



SOCIETY OF ACTUARIES

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Letter From the Editor

by Thomas Nace

Welcome to Issue #50 of “The Financial Reporter.” That’s right — 50 issues! Fifty is a noteworthy milestone, whether you are talking about a person’s age, the number of years married or employed or the number of issues of a newsletter. The first issue of “The Financial Reporter” was published in August, 1984 and here we are, still going strong.

One of the reasons for our longevity has been the quality of articles written by the many authors to have received bylines in these pages. With this issue in point, I dare say that the trend is continuing.

For example, our cover article has been written by Wayne Stuenkel; it addresses the differences between ROI and IRR on a term policy. So many times life insurance company management has questioned why the GAAP ROI (single year return on investment) is different from the pricing area’s IRR. Actuaries have struggled to reconcile the difference. Wayne’s article is very enlightening as it tackles this very issue.

Also included in this issue is an article that originally appeared in the Product Development Section newsletter and was authored by Mary Bahna-Nolan. The article addresses Guideline AXXX and performs an excellent analysis of the repercussions of the proposed guideline. I felt that the financial reporting actuaries would be very interested in Mary’s analysis, and thus Mary agreed to have her article reprinted in “The Financial Reporter.”

William Hines offers his thoughts on the issues involved in a sponsored closed-block demutualization. How is a sponsored demutualization different from a direct demutualization? How does the funding of the closed block impact the purchase price of the acquiring company? The answers to these and other intriguing questions can be found in William Hines’ article.

Walt Rugland looks at the events surrounding a particular U.K. company’s downfall and restriction to new business and the subsequent inquiry into the causes and possible remedies that might have prevented the shutdown. In particular,

the hindsight view is taken with respect to the implications on the actuarial profession. The findings have an implication on the role of the appointed actuary in the United States and are relevant to most financial reporting actuaries.

Larry Warren deals with the topic of mortality projections and the appropriateness of the mortality table chosen. Specifically, he asks the question, “Should we still use the 1975-80 Select/Ultimate table?” In his paper, Larry shows that the result of using the 1975-80 Select/Ultimate table as opposed to the more modern 1990-95 Select/Ultimate table can be a significant understatement of future mortality, and hence, anticipated profits may prove to be illusory. Make sure to read his article to find out more.

Barry Shemin provides an insightful look into the recent trend toward the use of more and more reinsurance in our industry. The use of increased reinsurance has several potential impacts, including the concentration of risks different profit patterns between reinsured and non-reinsured business just to name a couple. See Barry’s Section Chair article to discover the reasons behind these and other effects.

John Riley discusses the problems a nonprofit organization faces when trying to provide state-of-the-art education tools via the web, and specifically, how the Society may be able to address its members’ needs for continuing education electronically in the future. See the article, “Distance Learning Up Close.”

One final note — I would like to acknowledge the recruitment of a new editor, Jerry Enoch. Jerry has helped me put together this issue of “The Financial Reporter” and will be taking over as editor with issue 51. On that note, I would like to thank all of the authors who have contributed articles during my tenure as editor. It has been a pleasure to have work with you and I thank Barry Shemin, Mike Eckman and Mike McLaughlin for the support they provided me as Section Chairs during this period.

Here’s to another 50 issues! ❖



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