



## ***Life Reinsurance Data from the Munich American Survey***

*by James L. Sweeney and David M. Bruggeman*

### **Disclaimer:**

*Munich American Reassurance Company prepared the survey at the request of the Society of Actuaries Reinsurance Section as a service to Section members. The contributing companies provide the numbers 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.*

**M**unich American's annual survey, which is conducted on behalf of the Statistical Research Committee of the Reinsurance

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## ***Random Thoughts***

*by Johanna B. Becker*

**L**ast time I wrote for the newsletter in August 1998, I reported on a meeting my company had with its pool reinsurers and agreements reached concerning claims procedures, audits, and underwriting issues. Since that time, we have had both underwriting and administrative audits; we have implemented the claims procedures agreed to, and we have followed the guidelines laid out for underwriting issues.

How has it gone so far? No major problems. A few minor things needed to be clarified with the reinsurers regarding the audit process. Because more than one pool was involved, I anticipated separate audit reports for each pool since some, but not all, the reinsurers are in the same pool. The initial underwriting audit report lumped the pools together. It was my belief that reports should go only to the reinsurers in the pools. It did not seem appropriate for reinsurers not in a pool to receive audit results for a pool they were not in. The final audit reports were split. With the administrative audit, the initial draft report did not state that the audit team, composed of two reinsurers, was representing all pool members. I believed it was important to reinforce the concept that the audit team represented all pool members. In addition, the auditors were supposed to poll the other pool members prior to the audit to assure that they covered the concerns of all pool members. This was done for the underwriting audit, but not the administration audit. We are all learning, and the 1999 experiences will help us smooth the way for the next round of audits.

We also needed to work on communications on claims. Our administrative staff found that the agreements reached had not made their way to the claims personnel at all reinsurers. This caused

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## ***Chairperson's Corner***

*by Graham J. Bancroft*

**T**his *Reinsurance Section News* covers the ongoing growth of the reinsurance market, with a review of the Munich Survey. I am pleased to report that the Reinsurance Section's consistent growth every year has mirrored the results ( well, .. not quite mirrored.. ) with May's membership number reporting in at 2,059. It is heartening to see this ongoing growth, as it reinforces the ongoing importance of reinsurance to the industry and to the SOA.

This year's primary goals for the Reinsurance Section Council are:

**Education:** With the changes in the examination syllabus, the reinsurance content has been substantially reduced. The Section Council is responding by putting more emphasis on entry-level sessions at the meetings, as well as sponsoring seminars and working with the examination group. The sessions have been set for the annual meetings and can be found in this news-letter. This year we are co-sponsoring a seminar with the Financial Reporting Section on Reinsurance Financial Reporting, as well as looking into a reinsurance "boot camp."

**Communication:** We have traditionally relied on this newsletter, as well as breakfast sessions at the annual meetings to solicit opinions and have a dialogue with our members. But with the increased access to the Internet and large numbers (1,692, or 82% ) of Section members having e-mail addresses, we are reviewing our communications, making sure our Web page is informative and timely, and exploring the option of communicating time-sensitive information by e-mail and Web postings, in conjunction with our normal newsletter mailings.

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## Chairperson's Corner

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The Section Council continues to represent reinsurance's interests through contact with the other Sections, practice areas, professional development, continuing education groups, as well as with the American Council of Life Insurers (ACLI).

As always, do not hesitate to contact any of the Section Council members with comments, suggestions, or your interest in assisting the Council with any initiatives.

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## Random Thoughts

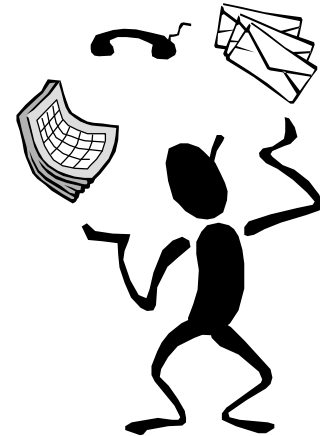
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some delay in payments since we had modified our past procedures.

Having copies of the signed understanding from our meeting quickly solved that problem. Early this year, I received a call from the reinsurer who is the lead reinsurer on claims for 2000 asking about the process that they would follow. I put them in touch with our claims department, but it made me realize that it wouldn't hurt to tighten up our communications when reinsurers rotate, whether it be for claims or audits.

Concerning underwriting issues and agreements, all is going well. The 1999 underwriting audit covered not only the usual case review but also the agreements reached concerning underwriting.

Where do we go from here? First, life has become more complicated. We have created new pools since 1998, and we have renegotiated existing pools and replaced some reinsurers. Fortunately many of the reinsurers are already famil-



iar with our agreements, so I do not perceive new pools as a real problem. I sent a new reinsurer a copy of the agreements reached and asked the reinsurer to abide by them. But we do have to integrate that new member into the audit rounds and give them a turn as lead reinsurer on claims. Second, I'm beginning to think about another pool meeting. Back in 1998 we agreed to have another meeting to take stock of things after everyone had a chance to see how things were working. It will also give us the opportunity to discuss modifications to procedures and new issues.

Speaking of claims, many/most reinsurance treaties call for claims to be reimbursed separately from the billing statements. Treaties usually state when billings are due, but I have rarely seen a treaty that states when claim payments are due. How many ceding companies monitor elapse time from date of request to date of payment on claims? We are, and it's been a good thing. In the case of one reinsurer, they changed the person assigned to our account after receiving documentation of several instances where requests for payment, as well as follow-up emails, were sent before payments were received. In another instance, one reinsurer told us they never pay claims the last two weeks of a quarter. What would a beneficiary say if we told them that!

