REINSURANCE SECTION NEWS

ISSUE 44 AUGUST 1998

Reinsurance Section Survey Results

by Bill Wellnitz

Last year the Reinsurance Section conducted a survey of Section members and a sampling of nonmembers to obtain feedback on the level of satisfaction with the information and services provided by the Section and to identify issues that the Section should consider addressing in the future. In all, about 4,000 survey forms were sent out; the response rates were 12% and 19% from Section members and nonmembers, respectively. The response rate from members is consistent with that obtained on surveys conducted by other Sections, while the nonmember response rate is better than expected. Some of the more interesting findings from the survey include:

- A higher percentage of nonmembers responding to the survey are employed in businesses that traditionally have not made much use of reinsurance—pensions, employee benefits, investments, and health insurance.

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In This Issue

Life Reinsurance Data from the Munich American Survey

by James L. Sweeney and David M. Bruggeman

Editor's Note: *These survey data are prepared by Munich American Reassurance Company at the request of the Society of Actuaries Reinsurance Section as a service to Section members. The numbers are provided by the contributing companies in response to the survey. These numbers are not audited and Munich American, the Society of Actuaries, and the Reinsurance Section take no responsibility for the accuracy of the figures.*

Munich American's annual survey, which is conducted on behalf of the Statistical Research Committee of the Reinsurance Section, covers Canadian and U.S. ordinary and group life reinsurance new business production and in force. The ordinary numbers are further subdivided into:

- Conventional reinsurance (recurring) [1]
- Reinsurance with an issue date in a year prior to the year in which it was reinsured, or financial reinsurance (portfolio)
- Reinsurance not directly written by the ceding company (retrocession).

Complete survey results are available from the authors upon request. These results can also be obtained at Munich American's web site, www.marclife.com.

Life Reinsurance Production

The largest production increase ever in the history of the survey occurred in 1997 as new business rose 54.9%. This marks the fourth straight year new business production in the reinsurance market experienced a sizable increase. In 1996, new business increased 24.0%, while 1995 and 1994 had increases of 34.8% and 16.2%, respectively. Prior to 1994, life reinsurance production remained relatively flat. The U.S. market experienced a 56.8% increase with impressive increases in ordinary recurring, ordinary portfolio, and group business, while the Canadian market increased by 21.8% with ordinary recurring and retrocession business exhibiting strong increases.

U.S. ordinary life production increased 51.5%, and Canadian ordinary business rose 26.9% over the prior year. This resulted in a total U.S. and Canadian ordinary business increase of 50.3%. On the group side, U.S. group new business increased 225.6% from 1996, while Canadian group business experienced a decrease of 25.4%. This resulted in an overall increase in group business for 1997 of 186.4%.

Life reinsurance production results for 1996 and 1997 are summarized in Table 1 on page 2.

Recurring business can often prove to be a more revealing indicator of production trends. We have attempted to remove most of the double-counting on retrocession and block reinsurance from the recurring figures.

Large increases in recurring new business appears to have been the norm rather than the exception in 1997. Three companies reported incremental increases in total Canadian and U.S. recurring new business in excess of *$20 billion* and another five companies reported recurring increase in excess of *$10 billion*. Security Life and Swiss Re/M&G each reported new business increases of $21.9 billion. Life Re reported an increase of $21.8 billion, although the company was unable to provide a breakdown of its business into the various categories, thus all business has been categorized as recurring. Companies with increases over

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Munich American Survey
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TABLE 1
Life Reinsurance New Business Production ($U.S. Millions)

	U.S.			Canadian			Total		
	1996	1997	Change	1996	1997	Change	1996	1997	Change
Ordinary Life									
Recurring	$350,440	$509,653	45.4%	$17,424	$21,789	25.1%	$367,863	$531,442	44.5%
Portfolio	74,157	148,267	99.9	5,426	4,635	−14.6	79,583	152,902	92.1
Retrocession	34,970	38,494	10.1	1,686	4,717	179.7	36,656	43,211	17.9
Total Ordinary	459,566	696,414	51.5	24,536	31,141	26.9	484,102	727,555	50.3
Total Group	14,418	46,950	225.6	2,673	1,994	−25.4	17,091	48,944	186.4
Total Life	$473,985	$743,364	56.8%	$27,209	$33,135	21.8%	$501,193	$776.499	54.9%

$10 billion include: RGA ($13.3), Employers/ERC ($13.1), Phoenix Home Life ($12.8), AUL ($11.3), and Lincoln Re ($10.3). The significance of such large increases from individual companies can be put in better perspective by considering that prior to 1996, only one company had ever reported a new business increase in excess of $10 billion. Also noteworthy is the fact that no company reported a decrease in recurring business in excess of $500 million.

