

## S O C I E T Y O F A C T U A R I E S



## LIFE REINSURANCE

**Overview**

Reinsurance is an integral part of most life and health insurance operations. It is a necessary part of the risk management function of each company, but it can also arise in a broader, financial planning context.

Some of the more important issues that arise in reinsurance include setting retention limits, selecting the type of reinsurance, analyzing the cost of reinsurance, developing the reinsurance arrangement, and implementing its administration.

Reinsurance can be classified as either proportional or nonproportional. The ceding company and reinsurer have a fixed share of the coverage with proportional reinsurance. Yearly renewable term, coinsurance, and modified coinsurance are examples of proportional reinsurance. Nonproportional reinsurance does not fix the share of coverage between the ceding company and reinsurer. Examples of nonproportional reinsurance are catastrophe coverage and stop loss. The basis of most reinsurance today is on a nonrefund or guaranteed-cost basis, but an experience-refund basis can be used to return some of the profits to the ceding company.

Regulation of reinsurance is also important, especially with respect to certain reinsurance arrangements. Financial reporting issues arise for statutory financial statements as well as those for generally accepted accounting principles and federal income tax.

Normal insurance and actuarial principles apply to reinsurance, but it tends to have its own terminology and concepts. However, anyone

seeking to understand reinsurance will first need to understand the products that are subject to reinsurance.

The editors of this specialty guide reviewed many reinsurance references in *Transactions*, the *Record*, *Reinsurance Section News*, and similar publications. While we have included only those cited, additional information on the various subjects can be obtained from these sources, but generally such information is out of date or does not add sufficiently to that provided elsewhere to justify inclusion here.

**The Role of the Actuary**

Historically, most ceding company reinsurance issues were dealt with in the underwriting and new business areas, with the actuary acting more in a consultative role. However, the role of the actuary has increased in recent years. Setting retention limits has always been part of the actuary's domain, as have reserve implications and related financial reporting issues. With cost of insurance becoming as important as it has, the ceding company actuary has become more involved in the reinsurance process from start to finish. This includes negotiation of the price of reinsurance and development of the agreement and administrative issues.

The actuary in the assuming company will be faced with the same kind of responsibilities and issues his or her counterpart would face in a similar direct operation. Of course, pricing of reinsurance is an important issue in an assuming company.

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Consulting actuaries may take on any of the roles appropriate for a ceding or assuming company actuary, while an actuary serving as an intermediary might be asked to help a ceding company find a reinsurer and negotiate the price and terms and determine the appropriateness of a transaction for both parties. The regulatory actuary is concerned with the financial impact of reinsurance as well as its compliance issues.

Reinsurance is also an important consideration in the cash-flow-testing process in addition to other financial reporting and regulatory issues, either in a ceding or assuming environment.

## General

General background on reinsurance can be found in the following text and study notes. It is important that anyone with an interest in reinsurance be familiar with the content of these sources.

Tiller Jr., John E. and Tiller, Denise Fagerberg. *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

This source is an excellent starting point for anyone seeking an introduction to reinsurance. It represents one of the few sources touching on almost all aspects of reinsurance.

Chapters 1-5 describe the basic terminology used in reinsurance. Topics covered are automatic reinsurance, underwriting and facultative reinsurance, and the forms of traditional and financial reinsurance. The effect on statutory accounting for both the ceding company and the reinsurer are illustrated for the various forms.

Chapter 8 describes the management of reinsurance by the ceding company including setting retention limits and evaluating the cost of reinsurance.

Chapter 9 describes how a reinsurer manages reinsurance including the special considerations in pricing of reinsurance.

Level of Knowledge: Basic                      Pages: 221

“Introduction to Reinsurance,” *Society of Actuaries Study Note 340-26-84*.

This note discusses the reasons why companies use reinsurance. It describes the types of proportional and nonproportional reinsurance and gives a brief description of reinsurance for health, annuity, and group insurance.

Level of Knowledge: Basic                      Pages: 41

“Underwriting and Reinsurance,” *Society of Actuaries Study Note 542-27-84*.

This note describes how automatic limits and facultative programs are used by companies. It also describes services provided by reinsurers.

Level of Knowledge: Basic                      Pages: 19

Woody, John C. “Reinsurance Pricing,” *Society of Actuaries Study Note 10GB-307-84*.

This note describes methods for measuring the cost of reinsurance and gives examples for non-refund and refund forms of yearly renewable term insurance, coinsurance, and modified coinsurance.

