I consider myself a well-educated individual who has investigated all aspects of what I do for a living. Again, it's a well-kept secret, from our perspective. What can I do to provide these reinsurance underwriters with the information that they need to make an informed decision? How can I be assured that the reinsurance underwriters have a true perspective of my case? Remember, they have never spoken to me. Why must I be dependent on a home office underwriter to transfer the facts of the case to the reinsurer without any input on my part? Why am I not included in the process? Aren't the client and the client's agent most impacted by the decision of the reinsurance underwriter? Shouldn't the agent have an opportunity to present his or her side of the case for the reinsurance underwriter to consider?

MR. ROBERT BASZKIEWICZ: I just want to reverse the order of my presentation based on David's passionate plea for the home office underwriter to let the agent become involved in the process.

In fact, what the field underwriter presents to the home office underwriter on the direct side is probably the most critical piece of information that we convey to the reinsurer. Our relationships with the reinsurance underwriters, in the companies that we really use as reinsurers, are based on that underwriter's knowledge of the direct company's underwriter and, most importantly, the direct underwriter's knowledge of the producer and the information the producer has provided us.

In talking with any of the underwriting officers in our company, we all have this impression that we have a certain amount of markers with the reinsurers. Maybe we can call five of these a year. But there are always at least that many cases in the course of a month that are critically important to the producer. Frankly, as a direct company dealing with your agents and brokers, you have agents on different levels of credibility and on different levels of presentation of a case, especially in the jumbo marketplace.

The $25 million case has to be spilt among five or ten companies. How that case is presented to the direct company and how the direct company gives it to the reinsurance underwriter to look at is critical. If I have all the facts of the case and, most importantly, if the risk will be split five ways, that's fine. But occasionally we'll get a case of that size, and we'll get a phone call from the reinsurer saying that this case is from eight different companies. That's one way an agent can get in trouble, regarding his or her credibility, with the direct underwriter and certainly with the reinsurance underwriter.

I think that's critical with regard to our relationship with the various reinsurance companies that we deal with. I think that if Bill received phone calls from my producers, I'd hear about that in a hurry. Johanna Becker, who is our reinsurance actuary, would be after my neck. I think that's something that needs to be in place.

David says that he's fortunate in his company to be able to communicate directly with the underwriters. That's not normally the rule in our company. Generally, the large producers, such as David, would be able to, especially if he were detached from the agency. He'd be able to pick up the phone and deal directly with perhaps myself or the underwriting director, or maybe one of the other underwriting officers. There are probably two or three producers of David's magnitude in each agency. However, when there are 3,700 agents, we can't have a free-for-all with regard to phone calls. My underwriters wouldn't be able to get their in-house work done, and we can't be barraging the reinsurer with phone calls and pleas on the cases.

We may go to a reinsurer with a case that we may think is four tables. We know that the producer has to have a standard risk. Often we can approach the reinsurer if we have a feel that it will rate the case slightly or even moderately. We can approach the reinsurer with the idea of sharing the risk. If it's a $2 million case we can say that we will share the risk 50/50 if the reinsurer can see a way to go standard.

Again, if I called Bill every week with this type of request, looking for this business decision, I think he'd get tired of it quickly. Relationships are important. Some of the largest cases—the $50 million case, the $35 million case—don't develop with one agent. No one has control of them, and they're all over the industry being shopped among 15 or so reinsurers. Presentation of the case is really the key to it.

Another thing that we as a direct company think is very important is our reputation among the reinsurance community that we thoroughly work our cases. We've heard this from our reinsurer, that our cases are thoroughly worked up. I think this leads down the road to facilitating automatic reinsurance agreements. It's very important that a direct company's underwriting side have a good reputation with the reinsurers regarding the way a case is presented and how a case is worked up.

MR. WILLIAM MOORE: My perspective on this is a little different because I'm the specialist. I work primarily on problem cases.

Agents, underwriters, and reinsurers have a three-way relationship that depends on communication. All of my contact with agents is through the direct underwriter. The agent is at one end supplying information to the underwriter; I'm at the other end not knowing one agent from another. The underwriter has a relationship with each agent and knows the good ones from the bad ones. I get all my information from the underwriter, never actually speaking to the agent. Clear, written communication between the agent and the reinsurer makes the process work.