Totals for Canadian and U.S. recurring ordinary reinsurance assumed in 1996 and 1997, as well as percentage changes, are as shown in Tables 2 and 3 and Figure 1 on page 4.

Comparison with Direct Market

Unlike the reinsurance market, new direct-life insurance purchases continue to be flat. The American Council of Life Insurance (ACLI) estimates that 1997 U.S ordinary life insurance purchases increased only 0.76% from last year. In fact, the data from the ACLI reveal that life sales have increased only 5.33% for the period 1990–1997. However, during that same period, recurring life reinsurance sales have increased more than 230%! Figure 2 compares ordinary life new business totals with the recurring life reinsurance totals for the industry over the last decade.

It is apparent that the increase in first-dollar quota-share arrangements has had a tremendous impact on new business reinsured. A most telling statistic is that the percentage of life sales reinsured has grown from 14.4% in 1990 to 45.3% in 1997. Only time will tell if such a high percentage of reinsurance will continue or even grow in the future, but the number of first-dollar quota-share arrangements will definitely be the key factor.

Life Reinsurance In Force

As a result of the large new business production, 1997 life reinsurance in-force business increased 25.2% from 1996. This follows increases of 14.8% in 1996 and 12.5% in 1995. U.S. total life in force increased 26.9%, while Canadian in force experienced an increase of 6.4% for 1995.

The in-force survey results for 1996 and 1997 are summarized in Table 4.

James L. Sweeney, FSA, is Executive Vice President and David Bruggeman, ASA, is Actuarial Associate with the Munich American Reassurance Company in Atlanta, Georgia.

END NOTE

1. Included in the definition of conventional category is business assumed from the direct side of companies which also maintain a reinsurance division. Business assumed from the reinsurance division would fall under the retrocession category.

REINSURANCE SECTION NEWS
Issue Number 44 August 1998
Published by the Reinsurance Section of the Society of Actuaries
475 N. Martingale Road, Suite 800
Schaumburg, IL 60173
World Wide Web: http://www.soa.org
The newsletter is free to Section members. A subscription is $15.00 for nonmembers. Current-year issues are available from the Communications Department. Back issues of *Reinsurance Section News* have been placed in the Society library. Photocopies of back issues may be requested for a nominal fee.

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TABLE 2
U.S. Ordinary Recurring Reinsurance ($U.S. Millions)

Company	1996 Assumed Business	1996 Market Share	1996 Increase in Production	1997 Assumed Business	1997 Market Share	1997 Increase in Production
Allianz	$19,294	5.5%	181.7%	$27,870	5.5%	44.4%
American United Life	14,259	4.1	14.9	25,603	5.0	79.6
Business Men's	17,399	5.0	10.6	20,132	4.0	15.7
CIGNA Re	1,392	0.4	-26.9	1,015	0.2	-27.1
CNA	9,269	2.6	174.0	9,473	1.9	2.2
Cologne Life Re	11,899	3.4	7.1	14,934	2.9	25.5
Crown Life	977	0.3	0.9	3,584	0.7	266.9
Employers Re/ERC Life	10,647	3.0	50.9	23,757	4.7	123.1
Gerling Global Life	11,899	3.4	-1.0	13,217	2.6	11.1
Life Reassurance Corp.	29,298	8.4	71.5	51,088	10.0	74.4
Lincoln Re	29,646	8.5	-12.7	39,897	7.8	34.6
Munich American Re	12,037	3.4	58.5	17,937	3.5	49.0
Optimum Re (Canada)	0	0.0	-100.0	0	0.0	0.0
Optimum Re (U.S.)	1,029	0.3	-7.3	1,439	0.3	39.8
Phoenix Home Life	21,523	6.1	135.3	34,347	6.7	59.6
Reassurance Co. Of Hannover	1,432	0.4	46.4	2,333	0.5	62.9
RGA Reinsurance	28,259	8.1	16.0	41,527	8.1	47.0
Security Life	40,260	11.5	91.3	62,202	12.2	54.5
Swiss Re (incl. M&G)	36,907	10.5	46.0	58,801	11.5	59.3
Transamerica Re	52,122	14.9	28.3	59,513	11.7	14.2
Winterthur/Republic-Vanguard	489	9.1	59.3	486	0.1	-0.6
World-Wide Re	403	0.1	12.3	498	0.1	23.6
Total	$350,440	100.0%	38.3%	$509,653	100.0%	45.4%