Level of Knowledge: Basic                      Pages: 20

## Reinsurance Agreements

The reinsurance agreement or treaty describes the agreement between the reinsurer and ceding company. It defines the responsibilities of each party and the details of how the relationship will work.

Tiller Jr., John E. and Tiller, Denise Fagerberg. “The Reinsurance Treaty” and “Insolvency and Reinsurance,” Chapters 6 and 11 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Chapter 6 describes the terms and provisions contained in a typical treaty. Chapter 11 examines insolvency and its effect on the operation of the reinsurance treaty.

Level of Knowledge: Basic                      Pages: 44

“Discussion of Reinsurance Provisions in a Life Reinsurance Agreement,” Treaty Committee, Reinsurance Section of the Society of Actuaries, August 1, 1994.

This is an excellent source of information about customary provisions in reinsurance agreements, and it also contains some basic information about reinsurance.

Level of Knowledge: Intermediate      Pages: 113

Gies, John F., Kolodney, Joseph F., Mangino, Robert M., Martin, Edwards B., and Nigh, John O. “Reinsurance Treaties—Is Coverage Always Clear?” *Record of the Society of Actuaries* 10, No. 4A (1984), p. 1689–1710.

The authors discuss four hypothetical problems from the position of the ceding company and the reinsurer.

Level of Knowledge: Intermediate      Pages: 22

Clagg, Thomas L., Horein, James R., Loring, Denis W., Schmit, Herman H., and Young, Melville J. “Reinsurance Arbitration,” *Record of the Society of Actuaries* 14, No. 4A (1988), p. 1785–1802.

The arbitration process and the legal alternatives are discussed. This article also includes a dramatization of an arbitration.

Level of Knowledge: Intermediate      Pages: 18

## Administration

Until the 1980’s reinsurance was administered by the reinsurer on an individual cession basis (analogous to individual policy records). Self-administration by the ceding company is now widely used. As originally conceived, this included bulk (aggregate) or bordereau (individual listings) hard copy reports, but the use of electronic data transfer is increasing. The use of self-administration has also led to audits by reinsurers of ceding company records and procedures.

Tiller Jr., John E. and Tiller, Denise Fagerberg. “Reinsurance Administration,” Chapter 7 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Describes reinsurance administration for both ceding and assuming companies utilizing individual cession and self-administered reinsurance.

Level of Knowledge: Basic      Pages: 28

Reinsurance Administration Committee of the Reinsurance Section of the Society of Actuaries. “Guidelines for the Reporting of Self-Administered Reinsurance,” *Record of the Society of Actuaries* 12, No. 4A (1986), p. 2501–32.

This reference provides good background for the administrative issues arising on self administrative reinsurance.

Level of Knowledge: Intermediate      Pages: 32

“Self-Administered Reinsurance Standardized Report Formats,” Reinsurance Administration Committee, Reinsurance Section of the Society of Actuaries, October 1991.

This adds to the information provided by the immediately preceding reference and gives examples of information and appropriate format for self-reported reinsurance.

Level of Knowledge: Advanced      Pages: 16

Reinsurance Section of the Society of Actuaries. “Guidelines for the Auditing of Administration and Reporting of Individual Life Reinsurance Assumed,” *Record of the Society of Actuaries* 14, No. 4A (1988), p. 1983–2001.

These guidelines cover the need, purpose, and scope of audits.

Level of Knowledge: Intermediate      Pages: 19

American Institute of Certified Public Accountants. “Auditing Life Reinsurance,” *Auditing Standards Division Statement of Position*, November 1984.

This reference provides guidelines to external auditors to audit life reinsurance.

Level of Knowledge: Intermediate      Pages: 12

## Regulation

Regulation of reinsurance is not extensive. It is assumed that both parties in a reinsurance transaction are knowledgeable about the business of insurance and therefore reinsurance. Such transactions include a willing buyer and seller, each knowledgeable about the business of insurance, so the type of extensive regulation needed to protect policyholders is not necessary. The National Association of Insurance Commissioners has a service that publishes model laws and regulations, as well as a list of those states having such a law or regulation. The model laws and regulations cited below would be included in this service.

The references on risk transfer are helpful in understanding the relationship between risk transfer and the financial impact of reinsurance. Because financial reinsurance involves varying degrees of risk transfer, it is not treated as a separate topic in this specialty guide.