As the relationship with the underwriter is my main focus, I have to underwrite each client company, and I need to build a relationship with the underwriter. For my company, underwriting the client occurs when an opportunity for new business arises. I receive a package of information from the marketing department asking for an underwriting evaluation and a rating. I get the company's application, nonmedical limits and preferred criteria. In addition, I look at retention, automatic binding, and jumbo limits. The application and nonmedical limits are looked at for reasonableness, and the preferred criteria are ranked on a one-to-ten scale, with ten being the best. At this point I normally call the client and discuss the underwriting manual that the company uses, its practice on facultative, and any special programs that it has I then describe the services that we offer. The final items of discussion are the method of distribution and the companies that it competes with. Combining this information lets me send a recommendation to the pricing actuary. This gives me a blueprint for working with that company. The working relationship usually involves trial and error. Some companies cede very little facultative; some cede a lot. Some cede business on a first-dollar quota share and others excess of a large retention. Competitive pressures are what usually have the underwriter calling us. The agent needs a favor on a medical or financial case. This is when the relationship is shaped. If I help with some sort of business decision, I have to ask myself a series of questions. Will the underwriter retain a portion of that risk? How often do I need to make concessions for this company or for that underwriter? How much of the automatic business do we receive from this account? Often I'm asking myself, am I being asked to take more than my full share of that case?

A four-table reduction can easily be absorbed into 5,000 lives if I get them on the first-dollar quota share. But if it's in excess of $5 million and I get 50 lives per year, how do I follow the guidelines of profitability for my company and still keep the client happy? Some business decisions are made that differ somewhat from the reinsurer's philosophy, and some differ too much to be acceptable. This is where I think value added can really make the difference. We're able to have a fast response on facultative submissions (usually within 24 hours) and a large facultative capacity for routine and jumbo cases, and make that available at automatic rates.

Other goals are that we have knowledgeable people who try to become a resource to the client, seeing if we're able to help with the evaluation of changes in the market, providing underwriting guidelines and continuing education, having an underwriting manual and holding training seminars and getting to know more about the client's market and field force. When I need something from the agent, I try to be clear and complete in my request. I should be able to look at a file one time and determine everything I need. I expect the agent to practice good field underwriting. The application and the examination should be fully completed. When a business decision is requested, I need a memo from the agent regarding his or her thinking on the case. Financial statements and income verifications should be supplied. When the agent is clearly able to communicate the need and the purposes of the coverage, the process works.

MR. KLEIN: I'll start off with the first question. Bob, you're a direct company underwriter and the agent comes into you with that case that you say is a table five. The agent says he really needs a better rating than that, so maybe you kick it up to the chief underwriter's office. He looks at it and says that it's a table five. The agent says, "Come on, I really need something, so send it out to reinsurance." You go out to reinsurance, and the reinsurer people say they can take it standard. Now you go back to the agent and say that you can take it standard because you went out to reinsurance. How do you maintain your credibility with the agent? Has this ever happened to you, and what's your opinion as to the credibility of the underwriter in that situation?

MR. BASZKIEWICZ: That is a dilemma. I often find myself not believing a standard offer. The reinsurers really have a wealth of experience in dealing with substandard risk. Only 5–7% of the cases that we see will be rated. I would venture to say that almost everything Bill sees is going to be substandard. I think they have a wealth of experience. I'm sure they have mortality experience on many risks that we essentially take on by the seat of our pants. We don't have the experience base to deal with those cases. Consequently, I think that's why we might be five tables away.

MR. RITTENBERG: It does really happen. A few months ago, one of my clients who has been a very good client for many years was rated table six by Mutual of New York. We went to the reinsurers; he still came back table six. I was in competition with The New England, strangely enough. The New England came back with a table two. Magically, two weeks later (probably because I threw a temper tantrum), we came back with a table one, which for all intents and purposes, I'm sure from your perspective, is standard. When all was said and done, I came back to the underwriter and asked why I had to push to get the reinsurer's offer to be more attractive. I still haven't gotten a straight answer as to how or why it happened. All I know is that I got my table one.