TABLE 3
Canadian Ordinary Recurring Reinsurance ($U.S. Millions)

Company	1996 Assumed Business	1996 Market Share	1996 Increase in Production	1997 Assumed Business	1997 Market Share	1997 Increase in Production
Allianz	$ 0	0.0%	-100.0%	$ 0	0.0%	0.0%
Business Men's	9	0.1	-35.7	12	0.1	33.3
CIGNA Re	36	0.2	20.0	19	0.1	-47.2
CNA	4	0.0	-42.9	34	0.2	750.0
Cologne Life Re	2	0.0	-77.8	3	0.0	50.0
Gerling Global Life	9	0.1	-10.0	30	0.1	233.3
Life RE	0	0.0	0.0	9	0.0	100.0
Lincoln Re	408	2.3	-33.1	1,306	6.0	220.1
Munich Re (Canada)	4,468	25.6	17.6	7,053	32.4	57.8
Optimum Re (CAN)	967	5.6	-49.2	715	3.3	-26.0
RGA Reinsurance (Canada)	4,636	26.6	35.8	5,107	23.4	10.2
RGA	102	0.6	-18.4	40	0.2	-60.8
Swiss Re (incl. M&G)	6,780	38.9	5.1	7,460	34.2	10.0
Transamerica Re	2	0.0	0.0	0	0.0	-100.0
Total	$17,424	100.0%	6.4%	$21,789	100.0%	25.1%

Munich American Survey
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FIGURE 1
U.S. Recurring Production

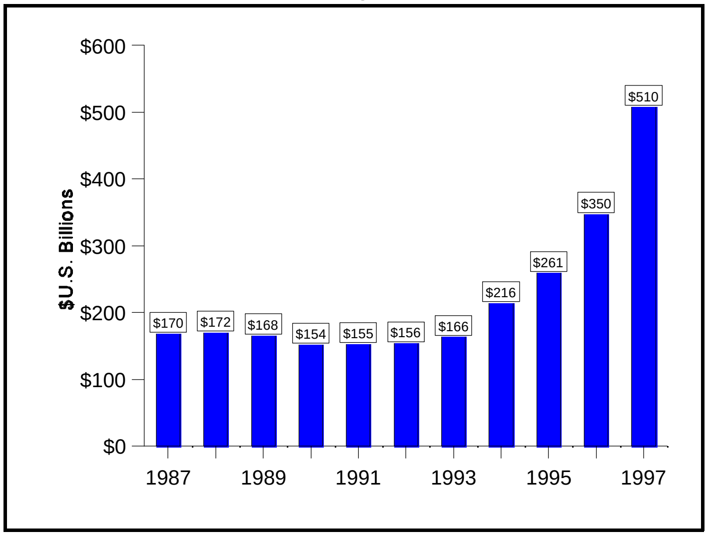

FIGURE 2
U.S. Ordinary Individual (Life Insurance Sales)

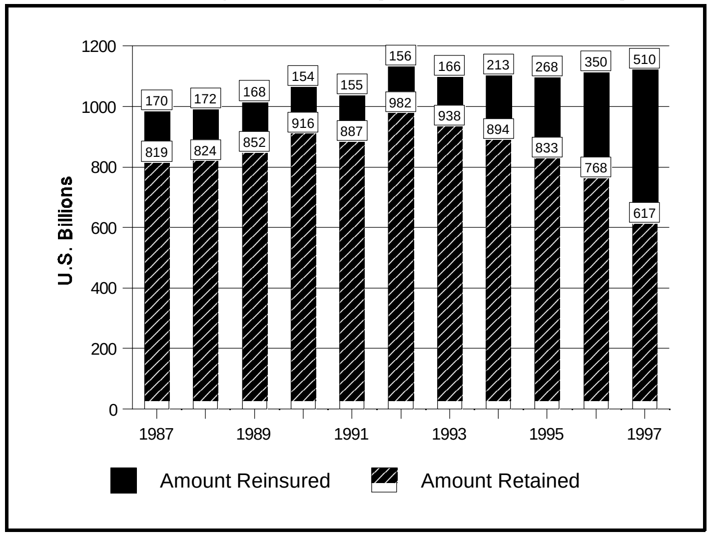

TABLE 4
Life Reinsurance In Force ($U.S. Millions)

