



SOCIETY OF ACTUARIES

Article from:

News Direct Newsletter

September 2002 – Issue No. 41

act. Management must be able to distinguish reliably, for any variable considered, the probability or profitability of a successful sale. Both of these judgments are customarily based on experience data that may not have been retained. On the other hand, people with adequate mathematical training and computer skills can construct very intricate models that provide appropriately summarized data. If the data is available, there should be no apprehensions about using it in SM decision models.

In this section it has been demonstrated that, in Microeconomic terms, distinguishing sales based on relative profitability can bring direct response insurers closer to an appropriate definition of marginal revenue and

marginal production costs. In lay terms, it has been shown that it pays to define more carefully to whom the company ought to sell. This is common sense. However, no matter how granular the SM decisions that are made, using a threshold in lieu of an appropriate definition of marginal revenue and production costs will remain an indirect and inefficient route toward the ultimate goal, i.e., maximizing risk-adjusted profits. The next section will provide an acceptable definition for marginal revenue and production costs, one that directly measures risk-adjusted profits. With this measure insurers are able to make more direct and efficient decisions. ■

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NTM Section News



Election Results

Congratulations to our newly elected NTM Council members: Christopher H. Hause, Brian L. Louth and Nancy A. Manning! We'd also like to express our gratitude to the outgoing Council members, Mike Fix, Howell Pugh and Mike Presley. Thank you for your outstanding contributions. Also, Rob Stone will be taking over the seat of Tom Bakos, as Tom takes on a new role on the Board of Governors.

Attention: Newsletter Distribution to Become Electronic Only

The September 2002 issue of *NewsDirect* is being published in keeping with previous policy; i.e., in paper and online forms.

Beginning with the 2003 editions, *NewsDirect* will be available electronically only. To access *NewsDirect* online, please visit www.soa.org/sections/nonnew.html.

Non-SOA Members Allowed Membership to NTM Section

At its May 7, 2002 conference call, the NTM Section Council approved changes to the section bylaws allowing section membership to non-SOA members. In June, these changes were approved by SOA's Board of Governors. Below is an excerpt of the pertinent sections of the revised bylaws:

"Full Membership in the section shall be available to all interested members of the Society. ... Correspondent status, providing eligibility to attend and participate in selected section activities, and to receive all literature produced by the section shall be available to non-Society members with interests in areas relevant to the actuarial profession. Correspondents shall not be eligible for voting privileges or election to the section council. In the by-laws, 'members' shall refer to full members of the section, not correspondents of the section."

For additional information, please contact Mike Fix, section council chairman, at mfix@state.nd.us.