The ACLI Reinsurance Committee's Guidelines Working Group chaired by Connie Walker is working on sample

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treaty wording? (See reinsurance treaty project in this issue) Hopefully by this fall they will have an exposure draft. It's not model wording, but a SAMPLE. I must stress this. We tend to think of ceding companies as being the new kids on the block doing their own treaty drafting, but there was interest by reinsurers as well regarding sample wording. Anyone who hasn't looked at their treaty wording in a long time or who is new at drafting treaties will find this helpful.

The Guidelines Working Group has done other things as well. Another is a quote check list. It's really a wish list of the information reinsurers would like to get with a quote request, and it is helpful. I think sometimes ceding companies concentrate on the rates and forget to outline the details in their requests. This checklist saves everyone time and, should make treaty drafting easier because there are fewer loose ends. If you are not familiar with the ACLI Reinsurance Committee, I recommend you find out who is on it and what they are doing.

I think reinsurers themselves need a checklist. Some quotes we get are very thorough with all the treaty details such as recapture and allowances for flat extras spelled out. Yet we still get some quotes where it's just the rate quote and

Conference each year. I am proud to say we are one of the ceding company representatives on this committee. This new LOMA committee has been working on a text for reinsurance that should be out this year. There also will be a new LOMA designation for reinsurance. It is my intent to require the LOMA designation for any reinsurance analyst who aspires to reach a higher level within our administrative organization. There's also a LOMA workbook entitled "Intro to Reinsurance (Step One Series)," currently available, that's not part of the exam process. I purchased a workbook for each person in our administrative unit.

Earlier in this article I spoke of treaty drafting. One of the concerns I have about us ceding companies drafting treaties is whether we can keep up with the task. Life used to be simple with the negotiation of an occasional excess or facultative treaty. Now, it seems that treaties are frequently being renegotiated we have pools with multiple reinsurers and our pricing actuaries want to reinsure everything including the kitchen sink, which means a lot more treaties and amendments. How many of us have the staff in place to handle all the treaty and amendment work? Are you really behind? If we are to do this work, we

response to reinsurers. We have had reinsurer personnel tell us that we can use our numbers and they will use theirs; that they have to use what they reported in Sch. S; that they use cash, not incurred. None of us is perfect, and I recognize we all struggle with the limitations of our reporting systems and try to approach the spirit of this. But it is evident that often the rank and file do not understand what they are doing and are unprepared to handle a customer who can quote chapter and verse.

And lastly, I have a heartfelt concern about our volunteer efforts. For the Reinsurance Section and the newsletter to support its membership, volunteers are needed. (No one asked me to say this!) As ceding companies, we cannot adopt the attitude that reinsurers will do it because that's their business.

Reinsurance has become big business for us as we reinsure on a first dollar basis, not only new business but in force in some instances. We need to share our thoughts and concerns. The Reinsurance Section should serve its membership but it can't if we don't serve the Section. It has always been my feeling that we find time to do the things we want to do, no matter how busy we are. It doesn't have to be an article, a letter to the editor or a question to "Dear Ms. Re", would be greatly appreciated.

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***"The Guidelines Working Group has done other things as well. Another is a quote check list. It's really a wish list of the information reinsurers would like to get with a quote request, and it's helpful."***

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nothing else. Sometimes reinsurers don't know how thorough the competition is and how they look.

How good is your administrative staff? Do they really understand reinsurance? A new LOMA committee, the Reinsurance Professionals Administration Committee, was formed a couple of years ago as an outgrowth of the Reinsurance Administration Roundtable that takes place the day before the Canadian Reinsurance

must be prepared to support the process. (This is also true if we are reviewing treaties drafted by reinsurers.)

In November 1997, Jeff Katz provided an excellent, well thought out and well-documented response to a "Dear Ms. Re" column question on Deferred Acquisition Cost (DAC) tax. It never ceases to surprise me how much variation there is in the way reinsurers react to the DAC tax information we provide. We have even sent copies of the "Dear Ms. Re"

## Life Reinsurance Data from the Munich American Survey

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Section, covers Canadian and U.S. ordinary and group life reinsurance new business production and in force. The ordinary numbers are further subdivided into:

- 1) conventional reinsurance (recurring)<sup>1</sup>
- 2) reinsurance covering an insurance policy with an issue date in a year prior to the year in which it was reinsured, or financial reinsurance (portfolio), and
- 3) reinsurance not directly written by the ceding company (retrocession)

Complete survey results are shown at the end of this article. These results may also be obtained in downloadable form at Munich American's Web site [www.marclife.com](http://www.marclife.com)

### Life Reinsurance Production

After five years of remarkable growth, reinsurance production showed signs of slowing down in 1999. Although an increase in production was recorded in 1999, it was not at the levels of past years. In 1999, the total U.S. market,

including retrocession and group life, experienced a slight increase of 0.8%. Increases in recurring and retrocession were offset by decreases in portfolio and group. This compares to increases of 31.1% in 1998, 54.9% in 1997 and 24.0% in 1996. In Canada there was a lofty 55.3% increase in total production, with sizable increases in every ordinary and group category.