	U.S.			Canadian			Total		
Class	1996	1997	Change	1996	1997	Change	1996	1997	Change
Ordinary Life									
Recurring	$1,240,289	$1,563,175	26.0%	$104,957	$109,928	4.7%	$1,345,247	$1,673,103	24.4%
Portfolio	245,056	326,287	33.1	10,359	11,899	14.9	255,415	338,186	32.4
Retrocession	159,035	172,664	6.6	11,953	15,188	27.1	170,988	187,852	9.9
Total Ordinary	1,644,380	2,062,126	25.4	127,270	137,014	7.7	1,771,650	2,199,140	24.1
Total Group	64,938	106,486	64.0	22,956	22,868	−0.4	87,894	129,354	47.2
Total Life	$1,709,318	$2,168,612	26.9%	$150,226	$159,882	6.4%	$1,859,544	$2,328,494	25.2%

Medical Stop-Loss: A Multiyear Design

by John D. Dawson

Employers that sponsor self-funded medical benefit programs generally purchase specific medical stop-loss reinsurance to protect against the financial consequences of catastrophic claims. The standard stop-loss program does an adequate job of addressing many important financial risks. However, it falls short of managing the risk of longer term catastrophic claims.

A Tough Situation

Suppose you are the risk manager for ABC Corp., an employer with 1,000 employees and families covered under its self-funded medical policy. One year ago, you purchased specific stop-loss coverage with a $100,000 specific attachment point. The annualized stop-loss premium is $120,000.

An employee suffered a catastrophic illness during the stop-loss contract year. The total bill during the year is $225,000. ABC funded the first $100,000, and the stop-loss carrier paid the remaining $125,000. The patient is not doing well. Case managers estimate that total bills for the employee could reach $450,000 by the end of next year. You are not aware of any other catastrophic claims at this time.

Today, you are making final stop-loss purchasing decisions for the next 12 months. Your current stop-loss carrier proposed a 30% premium rate hike to $156,000 annually because of this claim. All other stop-loss carrier have either declined to provide a proposal or excluded this claim from their proposed coverage.

Financial Evaluation

Your only real alternative is to accept the 30% increase offered by your current stop-loss carrier. Your benefits advisor assembled the data shown in Table 1 to help you determine the value of the program.

"As shown in this table," the advisor says, "you will have received more in 1997–98 from the stop-loss program than you paid in premiums. The 1998–99 premium is only $31,000 more than the expected payout. That excess is needed to pay the insurance company's administrative expenses and fund any additional catastrophic claims that you may incur."

TABLE 1
Premiums versus Stop-Loss Recovery

	Stop-Loss Year		Two-Year Total
	1997–98	1998–99	
Stop-Loss Premium	$120,000	$156,000	$276,000
Expected Stop-Loss Recovery	125,000	125,000	250,000
Premiums Minus Benefits	$ –5,000	$ 31,000	$ 26,000

As a business manager, you cannot argue that the insurance company needs to charge enough to make a reasonable profit. However, you are feeling cheated because this stop-loss program is not meeting your risk management needs. You counter with the following observations:

- If the entire $450,000 claim had both begun and concluded in the 1997–98 contract year, ABC's exposure would be limited to $100,000.
- Because the claim will span two contract years, ABC's exposure doubles increases to $200,000.
- In addition, because the stop-loss carrier increased the premium by $36,000 in the second year, ABC is ultimately stuck with financing the entire claim.

A Multiyear Solution

ABC Corp. takes calculated risks in its core business with the intent of achieving financial success. Although it is willing to accept some morbidity risk, ABC is not—and does not wish to be—in the insurance business. The company purchases stop-loss coverage to insulate itself from the morbidity risks associated with its medical program. As demonstrated above, those morbidity risks can span more than one year.

