



SOCIETY OF ACTUARIES

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## Spotlight on the Sections

# ● The Reinsurance Section

by Diane Wallace

The Reinsurance Section is a very active group of about 1,000 Society members. We are dedicated to lessening chaos in today's reinsurance environment through research, information gathering, regulatory advocacy and sharing new ideas. In this column, I would like to share some of my ideas about the challenges we face as buyers and sellers of life reinsurance, and describe some activities of the Reinsurance Section which address these challenges.

The fundamental business of life reinsurance has shifted from one of full partnership in all aspects of insurance risk to commodity mortality risk transfer. This shift has resulted in the entry of new life reinsurers to the market and intense price competition. The Statistical Research Committee of the Reinsurance Section has documented the transformation through its annual survey of life reinsurance market shares. This is probably one of the most eagerly awaited documents the Section produces.

The change in the nature of life reinsurance also has brought about a reduction in loyalty between ceding companies and reinsurers. Ceding companies, under strong pressure to lower their margins, are forced to shop for the best reinsurance deal. Reinsurers also are forced to stop "carrying" losing accounts because of lower or nonexistent margins.

With less emphasis on the gentleman's agreement, more emphasis is placed on a good, tight reinsurance contract. The Section's Treaty Committee, recognizing this trend, is at work producing a reference document containing draft treaty language for provisions commonly found in reinsurance agreements.

Another result of the more formal reinsurance relationship is a tightening of administrative requirements. The Section's Administration Committee recently published an exposure draft of Audit Guidelines as a reference for ceding companies and reinsurers undergoing reinsurance audits. A suggested uniform reinsurance reporting format is also in development.

Competitive reinsurance pricing has caused all of us to look carefully at trends in mortality and morbidity. Ceding companies want their reinsurers to remain solvent, and reinsurers want to feel comfortable that their clients underwrite for profitable business. Our Underwriting Issues Committee now is working on Guidelines for Reinsurer Ceding Company Underwriting Audits. In addition, the Section has taken a leadership role in providing information on the impact of AIDS through an early seminar produced by the Education Committee and a joint special newsletter presenting a compilation of AIDS mortality data. Finally, the Statistical Research Committee is preparing an intercompany reinsurance mortality study, which should be available in late 1988.

Regulation recently has been another major influence on the reinsurance business. Because most companies now are purchasing their traditional excess coverage on a YRT basis, innovative surplus relief reinsurance has taken a greater role to help cover acquisition strain. Along with increased reliance on surplus relief comes debate about the appropriate reserve credits for various types of reinsurance contracts and the appropriate security for reinsurance with non-U.S. companies. The Section's Financial, Tax and Regulatory Committee has created liaisons with all the industry and regulatory groups wrestling with these questions, and has contributed to the discussions.

Last, but not least, communication to members about Reinsurance Section activities occurs frequently through the work of the Reinsurance Section Program and Newsletter Committees. I would like to take this opportunity to congratulate members of these two committees for receiving the highest ratings for effectiveness in our recent survey of members.

We encourage all Society members to take advantage of Reinsurance Section membership. The price is right, and we need your input.

Diane Wallace is Vice President, North American Reinsurance Corporation. She is Chairperson of the SOA Reinsurance Section.

## SOA Meetings Update

Following is an updated list of meetings planned by the Society.

### 1989

April 6-7 (Thurs.-Fri.)  
*Hyatt Regency, Chicago*  
 May 15-16 (Mon.-Tues.)  
*Hyatt Regency, Vancouver*  
 June 12-14 (Mon.-Wed.)  
*Sheraton-Washington, Washington, D.C.*  
*(1989 Joint Anniversary Meeting)*  
 October 22-25 (Sun.-Wed.)  
*Marriott Marquis, New York City*

### 1990

April 5-6 (Thurs.-Fri.)  
*Loews Anatole, Dallas*  
 April 30-May 1 (Mon.-Tues.)  
*Sheraton & Hilton, Hartford*  
 June 14-15 (Thurs.-Fri.)  
*Hyatt Regency, San Francisco*  
 October 14-17 (Sun.-Wed.)  
*Buena Vista Palace, Orlando*

### 1991

April 18-19 (Thurs.-Fri.)  
*Sheraton, New Orleans*  
 May 16-17 (Thurs.-Fri.)  
*Waldorf Astoria, New York City*  
 June 3-4 (Mon.-Tues.)  
*The Broadmoor, Colorado Springs*  
 October 20-23 (Sun.-Wed.)  
*Sheraton, Toronto*

### 1992

April 13-14 (Mon.-Tues.)  
*Diplomat, Hollywood, FL*  
 May 21-22 (Thurs.-Fri.)  
*Chicago Hilton and Towers, Chicago*  
 June 11-12 (Thurs.-Fri.)  
*Disneyland Hotel, Anaheim*  
 October 25-28 (Sun.-Wed.)  
*Washington Hilton, Washington, D.C.*

### 1993

April 5-6 (Mon.-Tues.)  
*Del Coronado, San Diego*  
 May 3-4 (Mon.-Tues.)  
*Marriott Copley Place, Boston*  
 June 14-15 (Mon.-Tues.)  
*Montreal, Quebec*  
 October 17-20 (Sun.-Wed.)  
*Marriott Marquis, New York City*

## Mail Alert

Second Ballots for the Society's 1988 elections will be mailed to all Fellows July 12. Ballots must be returned to the Society office by August 12.