Ordinary new business in North America increased a modest 3.4%, with much of the increase coming out of Canada. On the Group side, U.S. production decreased 17.5%, however Canadian new business increased 21.3%. This resulted in an overall decrease in group business of 15.5%.

Life reinsurance production results for 1998 and 1999 are summarized below.

### Recurring Business

Since recurring business often offers a more revealing picture of production trends, let's review what happened in 1999. There was approximately a 16% increase in recurring new business in the U.S. in 1999, a sizable increase, but much smaller than the increases reported in 1998 (33.9%) and 1997 (44.8%). In

Canada, the 37% increase recorded in recurring new business may indicate that, like U.S. direct writers, Canadian direct writers are reinsuring more business on a first dollar quota share basis. However, it should also be noted that the Canadian market is a more concentrated market than the U.S. market and a single company's decision could have a pronounced impact on the results. (Note: While some companies may not have been able to accurately distinguish between ordinary categories, we have attempted to remove the double counting on retrocession and block reinsurance from the recurring figures.)

Three companies reported incremental increases in total U.S. and Canadian recurring new business in excess of \$10 billion in 1998. These companies were: Lincoln Re (\$36.8), Munich American (\$14.0), and CNA (\$10.3).

Annuity and Life Re's decrease of \$3.2 billion was the only reported decrease in new business over \$1 billion.

Totals for Canadian and U.S. recurring ordinary reinsurance assumed in 1998 and 1999, as well as percentage changes are as follows:

**Life Reinsurance New Business Production (\$U.S. Millions)**

	U.S.			Canadian			Total		
	1998	1999	Change	1998	1999	Change	1998	1999	Change
Ordinary Life									
Recurring	679,679	787,360	15.8%	26,837	36,795	37.1%	706,516	824,155	16.7%
Portfolio	203,095	81,201	-60.0%	7,729	17,681	128.8%	210,824	98,882	-53.1%
Retrocession	53,830	80,957	50.4%	828	1,081	30.6%	54,658	82,038	50.1%
Total Ordinary	936,604	949,518	1.4%	35,394	55,557	57.0%	971,998	1,005,075	3.4%
Total Group	31,814	26,240	-17.5%	1,786	2,166	21.3%	33,600	28,406	-15.5%
Total Life	968,418	975,758	0.8%	37,180	57,723	55.3%	1,005,598	1,033,481	2.8%

## U.S. Ordinary Recurring Reinsurance (U.S. Millions)

Company	1998			1999		
	Assumed Business	Market Share	Increase in Production	Assumed Business	Market Share	Increase in Production
Allianz	33,027	4.9%	18.5%	35,850	4.6%	8.5%
Annuity and Life Re	21,352	3.1%	100.0%	15,934	2.0%	-25.4%
AUL	34,296	5.0%	34.0%	42,126	5.4%	22.8%
BMA	21,920	3.2%	8.9%	25,217	3.2%	15.0%
Canada Life (Crown)	7,134	1.0%	99.1%	15,269	1.9%	114.0%
CIGNA Re	814	0.1%	-19.8%	632	0.1%	-22.4%
CNA	23,269	3.4%	145.6%	33,565	4.3%	44.2%
Cologne	17,575	2.6%	17.7%	20,680	2.6%	17.7%
Employers/ERC	87,468	12.9%	50.5%	90,248	11.5%	3.2%
Gerling Global	17,662	2.6%	41.7%	26,320	3.3%	49.0%
ING Re	55,925	8.2%	-10.1%	55,733	7.1%	-0.3%
Lincoln Re	79,952	11.8%	100.4%	114,792	14.6%	43.6%
Munich American Re	25,337	3.7%	41.3%	39,318	5.0%	55.2%
Optimum Re (US)	1,551	0.2%	7.8%	1,083	0.1%	-30.2%
Partner Re (Winterthur)	513	0.1%	5.6%	583	0.1%	13.6%
Reassurance Co. of Hannover	3,638	0.5%	55.9%	3,990	0.5%	9.7%
RGA	62,704	9.2%	59.6%	72,840	9.3%	16.2%
Swiss Re	111,817	16.5%	1.8%	118,071	15.0%	5.6%
Transamerica Re	73,636	10.8%	23.7%	74,986	9.5%	1.8%
World-Wide Re	89	0.0%	-82.1%	123	0.0%	38.2%
<b>TOTALS</b>	<b>679,679</b>	<b>100.0%</b>	<b>33.6%</b>	<b>787,360</b>	<b>100.0%</b>	<b>15.8%</b>

### Portfolio and Retrocession Business

Total portfolio business dropped over 50% in 1999. This followed a 37% increase in 1998 and suggests that there were fewer large block deals available in 1999. It is speculated that the demutualization of a few large direct writers in 1998 prompted these writers to place portions of their force on the market, thus contributing greatly to the increase in portfolio business for that year. In addition, demutualization very likely played a significant role in contributing to the 1999 Canadian portfolio increase of 128%.

Meanwhile, the 50% increase in retrocession business in 1999 followed 1998's increase of 20.2%. Next year's numbers

may reveal if this is indeed a trend and reinsurers are following the lead of the direct companies and reinsuring more business or if it is a temporary increase attributable to a couple of big deals.

