



SOCIETY OF ACTUARIES

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the Standard Valuation Law. The Academy committee produced a report in December. I have been following this on behalf of *small talk*. To paraphrase the Executive Summary of this report, the concept is "...far-reaching; it abandons the current rigid approach and focuses on providing necessary financial information on a consistent basis to all interested parties." The UVS should address the needs of regulators and others within a single system. This report was assembled after investigations into the valuation procedures in a variety of other countries.

The framework mentions 11 points. Of particular note, the UVS shall "support financial analysis at points in time and over time," "be built upon best estimate assumptions with explicit determinable margins," shall "address overall solvency, not just contract reserves," shall enable a comparison between assumptions and emerging experience, "balance practicality, cost and resource effectiveness," "be consistent for all companies and among regulatory jurisdictions," and "utilize actuarial judgment in preference to prescribed methods and assumptions." Members were asked to propose a new valuation law. One of our Section members, Norman Hill, has done so in his article on page 16.

Another issue is demutualization. We have two articles on this, one by Thomas Tierney on the New York situation and another by Chris DesRochers on the general issue. There are various other articles, including discussion of the smaller company exemptions for cash-flow testing, relations between

federal and state authority, and banks in insurance.

Finally there are several on investments. We are trying to examine the problem of modeling CMOs. These have become increasingly popular. Modeling them is difficult. In the past, several service bureaus have done the modeling for life companies. Recent improvements in cash-flow testing software used by many companies have enabled larger companies with trained staffs to take this function in-house. The service bureaus have raised their prices so that it is not economical for a smaller company to use their services.

What options are available to the smaller company, which may not even have an investment department and which may use consultants for buying assets and performing the cash-flow testing? Several articles explore approaches to this. Note one by Dale Hall, another by Jay Glacy, and a related article on duration by the staff of CMS, a service bureau which has done work for clients in the past. Although it still does, their software is now making its way to brokerage houses. Thus smaller companies should be able to get this as a client service.

Finally, if you are coming to the Spring Meeting in Maui, I will be moderating a panel on having a positive influence on legislative and regulatory developments. There is much going on, and we all need to follow events and also learn how to influence them.

James R. Thompson, FSA, is a consultant with Central Actuarial Associates in Crystal Lake, Illinois and Editor of small talk.

Small Talk from the High Chair*by John E. Wade*

The Smaller Insurance Company Section is particularly interested in helping the actuaries of smaller companies deal with the increasingly complex requirements of both standards of practice and regulatory requirements, as well as providing a forum for discussion of topics unique to smaller companies.

In the future, we would expect to continue to (1) provide a newsletter to report on various items of interest to the Section and (2) conduct sessions at both the Spring and Annual SOA Meetings on topics of particular interest to small companies. We would also like to participate in the Valuation Actuary Symposium where appropriate. And last, we would expect to continue our participation in the finance and investment management practice area and the life insurance practice area.

In addition to these continuing functions, we hope in the future that the Section Council will develop an issues survey that will help us to better profile our constituency and identify the issues that are important to them. Some of the obvious issues facing the smaller companies are compliance with market conduct practices and asset-adequacy requirements and dealing with issues of merger and acquisition, critical mass, and costs of technological competence.

We are getting ready to elect three more members for three-year terms. We would like interested parties to submit a letter of interest and biographical information to Lois Chinnock at the SOA by May 14. We can then prepare a slate of candidates for election.

John E. Wade, FSA, is Executive Vice President and CFO at American Memorial Life Insurance Company in Rapid City, South Dakota and Chairperson of the Smaller Insurance Company Section Council.