



SOCIETY OF ACTUARIES

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# Life Practice Area faces strategic issues

by John Palmer  
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In the next few months, the leaders in the SOA Life Insurance Practice Area will be wrestling with some big picture issues that we believe are important in setting the strategic direction for our efforts. We are interested in your feedback on these issues, no matter which area you practice in.

## Experience studies

Experience studies are critical in helping our members fulfill their practice requirements. They also represent a key service the SOA performs for its publics, including insurance companies and regulators. Improving the timely and effective delivery of experience studies continues to be a challenge.

A committee headed by Esther Milnes conducted a survey in April on the value of experience studies among several SOA, American Academy of Actuaries, and Canadian Institute of Actuaries committees, as well as related industry groups. Results should be available by the end of May.

## Regulatory overload

The quickening pace of regulatory activity shows no sign of abating. We will be increasingly challenged to bring the necessary resources to bear for an appropriate and timely response. Specific challenges include:

- How can actuaries mesh sound

actuarial practice with public policy mandates (e.g., the Model Illustration Regulation)?

- How do actuaries take advantage of changes in the regulatory climate to apply appropriate actuarial principles (e.g., the nonforfeiture report)?
- How do we cope with regulatory overload: the sheer volume of changes and the array of local regulatory variations?

Please let me or anyone on the Life Practice Committee know your thoughts on these issues.

## Risk classification restrictions

The advent of genetic testing has triggered the discussion on the appropriateness of risk classification. The U.K.'s Institute of Actuaries is facing a parliamentary mandate to the British insurance industry to respond to this issue within one year.

The Society of Actuaries faces the challenge of separating its research from a political advocacy position. However, because appropriate risk classification is fundamental to our profession and to our business, the actuarial profession clearly has a role in this public policy debate. Where do you think the profession should stand on this issue and, more specifically, how should the SOA (distinct from

the Academy) respond?

## Viability of the actuarial profession

This issue is not unique to the Life Insurance Practice Area. It is being keenly felt by all SOA members. The stagnation of U.S. and Canadian traditional life insurance businesses and the shrinking number of employers have narrowed the scope for traditional employment. Some solutions may come from increased interrelationships with allied professions, such as economists and investment professionals, and from internationalization and improved visibility from publicity on the unique abilities of actuaries. On which initiatives do you believe we should concentrate our efforts?

Perhaps you're wondering if your opinion is really valued. Sometimes it only takes a handful of people speaking up with innovative and well-reasoned approaches to influence the leadership's directions. We want to hear from you. **John Palmer is senior vice president at Life Insurance Co. of Virginia in Richmond. He is the SOA vice president supervising the Life Insurance Practice Area and can be reached by e-mail at 72120.1105@compuserve.com**

## Regulators, investors (continued from page 4)

hope to continually improve the sophistication of the underwriting being done.

Currently, each company submits policies to scrutiny by a physician and underwriter or a team of underwriters. Chodes said, "As we get more sophisticated, we'll be able to apply more actuarial techniques and models to what we do. Certainly a critical component to success in this business is to get a handle on how long people

will live," said Chodes, whose company has entered into settlements with people who have as long as a seven-year life expectancy.

## Future of viaticals

Chodes expressed confidence in the industry's future, saying that the infusion of capital in his firm, through the purchase by CNA, and in Dignity Partners, through securitization, allows viatical companies to have stable access to capital and varied portfolios. By all

accounts, three-year-old San Francisco-based Dignity Partners astonished Wall Street with its aggressive securitization strategy a year ago, with \$35 million worth of policies followed by another \$15 million. In the process, it won the *Investment Dealer's Digest* "Deal of the Year Award." The firm went public in February 1996, with an initial public offering of \$21.7 million. Another securitization will probably take place within the year.