### Comparison With Direct Market

After years of stagnant sales, new direct life insurance purchases have begun to pick up over the last two years. The American Council of Life Insurance (ACLI) estimates that 1999 U.S. ordinary life insurance purchases increased 11.8% from last year. To put this annual increase in perspective, prior to 1998, life sales increased only 5.33% for the entire period covering 1990 to 1997.

Without question, the increase in first

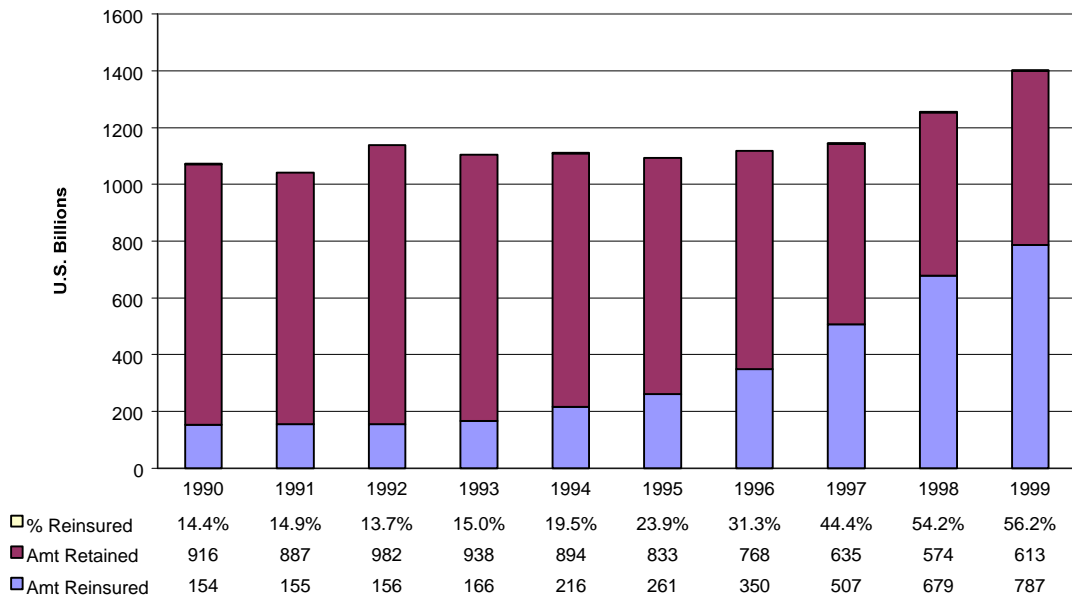
dollar quota share arrangements has had a tremendous impact on new business reinsured. Comparing life purchases data from the ACLI to the reinsurance survey production numbers reveals just how much impact. In just a 10 years span, the percentage of life sales reinsured has grown from 14.4% in 1990 to 56.2% in 1999. Although, it is possible that some of the recurring reinsurance reported may actually be from the assumption of blocks of in force business, such as with a company merger.

The following graph compares ordinary life new business totals with the recurring life reinsurance totals for the United States.

(continued on page 6, column 1)

**Life Reinsurance Data from the Munich American Survey**  
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**U.S. Ordinary Individual Life Insurance Sales**



**Life Reinsurance in Force**

Increases in both US and Canadian life reinsurance in force business resulted in a total increase of 19.4% for 1999. This follows increases of 25.1% in 1998 and 25.2% in 1997. The U.S.

total life in force increased 18.8% and the Canadian market in force grew by 28.9% in 1999.

The in force survey results for 1998 and 1999 are summarized below:

**Life Reinsurance In Force (\$U.S. Millions)**

	U.S.			Canadian			Total		
	1998	1999	Change	1998	1999	Change	1998	1999	Change
Ordinary Life									
Recurring	1,998,724	2,533,093	26.7%	126,373	169,064	33.8%	2,125,097	2,702,157	27.2%
Portfolio	412,342	323,632	-21.5%	15,729	24,754	57.4%	428,071	348,386	-18.6%
Retrocession	214,600	279,181	30.1%	14,536	12,026	-17.3%	229,136	291,207	27.1%
Total Ordinary	2,625,666	3,135,906	19.4%	156,638	205,844	31.4%	2,782,304	3,341,750	20.1%
Total Group	108,141	111,206	2.8%	22,001	24,366	10.7%	130,142	135,572	4.2%
Total Life	2,733,807	3,247,112	18.8%	178,639	230,210	28.9%	2,912,446	3,477,322	19.4%

U.S. ORDINARY REINSURANCE ASSUMED MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN \$U.S. MILLIONS)