Again, competition comes into play more often than not. Many decisions are subjective rather than objective. Maybe you folks will share with me how or why it happens.

MR. KLEIN: Bob said that most of the cases that you see are substandard. You're more of an expert on the substandard cases, and yet it always seems as if you're coming back with a standard rating instead of looking at table five and saying, You guys made a mistake; that's a table ten. Does it ever happen that your rating is worse?

MR. MOORE: I think there are actually two questions before us right now. One is the question of how we would ever come up with a lower offer. How would we justify it? David's question sort of evolves more into the business decision, What do you think it should be rated? However, it has to be taken without a rating.

To address the first question, I think Bob hit the nail on the head. We do specialize. Our market is underwriting impaired risks, whether it be financially impaired or whether it be medically impaired. Our people are looking at that type of risk 95% of the time. We have medical people who specialize. We may have a heart person who makes us look good at heart disease (or maybe he or she is making us look bad, depending upon experience), a kidney person, a cancer person, or a combination that makes us look good. But I think it's that focus and that experience that makes the difference. What I think you are missing is the way The New England works with four reinsurers. I don't think that's uncommon. Many direct companies have multiple reinsurers.

One day I may come back on one of Bob's cases that was table four and take it standard because it's a kidney case, and that's our doctor's specialty. David, as you said, you don't know the reinsurer at all. You know that Bob is calling you back saying, "I received standard from the reinsurer." The next day it might be one of my very competent competitors who's able to make a better offer than I can. But to you, again, it's Bob making a better offer, not knowing that he is choosing from half a dozen different reinsurers, and it's not the same one each time.

MR. KLEIN: Let me pose a question to the audience so we get you involved. What can producers and reinsurers learn about each other? David is saying that there's some mystery as to the reinsurers. Should the agents know what's going on behind the scenes with the reinsurers, or should it be something that is shielded by the underwriter of the direct company? Does anybody have any comments on that?

MR. JAMES W. PILGRIM: David answered your question. I think the practice varies widely in our industry from company to company. As to the information available to the field distribution system, in some companies producers know exactly who the reinsurers are, what the plan is, and so on. For others, this information just isn't shared.

MR. RITTENBERG: I've made it a point to find out who our reinsurers are. When I broker, I make sure that I learn from the company I'm brokering with what company it uses. I've made my way through the maze. That's the extent of the knowledge that I'm provided with.

MR. PILGRIM: Bill, does Ronnie tell you how much room you have to move when you are "squeezed" by the direct company?

MR. MOORE: On an individual case, no.

MR. KLEIN: No, but that brings up an interesting point, and I want to make this clear. From an actuarial standpoint, another reinsurer's table two may have the same rates as our table four. David, is it more important to get a table two even though it may cost less than a standard, which may cost more? What's the driving factor? Does the client just want to hear that it is a standard risk, even though two tables are built into the rates?

MR. RITTENBERG: It's interesting. There are carriers that provide products to me that up tables before they are considered standard. Well, that's wonderful. It's called "fun with numbers," and I'm sure you're aware of that game. Bill's client is a company more often than not. I see the name, the face, the family, and the financial concerns. I'm the one on the frontline who has to deliver that message to that client: how he or she is rated and that the cost of the rating is $x plus whatever. More often than not, the reaction is not the cost but the reason behind the rating. Someone who is not accepting the reality of his or her mortality is not only faced with his or her mortality but all of a sudden it becomes more realistic. I, the representative of the insurance company have said, "You're rated table four." What's the first reaction? "What's wrong with me? I feel perfectly fine, I'm healthy." The person will throw reams of paper at me from his or her doctor showing me that he or she is healthy. Again, he or she is not looking at his or her health from an actuarial or an underwriting perspective. It is being looked at purely from going to the doctor twice a year for a physical, or perhaps he or she has a cough or cold and now all of a sudden is faced with the reality that there's more to it. I'm faced with that interaction. I have the face in front of me and the numbers are almost secondary.

MR. KLEIN: In some respects, can you view that as doing the client, your policy-holder, a favor by letting him or her know that something may be wrong with his or her health?