ABC would prefer stop-loss coverage that limits its total exposure to morbidity risks that manifest during the contract year but continue into the following years. Examples may include Parkinson's disease, certain malignancies, or AIDS. However, I believe this coverage is not available because:

- Stop-loss carriers prefer shorter morbidity tails so that they can settle their books quickly and determine whether the business was profitable.
- Insurers perceive the cost of providing tail coverage to be high because the risks associated with stop-loss tail coverage have not been adequately researched.

As actuaries, we may have limited influence on the desire to settle books quickly. However, we are well suited to take on the second issue.

Let's begin by slightly modifying a traditional specific stop-loss design. Consider the following design:

- The employer selects a standard stop-loss attachment point, such as $100,000, and an extension period, such as three years
- The contract year is defined as a 12-month period during which a claim must exceed the stop-loss attachment point to be eligible for reimbursement
- A stop-loss-eligible claim is one that exceeds the stop-loss attachment point during the contract year.

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Medical Stop-Loss
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- The total stop-loss recovery for each stop-loss-eligible claim is equal to the total benefits paid for that claim during the contract year and during the runout period minus the stop-loss attachment point.

To establish a framework for assessing how much more this contract would cost than a standard specific stop-loss contract, we need to define some notation. Consider the following for a standard specific stop-loss policy:

$$CC_t^1 = \sum_x q_x^{(m)} \times \left[B_{x,t} - D\right] \qquad (1)$$

where:

CC_t^1 = single-year claim cost for a standard specific stop-loss policy

$q_x^{(m)}$ = probability that benefits for individual x will exceed the stop-loss attachment point during the stop-loss year

$B_{x,t}$ = total benefits expected to be paid for individual x during year t, and

D = the stop-loss attachment point.

Then, let's define notation for a multiyear stop-loss policy using similar notation:

$$CC_t^n = \sum_x q_x^{(m)} \times \left[\left(\sum_{t-1 \text{ to } n} B_{x,t}\right) - D\right] \qquad (2)$$

where:

CC_t^n = multiyear claim cost

$q_x^{(m)}$ = probability that benefits for individual x will exceed the stop-loss attachment point during the stop-loss year

$B_{x,t}$ = total benefits expected to be paid for individual x during year t, and

D = the stop-loss attachment point.

Using this notation, we can subtract Formula (1) from Formula (2) to determine a formula that defines the additional claim costs associated with the extended coverage. The resulting difference is shown as Formula (3) below:

$$CC_t^n - CC_t^1 = \sum_x q_x^{(m)} \times \sum_{t=2 \text{ to } n} B_{x,t} \qquad (3)$$

The next step, of course, in determining the cost associated with the extended coverage is to evaluate Formula (3) using live data. Data to pursue this investigation are available from a variety of sources. A numerical analysis demonstrating the incremental cost would be an interesting follow-up to this article.

Market Differential

To the best of my knowledge, the stop-loss program design is not available. There are variations, such as the 12/18 contract, which covers claims incurred during a 12-month period and paid during that period or the following six months. In my experience, the reality of certain illnesses, the timing of care in relation to the stop-loss year, and how these claims are handled by the administrator cause the current stop-loss designs to fall short of addressing the purchaser's true risk-management needs.

Based on anecdotal information, I believe that the stop-loss design described in this article is financially viable and will, if priced properly, enjoy widespread acceptance. If so, the carrier bringing this design to the market first is likely to realize significant marketing successes. We, as actuaries, have a responsibility, however, to ensure that this marketing success translates into both sound risk management for employers buying the new design and financial success for the insurance companies writing it.

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Considerations in Administering First-Dollar Reinsurance

by Johanna B. Becker

First-dollar quota share reinsurance has taken over the reinsurance marketplace with a vengeance. It started with new business on term products, expanded to new business for other life products, and has even moved into reinsurance of in force for some companies. "Overnight" a ceding company may find that almost every policy it issues is reinsured and possibly a chunk of its in force as well. This can have a tremendous impact on the administrative procedures that the ceding company has in place that were set up to handle smaller volumes of reinsurance, based on more traditional reinsurance needs. In addition, the administrative burden is further compounded by the fact that the ceding company most likely has multiple reinsurers sharing the risk.