Company	1998						1999						Ordinary Reinsurance Assumed						Market Share Percentages					
	Recur.		Retro.		Total		Recur.		Retro.		Total		Recur.		Retro.		Total		Recur.		Retro.		Total	
	Port.		Port.		Port.		Port.		Port.		Port.		Port.		Port.		Port.		Port.		Port.		Port.	
Allianz	33,027	4,934	0	1,969	23,321	37,987	35,850	5,964	0	0	38	41,852	10.17%	4.80%	2.43%	0.05%	4.06%	0.05%	4.55%	7.34%	0.05%	0.05%	4.41%	
Annuity and Life Re	21,352	0	0	0	23,321	15,934	15,934	0	0	7,018	22,952	-1.58%	3.14%	0.00%	3.66%	2.49%	2.02%	2.49%	2.02%	0.00%	8.87%	2.42%		
AUL	34,296	0	0	24	34,320	42,126	42,126	0	0	17	42,143	22.78%	5.05%	0.00%	0.04%	3.66%	0.04%	3.66%	0.00%	3.20%	0.00%	0.02%	4.44%	
BMA	21,920	0	0	0	21,920	25,217	25,217	0	0	0	25,217	15.04%	3.23%	0.00%	0.00%	2.34%	0.00%	2.34%	0.00%	3.20%	0.00%	0.00%	2.66%	
Canada Life (Crown)	7,134	0	0	0	7,134	15,269	15,269	0	0	0	15,269	114.03%	1.05%	0.00%	0.00%	0.76%	0.00%	0.76%	1.94%	0.00%	0.00%	0.00%	1.61%	
CIGNA Re	814	0	0	127	941	632	632	0	0	99	731	-22.32%	0.12%	0.00%	0.24%	0.10%	0.08%	0.10%	0.08%	0.00%	0.00%	0.12%	0.08%	
Clarica LIC (Mutual Group)	0	0	0	4,586	4,586	0	0	0	0	4,340	4,340	-5.36%	0.00%	0.00%	8.52%	0.49%	8.52%	0.49%	0.00%	0.00%	5.36%	0.46%		
CNA	23,289	0	0	6,968	30,257	33,565	33,565	437	5,589	39,591	30.94%	3.42%	0.00%	0.00%	12.94%	3.23%	3.42%	0.00%	4.26%	0.54%	6.90%	4.17%		
Cologne	17,575	9,101	0	0	26,676	20,680	20,680	0	0	635	21,315	-20.10%	2.59%	4.49%	0.00%	2.85%	0.00%	2.85%	2.63%	0.00%	0.78%	2.24%		
Employers/ERC	87,468	10,584	0	7,462	98,464	90,248	90,248	8,932	0	0	99,180	0.73%	12.87%	5.22%	0.75%	10.51%	11.46%	11.46%	3.34%	4.08%	0.00%	0.42%	3.15%	
Equitable	0	0	0	7,462	7,462	0	0	0	0	7,007	7,007	-6.10%	0.00%	0.00%	13.86%	0.80%	13.86%	0.80%	0.00%	0.00%	8.66%	0.74%		
Gerling Global	17,682	8,243	0	259	26,164	26,320	26,320	3,295	338	29,953	14.48%	2.60%	4.06%	0.48%	2.79%	3.40%	2.60%	3.40%	3.34%	4.08%	0.42%	3.15%		
Guardian	0	54,248	778	55,026	55,733	55,733	55,733	0	23	868	881	-88.40%	0.00%	26.71%	1.45%	5.88%	0.00%	5.88%	7.08%	0.00%	1.06%	0.09%		
ING Re	55,925	22,739	0	35	78,699	114,792	114,792	13,649	0	128,441	35.16%	11.76%	7.42%	0.00%	10.14%	14.58%	11.76%	14.58%	7.08%	0.00%	0.00%	13.53%		
Lincoln Re	79,952	15,064	0	20,153	20,153	26,939	26,939	8,892	3,676	51,886	26.31%	3.73%	0.79%	0.00%	37.44%	2.88%	3.73%	2.88%	4.99%	10.95%	4.54%	5.46%		
Manufacturers Life	25,337	1,802	0	0	26,939	39,318	39,318	0	0	0	0	92.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Munich American Re	1,551	0	0	63	1,614	1,083	1,083	1,338	988	3,408	111.21%	0.23%	0.00%	0.12%	0.17%	0.17%	0.23%	0.17%	0.14%	1.65%	1.22%	0.36%		
Optimum Re (US)	513	452	0	0	965	583	583	928	0	1,511	56.58%	0.08%	0.22%	0.00%	0.10%	0.00%	0.08%	0.10%	0.07%	1.14%	0.00%	0.16%		
Partner Re (Winterthur)	3,638	538	0	0	4,176	3,990	3,990	903	0	4,893	17.17%	0.54%	0.26%	0.00%	0.45%	0.00%	0.54%	0.45%	0.51%	1.11%	0.00%	0.52%		
Reassurance Co. of Hannover	62,704	34,601	1,390	98,695	72,840	26,626	26,626	14,593	14,593	114,059	15.57%	8.23%	17.04%	0.00%	17.56%	10.54%	8.23%	17.56%	9.25%	32.79%	18.03%	12.01%		
RGA	0	0	0	9,450	9,450	0	0	0	0	10,588	12.04%	0.00%	0.00%	0.00%	14.27%	0.00%	0.00%	14.27%	15.00%	12.07%	0.00%	1.12%		
Sun Life	111,817	28,980	0	0	140,797	118,071	118,071	9,797	0	127,868	-9.18%	16.45%	14.27%	0.00%	15.03%	0.00%	16.45%	15.03%	15.00%	12.07%	0.00%	13.47%		
Swiss Re	73,636	11,969	0	0	85,635	74,986	74,986	0	0	74,986	-12.44%	10.83%	5.91%	0.00%	9.14%	0.00%	10.83%	9.14%	9.52%	0.00%	0.00%	7.90%		
Transamerica Re	89	0	0	138	227	123	123	0	58	181	-20.26%	0.01%	0.00%	0.26%	0.02%	0.02%	0.01%	0.26%	0.02%	0.00%	0.07%	0.02%		
World-Wide Re	679,679	203,095	53,830	936,604	787,360	81,201	81,201	80,957	80,957	949,518	1.38%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
<b>TOTALS</b>																								