MR. RITTENBERG: Without question. Friday, I had a conversation with one of my clients, a young doctor. He is 36 years old with a heart problem. I cannot think of the condition, but in layman's terms, he could drop dead at any point in time or live to age 90. It is one of those types of conditions. This gentleman is a doctor no less, a neonatologist, and he was rated table six. We applied for half a million dollars worth of coverage; he already has half a million in force at table six. We were reunderwriting him. His initial reaction was not to accept any part of it. I called him earlier last week and suggested that he might reconsider his options. It was apparent from going to a number of carriers, that went to a number of reinsurers, that this gentleman's station in life was table six. On Friday, he called me back and said, "I've given some thought to what you mentioned to me, and I'm going to take $250,000 of that $500,000." Being the salesman that I am, probably by the time I get in front of him next Monday night, he'll take all $500,000. I think that's the best thing for him, because his rating is not going to change in the near future. If it does, I'll reunderwrite him again. It happens all the time. Again, the rating and the dollars are not necessarily the issue; it's what behind that rating that concerns the client.

MR. BASZKIEWICZ: I always expect a field producer to be able to recognize a medical problem, foreign travel, or foreign residence. Can you anticipate an extra rating here with one or another?

MR. RITTENBERG: Most times I do and most times I inform my clients right off the bat that they're not looking at a standard rating; that from my experience they're looking at a table four, a table six, or whatever. More often than not, I'm right on target. It's a happy day when I can go back to that client and indicate that the rating is less than I anticipated, or even that it's a standard rating because of changes in the underwriting criteria. I'm honest with my underwriters and say that not everybody I get in front of is very honest. "I know it and you know it too." There are situations in which my client is not being honest with me. Often I don't find that out until the underwriter comes back to me with what we call a stat message, a computer printout that lists this person's life story. The underwriter may be seeking attending physician statements back from when he was 13 years old. Then I know there's a problem, and I feel betrayed by my client, that he or she was not honest with me. But it happens and it has happened more, by the way, in the last few years. Since the recession hit the Northeast, it has become a real concern. It's a big problem because many people feel as if it's a last-chance marketplace. They're buying insurance now that they wouldn't have bought a few years ago.

MS. MARY A. ROHE: I have a question about preferred underwriting. Each company seems to have its own definition of a preferred risk. From an agent's perspective, what is the reaction from your clients?

MR. RITTENBERG: Well, it's a good news/bad news situation. It's nice that there are preferred ratings that are readily available today. But, unfortunately, the marketing departments of insurance companies don't necessarily speak to the underwriting departments. If you open *The Wall Street Journal, The New York Times,* or any other national newspaper, you'll see ads for ridiculously low term rates. They illustrate the preferred nonsmoker without waiver of premium. My clients typically anticipate that lowest possible number printed in the paper to be their rating. Well, here I am again on the frontlines faced with having to tell them the facts of life. Probably less than 3% of the population is even eligible for that rate. In their minds, they've already anticipated that that's what they're going to get. In response to your question about the preferred rating, it's good news/bad news from my perspective. Many clients have found that the preferred rating is attainable, and one company's preferred rating is not necessarily as good as another company's preferred rating. Again, it's a game, and I don't know what the rules of the game are. That's where I'm at a disadvantage. I look at it from a pure numbers standpoint. What's the premium? Who qualifies for that? Some companies have preferred ratings, which most people don't get. I had dinner with a direct insurer last night and we had that discussion. He's selling a product that is potentially unattainable. I guess that's why it's there.

MR. MOORE: I look at many companies that are coming out with multiple criteria for preferred. There's the kind of superpreferred, and then there's the very good preferred, the regular preferred, the not-so-good preferred, and the standard. Then there's the standard, the smoker, and the very heavy smoker. It goes all the way from this almost unattainable $0.80/1,000 term coverage to something that's probably loaded about four tables. It becomes so complicated for the reinsurance underwriters that when we work up a file, we'll respond back to Bob by saying the case is standard. It's up to Bob to look through and slot it in the correct preferred category. That's because, with many clients and many different preferred criteria, it's just too much to do. It does two things: it puts the underwriting back in Bob's hands because he's now deciding whether it's rated within that context, and it helps the field underwriter because you don't have to say that the client is impaired. All you're really saying is, "Go to the gym two more times a week, and next year you can reapply for a better class. But you're fine and there's nothing wrong with you."