The purpose of this article is to discuss some concerns my company has had and to raise awareness of issues you may wish to consider for your reinsurance arrangements. My comments on our solutions are general, because one solution may not fit all situations and each ceding company must work out solutions with its reinsurers.

Recently my company identified three areas affected by the impact of first-dollar reinsurance: audits, claims, and underwriting. In order to address our concerns, we invited representatives of nine reinsurers that participate in our first-dollar pools to a meeting at our home office. To keep the size of the meeting manageable, we suggested that each reinsurer send only two representatives. Given the topics we wished to discuss, we suggested that these representatives be the sales representative and an underwriter. Because our goal was to reach agreement on procedures, we requested that the representatives have the authority to speak for their companies, so that we could reach consensus at the meeting.

Prior to the meeting, we sent out specific proposals for audits and claims procedures as well as information on certain underwriting issues. This allowed the reinsurer representatives to discuss our ideas with appropriate personnel in their companies and come prepared.

Audits

In the last few years we had begun to experience an increasing number of administrative and underwriting audits. These audits were requested by reinsurers as part of their due diligence requirements to audit large accounts periodically, not because of any particular problems they perceived with our business. As we did more first-dollar reinsurance with multiple reinsurers sharing in pools, we began to realize that we could be inundated with audit requests. We therefore proposed to our pool reinsurers that (1) a schedule whereby reinsurers would take turns doing audits each year be established and (2) results be shared with other pool members. In addition, given the number of reinsurers, we proposed that two reinsurers in the same pool audit each year *and* that they work as a team rather than doing separate audits. In our proposal we paired the reinsurers and even went so far as to identify the week each year that the audit would be held (taking into account vacation season, annual sales contests, annual financial reporting, and so on).

> ***"The purpose of this article is to discuss some concerns my company has had and to raise awareness of issues you may wish to consider for your reinsurance arrangement."***

Prior to making the team-audit proposal, we spoke to reinsurers that had participated in a team audit to determine how successful such an approach would be. The feedback we received was favorable. The one cautionary note was that the team must determine in advance the focus of the audit. In our meeting, the reinsurers agreed to the team approach. It was further agreed that the team, prior to the audit, would provide the other pool members with details of the scope of their audit and these members could have any specific concerns added to the audit. Within 60 days of the audit's completion, it was agreed that the audit team would provide our company with its findings so that a management response, if needed, could be prepared and incorporated. The final document would be distributed to us as well as all pool members within 90 days of the audit.

It was agreed that the details of the standard "inspection of records" article in our treaties would not be modified; thus reinsurers would still have the right to inspect off-cycle if a situation arose that required immediate attention. Given the annual nature of team audits, it is unlikely that an off-cycle audit would be necessary.

Last, we recognize that these team audits will not cover all our reinsurance arrangements. We suggested that an auditing reinsurer with whom we have other treaties may wish to stay on and audit its other business. We also have some reinsurers that are not members of our pools and we recognize we will have to deal separately with them. But we do believe that the majority of the focus will be on the pools, and by addressing the pools we have covered our most likely audits.

Claims

Our administration of reinsured claims has involved advance notification to the reinsurer(s), possible consultation on specific claims (depending upon the treaty terms), request for payment accompanied by copies of the death certificate, and proof of payment. We realized that we could not continue to perform these functions with existing staff if in the future a large percentage of claims potentially had some reinsurance and we had to deal with each reinsurer. Further, while a significant portion of a

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pool claim may be reinsured, a reinsurer's share could be small, thus making it inefficient for a reinsurer's staff to spend much time processing a claim at their end. For example, if a reinsurer's share of a claim is 10% and the claim is for $50,000, the share is only $5,000.

As a result of our meeting, we were able to streamline our procedures for notification, consultation, and payment. This streamlining included factors such as size of claim, contestable versus incontestable, the role of consultation, claims in litigation, and information provided with request for payment. Because the administrative audit each year will include claims review, this will serve as a control to ensure that these streamlined procedures are working properly.

Underwriting

Conditions for acceptance of automatic reinsurance are set out in treaties. These conditions may require adherence to specific underwriting requirements or refer to the normal underwriting rules of the ceding company. These rules may be reviewed by reinsurers as part of the quote process. As a result, the ceding company may not be able to change or deviate from what has been agreed to without the agreement of its reinsurers.