Tiller Jr., John E. and Tiller, Denise Fagerberg. "Reinsurance Regulations," Chapter 10 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Chapter 10 includes rules for reserve credits and examines the concept of mirror image reserves. It also describes unauthorized reinsurers, trusts, escrow accounts, letters of credit, and funds withheld.

Level of Knowledge: Basic Pages: 30

National Association of Insurance Commissioners. *Model Laws, Regulations and Guidelines*. Kansas City, Mo.: 1996, updated annually.

This service contains all of the model laws and regulations along with the legislative history and commentary. The specific references cited below can all be found in one of the four volumes of this reference service.

Level of Knowledge: Intermediate Pages:—

National Association of Insurance Commissioners. "Model Law on Credit for Reinsurance," in *Model Laws, Regulations and Guidelines*. Kansas City, Mo.: October 1996, updated annually.

This model law deals with the requirements that need to be met by a ceding company to reflect the financial impact of a particular reinsurance transaction in the annual statement.

Level of Knowledge: Intermediate Pages: 6

National Association of Insurance Commissioners. "Credit for Reinsurance Model Regulation," in *Model Laws, Regulations and Guidelines*. Kansas City, Mo.: January 1991, updated annually.

This is a regulation that augments the model law referenced immediately above and is intended to be adopted in conjunction with that law.

Level of Knowledge: Intermediate Pages: 13

National Association of Insurance Commissioners. "Model Regulation on Life and Health Reinsurance Agreements," in *Model Laws, Regulations and Guidelines*. Kansas City, Mo.: April 1993, updated annually.

The current version has replaced an earlier model that may still be in effect in certain states. This model deals with whether a particular reinsurance transaction is afforded the customary statutory accounting treatment.

Level of Knowledge: Intermediate Pages: 16

National Association of Insurance Commissioners. "Reinsurance Intermediary Model Act," in *Model Laws, Regulations and Guidelines*. Kansas City, Mo.: October 1993, updated annually.

This model act describes the rules and regulations for a reinsurance intermediary to transact business with an insurer or reinsurer.

Level of Knowledge: Intermediate Pages: 9

Wallace, Diane. *Risk Transfer in Life Insurance Company Reinsurance Transactions*. Society of Actuaries.

This document gives an excellent overview of the risk transfer issue that is so important in the evaluation of a financial reinsurance transaction, whether from a regulatory or insurance company perspective.

Level of Knowledge: Basic Pages: 29

Boyd, G. William, Dino, Frank, Fineman, Marvin D., Klinzman, Frank W., and Morgan, Michael W. "Discussion Letters on *Risk Transfer in Life Insurance Company Reinsurance Transactions*," *Reinsurance Section News*, Newsletter of the Reinsurance Section of the Society of Actuaries, August 1995, p. 6.

This article offers several discussion letters relating to the first draft of the immediately preceding reference from reinsurance and regulatory actuaries.

Level of Knowledge: Intermediate      Pages: 2

Report on Life Company Financial Reinsurance prepared by the Advisory Committee to the NAIC Sale of Future Revenue (EX 4) Working Group.

This report provides a discussion of the uses and benefits of financial reinsurance and a review of regulatory controls on its use.

Level of Knowledge: Intermediate      Pages: 13

American Council of Life Insurance. *Reinsurance Law Compliance Service*. Washington, D.C.: updated monthly.

This service provides text of all state laws and regulations concerning reinsurance. It is available on CD-ROM.

Level of Knowledge: Advanced      Pages:—

## Financial Reporting

Accounting and financial reporting issues arise for both statutory and generally accepted accounting principles. Some of the statutory reporting issues are closely related to regulatory issues, separately listed. Statutory accounting is currently undergoing an extensive codification effort. This may ultimately have an impact on statutory reinsurance accounting and financial reporting issues.

The documents published by the National Association of Insurance Commissioners are updated annually. The *Instructions* probably are less helpful than the *Accounting Practices and Procedures Manual*.

Of the documents published by the Financial Accounting Standards Board, *Financial Accounting Standard No. 60* gives some basic reinsurance information; *Financial Accounting Standard 97* gives accounting information for certain products and no specific reinsurance information; and *Financial Accounting Standard 113* represents the latest pronouncement on reinsurance financial statement presentation and disclosure for the ceding company.