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6904

Life Reinsurance Data from the Munich American Survey  
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U.S. ORDINARY REINSURANCE IN FORCE MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN \$ U.S. MILLIONS)

Company	Ordinary Reinsurance in Force						Market Share Percentages					
	1998		1999		1999		1998		1999		1999	
	Recur.	Port.	Retro.	Total	Recur.	Port.	Retro.	Total	Recur.	Port.	Retro.	Total
Allianz	87,532	7,930	1,031	96,493	112,910	13,234	925	127,068	4.38%	1.92%	0.48%	3.67%
Annuity and Life Re	20,717	0	1,821	22,538	35,137	0	8,131	43,268	1.04%	0.00%	0.85%	0.89%
AUL	94,475	0	201	94,676	125,769	0	187	125,956	4.73%	0.00%	0.09%	0.86%
BMA	72,181	0	0	72,181	85,832	0	0	85,832	3.61%	0.00%	0.00%	2.75%
Canada Life (Crown)	19,053	2,386	0	21,439	31,179	160	0	31,338	0.95%	0.58%	0.00%	0.82%
CIGNA Re	11,943	0	1,214	13,157	10,874	0	1,128	12,003	0.80%	0.00%	0.57%	0.50%
Cianca LIC (Mutual Group)	0	0	10,105	10,105	0	0	12,775	12,775	0.00%	0.00%	4.71%	0.38%
CNA	54,520	0	18,547	73,067	81,623	5,648	20,822	108,091	2.73%	0.00%	0.00%	2.78%
Cologne	72,776	18,218	0	90,994	91,026	0	12,358	103,384	3.64%	4.42%	0.00%	3.47%
Employers/ERC	187,039	72,603	2,345	271,987	272,599	56,484	2,038	331,121	9.86%	17.61%	1.09%	10.36%
Equitable	0	0	48,974	48,974	0	0	46,283	46,283	0.00%	0.00%	21.89%	1.78%
Gerling Global	44,189	12,613	2,143	58,925	63,079	14,305	1,901	79,285	2.21%	3.06%	1.00%	2.24%
Guardian	0	93,192	1,219	94,411	0	24,064	1,909	25,973	0.00%	0.00%	0.57%	3.60%
ING Re	177,764	22,739	1,251	201,754	211,866	18,199	1,150	231,235	8.89%	5.51%	0.58%	7.68%
Lincoln Re	228,053	66,685	0	294,738	316,257	15,858	0	332,113	11.41%	19.17%	0.00%	11.23%
Manufacturers Life	0	6,614	78,488	85,102	0	5,429	93,415	98,844	0.00%	1.60%	36.57%	3.24%
Munich American Re	62,438	2,626	140	65,204	96,335	9,278	3,692	109,295	3.12%	0.64%	0.07%	2.48%
Optimum Re (CAN)	0	0	207	207	0	0	57	57	0.00%	0.00%	0.10%	0.01%
Optimum Re (US)	5,116	899	226	6,241	4,913	2,064	1,180	8,157	0.28%	0.22%	0.11%	0.24%
Partner Re (Winterthur)	2,441	1,278	214	3,933	2,770	2,014	200	4,984	0.12%	0.31%	0.10%	0.15%
Reassurance Co. of Hannover	9,562	4,742	0	14,294	12,222	4,582	0	16,804	0.48%	1.15%	0.00%	0.54%
RGA	192,878	56,289	12,016	261,181	244,173	77,289	28,850	350,322	9.65%	13.65%	5.80%	9.85%
Sun Life	0	0	36,086	36,086	0	0	41,798	41,798	0.00%	0.00%	16.82%	1.37%
Swiss Re	377,462	28,980	0	406,442	413,811	75,018	0	488,829	18.89%	7.03%	0.00%	15.48%
Transamerica Re	267,855	14,568	0	282,423	319,938	0	0	319,938	13.40%	3.53%	0.00%	10.76%
World-Wide Re	762	0	372	1,134	762	0	381	1,153	0.04%	0.00%	0.17%	0.04%
<b>TOTALS</b>	<b>1,998,724</b>	<b>412,342</b>	<b>214,600</b>	<b>2,625,666</b>	<b>2,533,083</b>	<b>323,632</b>	<b>279,181</b>	<b>3,135,906</b>	<b>19.43%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6904