For our company this had never been a major concern because so much of its business was within its retention limit and not subject to reinsurance. But first-dollar reinsurance is another story. For example, how would first-dollar affect our ability to deviate from our underwriting guidelines, make exceptions in competitive situations, allow less than full underwriting for special marketing programs, and so on? Many of these were issues that could not be put into proposals prior to the meeting, therefore it was important to have underwriter representatives of our pool members at the meeting. As a result of our discussion, we reached agreement on the degree of flexibility our underwriters would have in various situations and established rules for situations requiring reinsurer agreement using a rotating-lead-reinsurer approach.

Similar to the approach used in the claims situation, it was believed that the annual team underwriting audit would serve as a control and check on our underwriting and the flexibility agreed to.

Meeting Summary and Future Plans

After the meeting we prepared a summary of the agreements, which was signed and sent to the participants for their signatures. This summary served to document the understandings and the signatures confirmed the accuracy.

A future meeting is planned to touch base with our reinsurers, to review agreements reached at this meeting, to determine how successful they are and whether modifications are in order, as well as to discuss any new issues that have arisen. This meeting will be scheduled when we have had both an underwriting and administration audit.

A Final Thought

Reinsurance has been called a partnership, and this is especially exemplified in first-dollar reinsurance where every policy sold and every decision made has reinsurance implications. The goal of ceding companies should be to address workflow and communication issues and ensure the success of the relationship.

Johanna B. Becker, FSA, is Second Vice President and Actuary at New England Life Insurance Company in Boston, Massachusetts.

Reinsurance Section Survey Results
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- Correlated with this, more than half of the responding nonmembers said that they chose not to be members of the Section because reinsurance issues are not relevant to their roles. Another quarter said that they delegated reinsurance issues to someone else.
- Only 13% of responding members had participated at a SOA meeting as a speaker, moderator, or workshop leader for a session sponsored by the Reinsurance Section.
- Both members and nonmembers gave strong support to the traditional panel and workshop meeting formats; however, both groups also indicated a strong interest in longer, in-depth teaching sessions.
- While more than 85% of responding members said that the Section was meeting their expectations, 15% said it was not. The primary areas of concern are that the Section focuses too much on life reinsurance and too much on reinsurance from the assuming company perspective.
- There was also broad support among both members and nonmembers for expanding the use of surveys to gather and disseminate data on reinsurance practices. The most interest was indicated in the areas of pricing assumptions/approaches and treaty provisions/interpretation.
- Finally, 33 individuals, including three nonmembers, took advantage of the survey to express their interest in volunteering to work with the Section in a variety of capacities from speaker to author to candidate for the Section Council.

The Reinsurance Section Council would like to express its sincere appreciation to all those who took the time to participate in this survey, with special thanks to those who indicated an interest in volunteering. The results of the survey are already being used to help shape Council decisions and doubtless will continue to prove valuable for the foreseeable future.

William R. Wellnitz, FSA, is Senior Vice President and Actuary at Transamerica Occidental Life in Charlotte, North Carolina and Vice-Chairperson of the Reinsurance Section Council.

Reinsurance Sessions at the Annual Meeting

October 18–21, 1998
New York, New York

Mark your calendars for the SOA Annual Meeting, October 18–21, 1998 at the Marriott Marquis in New York. The Reinsurance Section is sponsoring a number of interesting and informative sessions. Please take particular note of the following sessions.

Monday, October 19

10:30 a.m.–12:00 noon

18WS **Regulatory and Tax Issues**

This workshop covers current developments in the regulation and taxation of reinsurance. Attendees learn about the most recent status of ongoing tax and regulatory issues.

2:00–3:30 p.m.

29 PD **Critical Illness Insurance—Bringing Life to the Death Insurance Industry**

Critical illness insurance (CII) is a runaway success in many English-speaking countries around the world and has now arrived in North America where it is gaining wide acceptance in Canada. CII solves many problems that existing insurance solution do not, so the potential is huge and untapped.

Yet the product is slow to gain acceptance in the U.S. market, despite a declining life insurance market and stagnating producer incomes. Could CII be the broad-based protection product that will inject some life into the death insurance industry?

In this session, the panelists briefly review the various CII plan types, look at the unique problems it solves relative to traditional insurance solutions, and show its success in other insurance markets. The Canadian market experience is examined and lessons for the U.S. market are drawn from this experience. The current challenges and opportunities of the U.S. market are explored, and lastly, the role of the reinsurer as a partner is examined.