MR. RITTENBERG: Mutual of New York's preferred criteria is based on three factors: build, financial, and health consideration. It seems to be very simple, but I've learned from experience that you can define those in a very broad spectrum. I never illustrate a client at preferred; I never have and never will. I can always come back and offer the client preferred at a lower premium than I've illustrated. I never want to backpedal. I always want to come in with a gift. I don't want to come in and take the gift away.

MR. KLEIN: It's very interesting that different companies have different definitions of preferred. Some brokerage companies have very tough preferred criteria. The majority of the business qualifying within the rules is preferred because the brokers know to bring that business to them. Some companies have very tough standards, very low rates, and a large percentage of their business qualifies for preferred. Some companies have a super-duper preferred, and 75% of their business qualifies.

MR. PAUL A. SCHUSTER: My company will look at more than 70,000 facultative applications per year. If we had agents calling us on each application, it would not be good at all. Reinsurers are in a competitive environment. If reinsuring cannot turn around a facultative application in 24 hours, frankly, you are not in the business. If you get a $2 million case, by the time the attending physician's statement (APS) comes through, four to six weeks have gone by. Suddenly, the direct underwriter and perhaps the agent require 24-hour turnaround. How important is 24-hour turnaround time?

MR. BASZKIEWICZ: We talked at lunch about time service. When I went back to the office, I talked to our reinsurance people and asked what our time service has been on the shopped cases and on the other facultative cases. In fact, we are at four days on shop cases. That's four days from the time the case goes to the reinsurance area, which is incredible. It's great time service. But on the larger facultative cases, we're looking at three-and-one-half days.

But to answer your question, Paul, in terms of how important 24 hours is, it may take six weeks to get all the information, including medical information, and get it out to the reinsurer. Personally, I don't think we need to have better service. The time service we get is, in my opinion, incredible.

MR. KLEIN: As a quick follow-up to David, Bill says he has to get the call out in 24 hours, and Bob says he needs a couple days. What do you tell your clients? Do you usually tell your client it's two months?

MR. RITTENBERG: I don't even discuss it with the client. I have something to discuss with my underwriters from today's meeting. I'm told by my underwriter that once the reinsurance is posted, it takes ten full business days before I will get a reinsurance offer. So, to hear a 24-hour response time from you—the check is in the mail, right?

MR. SCHUSTER: My understanding is that it's a timing issue. Many of our clients measure it from the time it leaves their shop. We time-stamp cases when it hits our shop. Ten days? I don't have an explanation for it. A standard is emerging, at least in terms of what I'm hearing about same day. It comes in at ten, and we will get it out by four.

MR. RITTENBERG: If I've waited four to six weeks, and that's typically the turn-around time from the time the application is submitted to the time that I get an offer from my carrier, believe me 24 hours or 48 hours will not change my life.

MR. KLEIN: But the client is also covered during that time period up to a certain amount.

MR. RITTENBERG: I can only bind up to $500,000, and in cases that are $5 million, $10 million, or $18 million, $500,000 doesn't buy lunch. It really doesn't mean anything to me and I never really communicate a time frame to the client. The big holdup in the real world is the APS. It's not the reinsurance reply. That would be misleading for anybody here to say otherwise. I've had attending physicians' statements that take upward of two months, especially during the summer. So whether it's 24 hours, 48 hours, or 72 hours, it doesn't bother me any.

FROM THE FLOOR: I've heard no discussion about one of the bullet items in the program, which is codes of professional ethics. Presumably there is some conflict that may come up between the reinsurers, the direct writer, and the producers with regard to professional ethics.

MR. RITTENBERG: In today's environment, on any given day, *The Wall Street Journal* and *The New York Times* have articles about the impact of the illustration issue, the impact of misrepresentations as indicated by certain clients. Insurance companies are named on a regular basis. Each day in the business section of the *Philadelphia Inquirer* there is some article about the life insurance industry. So the question of ethics has become a very important part of my life. Mutual of New York has taken a leadership position that all agents, whether they've been with the company 2 weeks or 30 years (from Michael Roth, who is chairperson of the board, down to my office assistant), have to take the Life Underwriters Training Council (LUTC) ethics course.

