



SOCIETY OF ACTUARIES

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## Section Chairs Seminar with Mexican Actuarial Association

by Ed Robbins

*Note from Editor: In our last issue we mentioned that the seminar, then just held, was a great success. In this article, the coordinator of the seminar, Ed Robbins, gives us an overview of what transpired at the meeting.*

One of the most satisfying aspects of my three-year tour of duty at the Financial Section Reporting Council has been the running of actuarial seminars in Latin America. The first was a two-day seminar in Buenos Aires, Argentina, in August, 1998, discussing recent North American actuarial financial reporting developments. It was a great success, not only in its content and audience participation, but in terms of the friends we made. As members of the same profession, we have everything to gain from contacts such as these.

As a result, we decided to push our luck and put on a second seminar, in Mexico City, the following year. As is true for Buenos Aires, many U.S. life insurers are now represented in Mexico, and it is extremely beneficial to strengthen our professional ties as we approach a more global economy.

The Mexico City seminar was held October 5, 1999. It was a one-day seminar,

jointly chaired by the Society of Actuaries Financial Reporting Section and the Mexican Actuarial Association. The turnout greatly exceeded expectations, with more than 170 attendees. Mexico was far easier to coordinate than Buenos Aires, being geographically closer, and given that the great preponderance of the potential audience lived and worked in and around Mexico City. For me personally, it was something of a homecoming, since I had traveled frequently to Mexico City years ago and already had a coterie of actuarial friends and acquaintances.

The faculty consisted of six members of the Society of Actuaries Financial Reporting Section. We had decided to speak on financial reporting and appraisal issues that we felt might be of the widest possible interest to the audience.

I led off with a brief message from the Society of Actuaries. I spoke about the vision of the Society and where the Board of Governors sees the profession heading over the next decade. I covered the new examination syllabus and the "big tent" initiative. Finally, I invited Mexican and U.S. actuaries to work more closely together in the future.

Roger Smith discussed recent developments in technology and modeling. He presented some of the work that was presented to the UVS group for term insurance.

This presentation contrasted expected value models to Monte



*Pictured here are the Council members of the Financial Reporting Section Seminar held in Mexico City last October.*

Carlo models. Later, he described the hardware and software that US actuaries use in their work.

Jim Toole spoke on cash flow testing, its uses, and the fundamental principles underlying the methodology. He emphasized the theoretical and pragmatic approaches to development of a cash flow testing environment in a company. He further discussed the uses of this tool to senior management in asset-liability management and risk analysis.

Carl Harris continued the discussion of cash flow testing, emphasizing the U.S. regulatory environment. He covered the required scenarios to be run and the degree of rigor required in the modeling and the assumptions.

John Nigh spoke about the practices that companies have utilized in selecting the best acquisition and/or joint venture candidates. He also covered the mergers and acquisition process from establishing a strategy to how to enable a mergers and acquisition team. He described the approach to identify candidates and solicit indications of interest, followed by a discussion of negotiations, definitive purchase agreement issues, and the due diligence process. Finally he discussed post-integration planning and the steps that should be taken to fully implement the post-acquisition mergers and acquisition strategy.

Jim Bridgeman was the final speaker. He discussed the elusive concepts of



*Edward Robbins speaks of the SOA's vision and where the Board of Governors see the future of the actuarial profession.*

target surplus and capital allocation. While recognizing the fact that modeling and statistical probability were an essential part of the process of capital allocation and establishment of surplus targets, he brought up the interesting fact that the major catastrophes that have befallen companies in modern times have come either from events (often internally conditioned) not typically modeled at the time or from discontinuities not likely to

have been captured in continuous models with reasonable standard deviations. Thus, the process necessarily involves more than mathematical modeling.

Our hostess, Sofia Romano, current president of the Mexican Actuarial Association, attended to every detail with great efficiency, including simultaneous translation facilities and a bountiful dinner for the faculty following the seminar, together with the officers of the

Mexican Association. After years of being away from Mexico City, it was wonderful returning to the warm hospitality of our colleagues south of the border.

*Ed Robbins is senior actuary at Zurich-Kemper Life Insurance Companies, in Long Grove, IL. He can be reached at [edward\\_robbins@zurichkemper.com](mailto:edward_robbins@zurichkemper.com).*

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In addition, a form for non-members to use to subscribe to the newsletter is available.

Also you will find a listing of current officers and Council members of the Financial Reporting Section.

We are always looking for suggestions for information that can be added to improve the value of the web page to our



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