Tiller Jr., John E. and Tiller, Denise Fagerberg. "Statutory Accounting for Reinsurance" and "GAAP Accounting for Reinsurance," Chapters 12 and 13 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Chapter 12 discusses the reinsurance-related entries in the annual statement. Chapter 13 gives a brief description of *Financial Accounting Standards 60, 97, 91, 109, 113, 115, and 120* and how they affect direct-issued business and both ceded and assumed reinsurance. It also describes generally accepted accounting principles for ceded and assumed reinsurance under yearly renewable term, coinsurance, and modified coinsurance arrangements.

Level of Knowledge: Basic      Pages: 52

NAIC. *NAIC: Annual Statement Instructions—Life, Accident & Health*. Kansas City, Mo.: updated annually.

This reference manual is published by the NAIC. It provides instructions for completing the annual statement. From a reinsurance standpoint, this would allow one to see those areas of the annual statement with a reinsurance impact.

Level of Knowledge: Intermediate      Pages:—

NAIC. *NAIC: Accounting Practices and Procedures Manual For Life, Accident and Health Insurance Companies*. Kansas City, Mo.: updated annually.

This manual is to be used in conjunction with the preceding reference. Chapter 24 deals with reinsurance and has recently been rewritten.

Level of Knowledge: Intermediate      Pages: 7

Posnak, Robert L. *GAAP: Stock Life Companies*. Dallas, Tex.: Ernst & Whinney, 1974.

Posnak's very early reference is an excellent source of information on basic principles. Even though much has changed since its publication, Chapter 22 reviews some of the generally accepted accounting principles reporting issues for reinsurance. This reference is available in limited supply from Ernst & Young.

Level of Knowledge: Intermediate      Pages: 23

Financial Accounting Standards Board. *Statement of Financial Accounting Standards No. 113*. Norwalk, Conn.: December 1992.

*Statement No. 113* has made significant changes to the generally accepted accounting principles accounting and financial reporting for reinsurance. Reporting now differs substantially from that for statutory. While very little reinsurance information is included, a review of *Statements of Financial Accounting Standards 60, 97, and 120* may add some insight on generally accepted accounting principles reinsurance issues that are analogous to the many general direct issues touched upon in these statements.

Level of Knowledge: Intermediate      Pages: 46

Financial Accounting Standards Board. "The Treatment of Reinsurance Transactions in Life and Health Insurance Company Financial Statements," (Doc. No. 013), *Actuarial Standards of Practice No. 11*, July 1989, updated 1990.

This standard of practice provides guidance for valuation of financial statement items for reinsurance ceded and assumed.

Level of Knowledge: Basic      Pages: 4

## Canadian Topics

Office of the Superintendent of Financial Institutions. *OFSI Guideline on Unregistered Reinsurance*. February 1997.

The objective of this guideline, which is available only in draft form, is to ensure that Canadian life insurance companies minimize the risk associated with unregistered reinsurance by adopting sound reinsurance practices and by maintaining sufficient capital/margin or acceptable security.

Level of Knowledge: Basic      Pages: 17

Canadian Institute of Actuaries. "CIA Valuation Technique Paper No. 4—Value of Reinsured Policies," *Society of Actuaries Study Note 442-65-95*.

This paper defines a generalized technique applicable to all types of reinsurance arrangements based on the fact that reinsurance introduces an additional stream of cash flows (that is, net reinsurance costs) to the valuation of a policy. These net reinsurance costs must be valued in the same manner as any other cost stream arising under the policy.

Level of Knowledge: Basic      Pages: 18

Canadian Reinsurance Conference. *Reinsurance Guidelines*, revised January 1993.

These reinsurance guidelines are intended to form the basis for the exchange of reinsurance on business written both automatically and facultatively, under Canadian law. They provide a reference for generally accepted industry practice.

Level of Knowledge: Basic      Pages: 40

## Federal Income Tax

Tax law changes in 1984 eliminated the tax advantages of certain reinsurance transactions and represent the current basis for taxation of reinsurance. The "deferred acquisition" tax introduced in 1990 is affected by reinsurance. During the 1990s final resolution was made on the effect of ceding company commissions on assumption reinsurance and indemnity reinsurance of in-force blocks. Premium excise taxes and transactions with reinsurers in foreign countries are outside the scope of this guide.

Tiller Jr., John E. and Tiller, Denise Fagerberg. "Tax Effects of Reinsurance," Chapter 14 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

This chapter gives the history of tax laws from the 1959 Act to the present and how reinsurance is a part of tax planning.

