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# What is In-Force Management?

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*What's in a name? That which we call a rose by any other name would smell as sweet.*

—William Shakespeare<sup>1</sup>

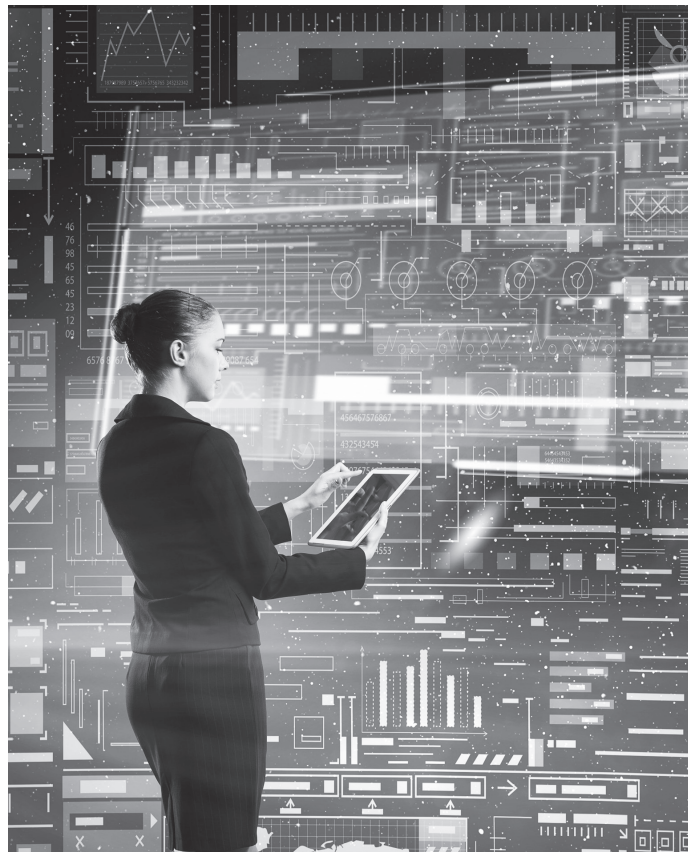
*I don't care what you call me as long as the checks don't bounce and the family gets fed.*

—Stephen King<sup>2</sup>

In-force management, in force management or inforce management? Or, rather than *management*, perhaps it's *optimization* or *solutions*? Or, rather than *in-force*, perhaps it's *profitability* or *policyholder*?

A realization that quickly came to light upon the formation of the In-Force Management Subgroup within the Society of Actuaries (SOA) Product Development Section last year is that the phrase does not mean the same thing to everyone, organizations set themselves up quite differently to address the topic and people have a variety of names for it. This creates the potential for issues regarding how the subgroup focuses its activities, particularly as the most common request from members has been to share best practices. “Best” practices can be hard to define if there's not a common understanding of the underlying practice to start with.

While I wrote last year about what is known about in-force management (IFM) activities based on polling at SOA meetings,<sup>3</sup> this article focuses on what we learned from members of the In-Force Management Subgroup through a survey that was offered in December 2018. About 20 percent of subgroup members participated in the survey, with nearly two-thirds of those working for direct companies and three-fourths focused on life products. One-third of respondents noted spending more than 75 percent of their time on IFM activities, with the same proportion saying they spent less than 25 percent of their time on the same. Equal numbers of respondents identified as having spent more than 20 years in IFM as did those having two to five years of IFM experience (about one-fourth of respondents, in each case). So although the environment in which respondents work was largely consistent (direct writers of life products), the range of IFM experience varied widely.



To the question of what activities “count” as being IFM rather than other types of management, responses were unsurprisingly varied as well. Part of the variation came from respondents submitting lists of specific activities (e.g., nonguaranteed elements management) to sharing higher-level descriptions (e.g., anything post-sale). Among specific activities, themes did emerge relating to analysis (e.g., profitability analysis, experience studies), actions (e.g., policyholder services, cross- or upsell), and risk management (e.g., reinsurance, contractual compliance). Themes also emerged related to higher-level descriptions, pointing more to an ultimate reason for undertaking IFM (e.g., optimizing or improving profitability).

A particularly interesting finding was that activities that some teams include within their IFM scope were explicitly noted as being *outside* the scope for others. These included asset liability management, assumption setting, enterprise risk management, expense management, experience analysis, product development, reinsurance and the (re-)setting of nonguaranteed elements.

While these are all certainly relevant to the performance of in-force business, the question of whether or not they fall within an IFM mandate also raises questions regarding how to best address member needs related to these topics. It creates essentially a dual thread of topic development for the

subgroup—those that will support teams specifically mandated to perform IFM activities and those that will support raising the profile of in-force management activities within organizations, regardless of where they are done within that organization’s structure.

And that raises another area of variety: who has responsibility for managing in-force. Just over half of respondents noted that this mandate fell to a stand-alone team or department, while others made use of cross-functional teams, ad hoc working groups or some combination of all of these. For those with dedicated teams, there was also variety regarding within which part of the organization that team sat.

The most common response related to product development and maintenance—that is, a unit that considers the full product life cycle. Second-most common was within finance (ultimately reporting to the CFO), followed by sitting within a business unit (i.e., with clear profit and loss ownership). Other arrangements included product maintenance areas (covering all activities post-sale), actuarial (ultimately reporting to the chief actuary) and being within a central or group function.

This helps us understand that on top of activities varying, the context in which these activities are completed also varies. For example, the structure in which the team finds itself will influence how it thinks about prioritizing the activities it may undertake, and the team will have a differing sense of who its key stakeholders are.

On top of this, respondents viewed their measures of success differently, falling into two broad categories: financial performance and stakeholder satisfaction. Rising to the top of performance measurements were the usual suspects, whether profit generally or specific metrics such as GAAP income, return on investment, internal rate of return, capital or present value calculations. Comments on stakeholder satisfaction primarily highlighted

policyholder experience and feedback from leadership and other interested parties.

As previously noted, the largest ask from the survey respondents was for the sharing of best practices, along with the exchanging of ideas. Respondents sought to have this accomplished through networking and professional development opportunities. We take these requests seriously and are pleased to find that they align with what was envisioned for the subgroup when it was founded last year.<sup>4</sup>

Anyone with interest in in-force management (or whatever you choose to call it!) is welcome to join the Product Development Section’s In-Force Management Subgroup to enhance their network of individuals practicing in this space. Go to <https://www.soa.org/News-and-Publications/Listservs/list-public-listservs.aspx>, find “In-Force Management Listserv” and join. ■



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#### ENDNOTES

- 1 Shakespeare, William. *Romeo and Juliet* 2.2.47–48.
- 2 Tucker, Ken. A Rare Interview with Master Storyteller Stephen King. *Parade*, May 25, 2013, <https://parade.com/15671/kentucker/summers-best-books-starring-stephen-king/> (accessed June 11, 2019).
- 3 McGinnis, Jennie. 2018. In-Force Management: An Informal Survey. *Product Matters!*, October, <https://www.soa.org/globalassets/assets/Library/Newsletters/Product-Development-News/2018/october/pro-2018-iss111.pdf> (accessed June 11, 2019).
- 4 McGinnis, Jennie. 2018. Introducing the In-Force Management Subgroup. *Product Matters!*, June. <https://www.soa.org/Library/Newsletters/Product-Development-News/2018/june/pro-2018-iss110.pdf> (accessed June 11, 2019).