U.S. ORDINARY REINSURANCE

Company	Ordinary Reinsurance In Force 1998			Ordinary Reinsurance Assumed 1999			Ordinary Reinsurance In Force 1999			Ordinary Reinsurance In Force 2000		
	Recur.	Port.	Retro.	Total	Recur.	Port.	Retro.	Total	Recur.	Port.	Retro.	Total
Allianz	87,532	7,930	1,031	96,493	35,850	5,964	38	41,852	112,910	13,234	925	127,069
Annuity and Life Re	20,717	0	1,821	22,538	15,934	0	7,018	22,952	35,137	0	8,131	43,268
AUL	94,475	0	201	94,676	42,126	0	17	42,143	125,769	0	187	125,956
BMA	72,181	0	0	72,181	25,217	0	0	25,217	85,832	0	0	85,832
Canada Life (Crown)	19,053	2,386	0	21,439	15,269	0	0	15,269	31,179	160	0	31,339
CIGNA Re	11,943	0	1,214	13,157	632	0	99	731	10,874	0	1,129	12,003
Clarica LIC (Mutual Group)	0	0	10,105	10,105	0	0	4,340	4,340	0	0	12,775	12,775
CNA	54,520	0	18,547	73,067	33,565	437	5,589	39,591	81,623	5,646	20,822	108,091
Cologne	72,776	18,218	0	90,994	20,680	0	635	21,315	91,026	0	12,358	103,384
Employers/ERC	197,039	72,603	2,345	271,987	90,248	8,932	0	99,180	272,599	56,484	2,038	331,121
Equitable	0	0	46,974	46,974	0	0	7,007	7,007	0	0	46,283	46,283
Gerling Global	44,169	12,613	2,143	58,925	26,320	3,295	338	29,953	63,079	14,305	1,901	79,285
Guardian	0	93,192	1,219	94,411	0	23	858	881	0	24,064	1,909	25,973
ING Re	177,764	22,739	1,251	201,754	55,733	0	76	55,809	211,886	18,199	1,150	231,235
Lincoln Re	228,053	66,685	0	294,738	114,792	13,649	0	128,441	316,257	15,856	0	332,113
Manufacturers Life	0	6,614	78,488	85,102	0	417	25,039	25,456	0	5,429	93,415	98,844
Munich American Re	62,438	2,626	140	65,204	39,318	8,892	3,876	51,986	96,335	9,278	3,682	109,295
Optimum Re (CAN)	0	0	207	207	0	0	0	0	0	0	57	57
Optimum Re (US)	5,116	899	226	6,241	1,083	1,338	988	3,409	4,913	2,064	1,180	8,157
Partner Re (Winterthur)	2,441	1,278	214	3,933	583	928	0	1,511	2,770	2,014	200	4,984
Reassurance Co. of Hannover	9,552	4,742	0	14,294	3,990	903	0	4,893	12,222	4,582	0	16,804
RGA	192,876	56,269	12,016	261,161	72,840	26,626	14,593	114,059	244,173	77,299	28,850	350,322
Sun Life	0	0	36,086	36,086	0	0	10,588	10,588	0	0	41,798	41,798
Swiss Re	377,462	28,980	0	406,442	118,071	9,797	0	127,868	413,811	75,018	0	488,829
Transamerica Re	267,855	14,568	0	282,423	74,986	0	0	74,986	319,936	0	0	319,936
World-Wide Re	762	0	372	1,134	123	0	58	181	762	0	391	1,153
<b>TOTALS</b>	<b>1,998,724</b>	<b>412,342</b>	<b>214,600</b>	<b>2,625,666</b>	<b>787,360</b>	<b>81,201</b>	<b>80,957</b>	<b>949,518</b>	<b>2,533,083</b>	<b>323,632</b>	<b>279,181</b>	<b>3,135,906</b>

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6904

Life Reinsurance Data from the Munich American Survey  
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CANADIAN ORDINARY REINSURANCE ASSUMED MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN U.S. MILLIONS)

Company	1998			1999			Ordinary Reinsurance Assumed			Percentage Increase	1998			1999			Market Share Percentages		
	Recur.	Port.	Total	Recur.	Port.	Total	Recur.	Port.	Total		Recur.	Port.	Total	Recur.	Port.	Total	Recur.	Port.	Total
Allianz	1	0	0	0	0	0	0	0	0	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Annuity and Life Re	0	0	0	2,196	0	2,175	8	2,175	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.89%	0.00%	0.77%	
CIGNA Re	4	0	0	1	0	3	4	0	0.00%	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.28%	
Clarica LIC (Mutual Group)	0	0	27	27	0	95	96	256.96%	256.96%	0.00%	0.00%	3.22%	0.00%	0.00%	0.00%	0.00%	0.00%	8.82%	
CNA	36	0	0	36	0	64	64	77.78%	77.78%	0.13%	0.00%	0.00%	0.13%	0.00%	0.00%	0.17%	0.00%	0.00%	
Cologne	1	0	0	1	0	1	1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Equitable	0	0	76	76	0	52	52	-31.58%	-31.58%	0.00%	0.00%	9.18%	0.00%	0.00%	0.00%	4.35%	15.78%	0.00%	
ERC-Canada	536	404	0	941	1,600	2,789	0	4,300	366.63%	2.00%	5.23%	0.00%	2.00%	0.00%	0.00%	0.02%	0.00%	1.20%	
Gerling Global	4	0	33	37	7	13	20	-45.95%	-45.95%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.02%	0.00%	0.04%	
ING Re	33	0	0	33	107	0	107	224.24%	224.24%	0.12%	0.00%	0.00%	0.12%	0.00%	0.00%	0.29%	0.00%	0.00%	
Lincoln Re	2,093	0	0	2,093	3,960	0	3,960	89.20%	89.20%	7.80%	0.00%	5.81%	7.80%	0.00%	0.00%	10.76%	0.00%	7.13%	
Manufacturers Life	0	66	338	404	0	284	524	100.00%	100.00%	0.00%	0.85%	40.82%	0.00%	1.61%	0.00%	0.00%	48.48%	1.45%	
Munich Re (Canada)	7,945	0	0	7,945	10,181	13,191	0	23,372	194.18%	29.60%	0.00%	0.00%	22.45%	0.00%	0.00%	27.67%	74.61%	0.00%	
Optimum Re (CAN)	750	0	0	750	826	0	826	10.10%	10.10%	2.79%	8.16%	0.00%	2.79%	8.16%	0.00%	2.24%	0.00%	0.00%	
ROGA	1,715	631	120	2,466	0	0	0	-100.00%	-100.00%	6.39%	8.16%	14.49%	6.39%	8.16%	0.00%	0.00%	0.00%	0.00%	
RGA Re (Canada)	5,690	6,628	0	12,318	8,147	1,418	0	9,563	-22.36%	21.20%	85.75%	0.00%	34.80%	0.00%	8.01%	22.14%	8.01%	0.00%	
Sun Life	0	0	234	234	0	385	385	64.36%	64.36%	0.00%	0.00%	28.30%	0.00%	0.00%	0.00%	0.00%	0.00%	35.64%	
Swiss Re	8,029	0	0	8,029	9,735	0	9,735	21.24%	21.24%	29.82%	0.00%	0.00%	29.82%	0.00%	0.00%	26.46%	0.00%	17.52%	
Transamerica Re	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
<b>TOTALS</b>	<b>26,837</b>	<b>7,729</b>	<b>828</b>	<b>35,395</b>	<b>36,795</b>	<b>17,681</b>	<b>1,081</b>	<b>55,557</b>	<b>56.96%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6804