Level of Knowledge: Basic      Pages: 27

Internal Revenue Service. "Certain Reinsurance Agreements," *Internal Revenue Code, Section 845*, Washington D.C.: Government Printing Office, June 1, 1993.

This section of the law deals with the tax treatment of certain reinsurance transactions.

Level of Knowledge: Intermediate      Pages: 1

Internal Revenue Service. "Capitalization of Certain Policy Acquisition Expenses," *Internal Revenue Code, Section 848*, Washington D.C.: Government Printing Office, June 1, 1993.

This section of the Code involves the DAC Tax.

Level of Knowledge: Advanced      Pages: 3

Tang, Lee M. "DAC Tax Regulations," in *Reinsurance Section News*, Newsletter of the Reinsurance Section of the Society of Actuaries, September 1993, p. 1.

Describes how the DAC tax provisions of Section 848 affect reinsurance agreements. It also gives an example of treaty documentation between reinsurer and ceding company.

Level of Knowledge: Intermediate                      Pages: 5

Kovey, Mark H. "New Tax Law Changes Assumption Reinsurance and DAC Tax Rules," in *Reinsurance Section News*, Newsletter of the Reinsurance Section of the Society of Actuaries, December 1993, p. 1.

Describes how the capitalization and amortization rules under Section 197 and the DAC provisions of Section 848 affect assumption reinsurance. It also discusses the role assumption reinsurance plays in rehabilitation proceedings of insurance companies.

Level of Knowledge: Advanced                      Pages: 4

Internal Revenue Service. "Amortization of Goodwill of Certain Other Intangibles," *Internal Revenue Code, Section 197*, Washington D.C.: Government Printing Office, June 1, 1993.

This section of the Code has implications for the treatment of ceding company commissions on assumption reinsurance.

Level of Knowledge: Advanced                      Pages: 14

*Trans City Life Insurance Company, an Arizona Corporation v Commissioner*, 106 T.C. No. 15, April 30, 1996.

In this case the tax court rejected the IRS attempt to recharacterize income and expense under Section 845(b). The IRS claimed that the benefits received from the reinsurance transaction were disproportionate to the amount of risk assumed under the reinsurance agreement.

Level of Knowledge: Advanced                      Pages: 17

## Assumption Reinsurance

In an assumption reinsurance transaction, legal liability to the policyholder is transferred from the issuing company to the reinsurer.

National Association of Insurance Commissioners. *Assumption Reinsurance Model Act*. Kansas City, Mo.: Third Quarter, 1993.

This act provides regulation of the transfer and novation of insurance contracts by assumption reinsurance and establishes notice and disclosure requirements.

Level of Knowledge: Intermediate                      Pages: 8

Tiller Jr., John E. and Tiller, Denise Fagerberg. "Assumption," Chapter 16 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

This chapter describes the assumption process, the financial effects on both the ceding and assuming company, and strategic considerations.

Level of Knowledge: Basic                              Pages: 14

Carroll, Charles, Eldridge, Stephen C., and Kabele, Thomas G. "Acquisition of In-Force Blocks," *Record of the Society of Actuaries* 21, No. 2 (1995), p. 147-75.

This article discusses steps to pricing the acquisition of an in-force block and the legal, tax, and regulatory issues.

Level of Knowledge: Advanced                      Pages: 29

## Producer-Owned Reinsurance Companies

The producer-owned reinsurance company allows the insurance company to share some of the underwriting and investment gains and risks with the producer of the business and encourages the submission of high quality business.

Tiller Jr., John E., and Tiller, Denise Fagerberg. "Producer Owned Reinsurance Companies," Chapter 17 in *Life, Health, and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Describes how producer-owned and agent-owned reinsurance companies operate and their advantages.

Level of Knowledge: Basic                              Pages: 16

Bentzin, Charles G., Hardy, W. Grant, and Schwartz, Jerome J. "Agent-Owned Reinsurance Companies," *Record of the Society of Actuaries* 13, No. 2 (1987), p. 635–58.

This article discusses pros and cons of the formation of and the participation in such companies. Specific topics include mortality, persistency and expense objectives, and standards for entry.

Level of Knowledge: Advanced                      Pages: 24

Life Insurance Marketing and Research Association. *Producer-Owned Reinsurance Companies: The Issues*. Hartford, Conn.: 1986.