Tuesday October 20

7:30–10:00 a.m.

49 SM **Reinsurance Section "Hot" Breakfast**

This breakfast includes an update on Reinsurance Section activities, recent ACLI reinsurance developments, followed by roundtable discussions of current issues.

Note: If you have any specific "current issues" you would like discussed, send your suggestions to Graham Bancroft: fax: 416–979–4095, or e-mail: gbanc@sunlife.com.

2:30–4:00 p.m.

106 WS **Reinsurance Treaty Issues**


Start ♬ spreading the news ... ♬ ♪

For the past 20 years, reinsurance treaties have gone from gentlemen's agreements to detailed legal documents. Participants in this workshop examine current issues in reinsurance treaty wording, including:

- *Recapture*: How does this work on quota share agreements, changes in reinsurer's rating?
- *Errors and Omissions*: What is this actually designed to cover?
- *Arbitration:* What has recently changed?
- *YRT One-Year Rate Guarantees*: When can the reinsurer increase rates?

Attendees learn to recognize and understand current treaty issues and are in a better position to assess the implications of treaty wording.

Wednesday, October 21

8:00–9:30 a.m.

116 PD **The "Art" of Alternative Risk Transfer**

The P&C industry for a number of years has been exploring and developing techniques using capital markets to help with capacity issues.

In this session, the panelists briefly discuss the factors that led to the development of ART transactions in the P&C markets and review the techniques used to transfer and trade insurance risks within the capital markets. These include derivatives, securitization, and contingent equity. Current ART activity to date, such as Chicago Board of Trade instruments, catastrophe bonds, and equity puts are covered, along with the perspectives of the rating agencies on these transactions. The panel concludes with a discussion of possible ART opportunities in the life and health market.

At the conclusion of this meeting, attendees have a basic understanding of ART techniques and how they could be applied to the life and health markets.

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10:00–11:30 a.m.

134 PD **MEDICAL REINSURANCE—WHAT HAS HAPPENED TO THIS MARKET?**

The panelists begin with a review of the recent history of medical reinsurance, looking at the profitability, growth, and trends in the medical reinsurance market.

The panelists then shift focus to the current environment and issues, such as the increase in the number of reinsurers, problems in the small- group medical reinsurance market, and increases in aggregate stop loss claims experience. The session concludes with a discussion on future trends, and what these trends mean to the market.

At the conclusion of the meeting, attendees understand the history underlying the problems facing the medical reinsurance market and learn about potential solutions to these issues.

CALL FOR PAPERS

"Fair Value of Insurance Business"

The Society of Actuaries and New York University join forces again. A conference on "Fair Value of Insurance Business" will be held on March 18 and 19, 1999 in New York City. The goal is to extend and update the body of knowledge from the 1995 "Fair Value of Insurance Liabilities" Conference, to highlight similarities in various theoretical developments, and to work towards resolution of differences and implementation issues. The scope of the conference has been broadened to encourage fair valuation efforts that consider insurance business as an integrated whole.

The conference will:

- Provide an overview of and comparison of various theoretical developments
- Provide an update on various efforts in accounting and management reporting
- Suggest how the various theories may be applied to financial and management reporting in practice, and discuss implementation issues and potential solutions.

A call for papers is being held in conjunction with the conference. The goal of this call is to promote fresh perspectives on this challenging topic, to provide a solid foundation for the conference, and to move forward the state of the art on insurance valuation. Papers should bring fair value accounting for insurance forward with respect to recent developments in accounting initiatives as well as management practices. Papers submitted in response to this call may cover topics related to fair value of assets, liabilities or insurance enterprise value.

The Society of Actuaries anticipates publishing acceptable papers in a book. Papers from the 1995 conference have been published in the book *The Fair Value of Insurance Liabilities*, Kluwer, 1998. Expenses incurred by authors who present accepted papers at the conference will be paid by the Society of Actuaries.

The target date for receipt of papers is October 30, 1998. The detailed call for papers can be accessed via the Research Section of the Society of Actuaries web site http://www.soa.org/research/cfp2.html. Or contact Joanne Temperly (phone: 847–706–3519, fax: 847–706–3599, e-mail: jtemperly@soa.org) to receive a copy via fax, mail, or e-mail.