We are required when we submit an application for all new business to submit three additional pages of supporting documentation: why did we write this case, how we wrote this case, was there competition, and was the illustration shown to the client? If the illustration was shown to the client, we must have the client sign and date the illustration. The rules have changed. This is only the beginning. Our company's position is to beat the regulators to the punch. We don't want them to make all these issues mandatory. We want to keep them voluntary and we're going to respond to that. In our business, 97% of the people who do what I do for a living are honest, ethical, and forthright. Unfortunately, like any profession, those other 3% determine how you and I do what we do for a living. They will control it. From my perspective of selling the product and from your perspective of designing the product or underwriting the product, we all must play by the rules. Unfortunately, the rules are getting much more defined, and the playing field is much narrower now.

MR. KLEIN: Should the agent be more aware of the process of what's going on with the reinsurer? Or is it not necessary? Is it something that the agent does not need to know? Is it going to add too much time? Is it too expensive? Should we have another middleman, the direct company, to tell the agent what's going on with reinsurance? Should it be a topic at a meeting that all the top agents attend at a direct company to teach them about reinsurance? Many of the direct companies don't know a lot about the reinsurer's retrocessionaires. They don't know who they are or what's going on behind the scenes. I know I've heard in reinsurance companies that that's our business, and it's not really the direct company's business. Is that what should be happening? Or should there be more disclosure?

FROM THE FLOOR: I'm a bit surprised. Agents from small companies that write large- sized cases have already explored this. If you're placing multimillion-dollar cases and your company is only keeping a quarter-of-a-million-dollar retention, it's not hard to figure who is taking the rest of the risk. Many agents in the brokerage environment, who maybe don't work with huge companies such as Mutual of New York, might have a greater awareness of this kind of thing. I think that awareness and access are perhaps two different things. I think the agents have access to reinsurance underwriters, such as Paul said; in fact they really slowed down some of the time frames even if perhaps 24 hours isn't necessary. I think that awareness is something that can easily be provided. As for retrocession, I know that some reinsurer's retrocessionaires are cognizant of the fact that they don't have a connection with the policyholder.

FROM THE FLOOR: During one of my prior jobs, when I worked for a direct company, we had, as part of the agency meetings, discussions with the producers about our reinsurance arrangements and how they worked. The producers wanted to make sure that they understood how they worked, particularly when submitting large cases. For example, those of us in the reinsurance community know what happens when a producer submits the same case by different sources without any help. It looks like a much different case in the reinsurance community than what it was originally intended for; we were very open about that. I've been asked, since joining the reinsurance company, to talk to our clients and producers about how reinsurance works or how their company uses it. I guess, as I said before, it depends on the original company's or the direct company's attitude toward it; some of them don't like to share that information.

MR. RITTENBERG: We're educated as to the reinsurance marketplace and how it works on a very basic level—we know how it works. We're just not given some of the more specific information, such as what reinsurer it's going to, whether it's going facultative, or why that reinsurer was chosen, when it comes time to put practice to paper when a case is submitted. That information is not shared with us. Even when I ask, I'm not told.

MR. BASZKIEWICZ: Someone mentioned the competition on reinsurance. We deal with a total of nine reinsurance companies in different situations. Three are apparently in a shopping program. But we do change reinsurance, and treaties change and the reinsurers in our pool change. I never go to a field office without getting questions about reinsurance. How does that work? What cases go to reinsurance? What cases get shopped? What cases do we see automatically? I get those questions and we're not afraid to answer those questions. But in terms of going to specific reinsurers and different pools, we don't.

MR. RITTENBERG: Last year I wrote an $18.5 million case. The company said that the client's financials were not strong enough. Who did the client go to? I said, "I bet you went to Cologne." The client said, "Yes, but how did you know?" I said, "Well, it was a rough guess. But Mutual of New York uses Cologne on a large of percentage of its risk." I said, "Did you try Transamerica?" The underwriter looked at me and said, "How do you know about Transamerica?" I said, "Get on the phone." I mean I don't have all day with this case. It's already been going on for three weeks. He picked up the phone called Transamerica, and within 20 minutes Transamerica took the offer, with no questions asked. The financials were more than satisfactory, and everybody walked away happy.