This publication discusses the considerations in establishing a producer-owned reinsurance company, its implementation, and the risks and benefits of such affiliations.

Level of Knowledge: Advanced                      Pages: 56

## Captive Insurance Companies

Fickes, Steven W. "Offshore Life Captives," *Reinsurance Section News*, Newsletter of the Reinsurance Section of the Society of Actuaries, March 1989, pp. 10–12.

The author offers some considerations on the use of offshore captives with emphasis on taxation issues.

Level of Knowledge: Intermediate                      Pages: 3

## Specific Products

The following sources are references for reinsurance of specific products.

### Group Insurance

Ahrens, John K. "Group Reinsurance," *Society of Actuaries Study Note 320-36-88*.

This study note describes basic reinsurance concepts as they apply to group insurance.

Level of Knowledge: Basic                              Pages: 25

### Long-Term Care

Broderick, Robert M., Corliss, Gary L, and Koloms, Leonard. "Long Term Care Reinsurance," *Record of the Society of Actuaries* 18, No. 1B (1990), p. 403–16.

This article describes traditional accident and health reinsurance, turnkey programs with reinsurance, and assumption reinsurance.

Level of Knowledge: Intermediate                      Pages: 14

### Last Survivor Products

Dekoning, Michael G., Klein, Ronald L., and Larsen, Kevin P. "Reinsurance of 'Last to Die' Policies: Is It Worth It?," *Record of the Society of Actuaries* 21, No. 1 (1995), p. 491–507.

This session describes some design and pricing considerations for last survivor products and their reinsurance.

Level of Knowledge: Intermediate                      Pages: 17

### Nonproportional Reinsurance

Tiller Jr., John E., and Tiller, Denise Fagerberg. "Nonproportional Reinsurance," Chapter 15 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Chapter 15 briefly describes stop loss, catastrophe coverage, and spread loss forms of reinsurance.

Level of Knowledge: Basic                              Pages: 8

Feay, Herbert L. "Introduction to Nonproportional Reinsurance," *Transactions of the Society of Actuaries* XII (1960), p. 22–78.

This paper, although dated, describes the calculation of a nonproportional premium.

Level of Knowledge: Advanced                      Pages: 57

### Annuities

Tiller Jr., John E. and Tiller, Denise Fagerberg. "Annuity Reinsurance," Chapter 20 in *Life, Health and Annuity Reinsurance*. Winsted, Conn.: ACTEX Publications, Inc., 1995.

Chapter 20 briefly describes the various types of annuities and the unique aspects to reinsuring annuities.

Level of Knowledge: Basic                              Pages: 14



Gee, Kin K., Ingram, David N., and McFall, Melvin C. "Asset Coinsurance," *Record of the Society of Actuaries* 18, No. 4A (1990), p. 1727-42.

The authors describe the reasons companies want to coinsure annuities. The format of the reinsurance arrangements that comply with regulations are discussed and how credited interest rates and investment strategies might operate.

Level of Knowledge: Intermediate      Pages: 16

Klein, Ronald L., Norton, Thomas E., and Tucker, Richard J. "Reinsurance of Variable Annuities," *Record of the Society of Actuaries* 20, No. 2 (1994), p. 37-54.

Describes various death benefit designs used in variable annuity contracts and how to construct a pricing model.

Level of Knowledge: Intermediate      Pages: 18

## Disability Income

Soule, C.E. "Reinsurance," Chapter 19 in *Disability Income Insurance—The Unique Risk*. 2nd ed. Homewood, Ill.: Business One Irwin, 1989.

Soule covers the reasons for individual disability reinsurance, automatic versus facultative, special treaties and their characteristics, and reinsurance service in Chapter 19.

Level of Knowledge: Basic      Pages: 10

Beal, Robert W., Kidwell, W. Duane, Scarlett, David E., and Vande Kopple, Lois A. "Individual Disability Income—Managing the Bottom Line," *Record of the Society of Actuaries* 16, No.1 (1990), p. 147-63.

This session provides a thorough discussion of the vital aspects of individual disability reinsurance.

Level of Knowledge: Intermediate      Pages: 17

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Washington, D.C. 20402  
Tel.: (202) 512-1800

This Specialty Guide was developed under the auspices of the Life Insurance Specialty Guides Committee.

Hugh J. McFarland, Editor  
William J. Reifenberger, Editor

#### Reviewers

Frank Clapper  
Denis Lapierre  
Diane Wallace