CANADIAN ORDINARY REINSURANCE IN FORCE MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN U.S. MILLIONS)

Company	Ordinary Reinsurance in Force						Market Share Percentages					
	1998			1999			1998			1999		
	Recur.	Port.	Total	Recur.	Port.	Total	Recur.	Port.	Total	Recur.	Port.	Total
Allianz	30	0	33	26	0	27	0.02%	0.00%	0.02%	0.02%	0.00%	0.01%
Annuity and Life Re	0	0	0	2,102	0	2,109	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
CIGNA Re	236	0	324	238	0	299	-7.72%	0.00%	0.61%	0.14%	0.00%	0.15%
Clarica LIC (Mutual Group)	0	0	199	199	0	293	46.85%	0.00%	0.00%	0.00%	0.00%	0.14%
CNA	175	0	175	194	0	194	10.86%	0.00%	0.00%	0.00%	0.00%	0.09%
Cologne	164	0	164	147	0	147	-10.37%	0.00%	0.00%	0.00%	0.00%	0.07%
Equitable	0	0	733	733	0	800	8.14%	0.00%	0.00%	0.00%	0.00%	0.39%
ERC-Canada	624	404	1,027	1,799	3,231	5,030	389.67%	0.49%	0.00%	0.66%	13.05%	2.44%
Genling Global	83	0	528	126	0	505	-4.36%	0.07%	0.00%	0.34%	0.07%	0.25%
ING Re	504	4,130	4,634	457	3,973	4,330	-6.56%	0.40%	28.26%	2.96%	15.66%	2.10%
Lincoln Re	5,950	0	5,950	10,156	0	10,156	70.69%	4.71%	0.00%	3.80%	6.01%	4.93%
Manufacturers Life	0	2,978	8,121	0	2,699	7,794	-4.03%	0.00%	18.93%	5.18%	0.00%	3.79%
Munich Re (Canada)	39,856	0	39,856	49,682	12,978	62,660	57.22%	31.54%	0.00%	25.44%	29.39%	30.44%
Optimum Re (CAN)	5,058	862	5,720	5,900	557	6,457	12.88%	4.00%	0.00%	3.65%	3.49%	3.14%
RGA	1,976	631	5,768	1	0	1	-99.98%	1.56%	4.01%	21.75%	0.00%	0.00%
RGA Re (Canada)	26,553	6,368	35,067	41,081	1,416	44,965	28.22%	21.01%	40.42%	14.84%	22.39%	21.84%
Sun Life	0	0	2,461	0	0	2,922	18.73%	0.00%	0.00%	16.93%	1.57%	1.42%
Swiss Re	45,164	566	45,868	57,155	0	57,155	24.60%	35.74%	3.60%	9.66%	29.29%	27.77%
Transamerica Re	0	0	7	0	0	0	-100.00%	0.00%	0.00%	0.05%	0.00%	0.00%
<b>TOTALS</b>	<b>126,373</b>	<b>15,729</b>	<b>145,336</b>	<b>169,637</b>	<b>24,754</b>	<b>205,845</b>	<b>31.41%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6804

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Life Reinsurance Data from the Munich American Survey  
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CANADIAN ORDINARY REINSURANCE

Company	Ordinary Reinsurance In Force 1998			Ordinary Reinsurance Assumed 1999			Ordinary Reinsurance In Force 1999		
	Recur.	Port.	Total	Recur.	Port.	Total	Recur.	Port.	Total
Allianz	30	0	33	0	0	0	26	0	27
Annuity and Life Re	0	0	0	2,166	0	2,175	2,102	0	2,109
CIGNA Re	236	0	324	1	0	4	238	0	299
Clarica LIC (Mutual Group)	0	0	199	0	0	95	0	0	293
CNA	175	0	175	64	0	64	194	0	194
Cologne	164	0	164	1	0	1	147	0	147
Equitable	0	0	733	0	0	52	0	0	800
ERC-Canada	624	404	1,027	1,600	2,789	4,390	1,799	3,231	5,030
Gerling Global	83	0	528	7	0	13	126	0	505
ING Re	504	4,130	4,634	107	0	107	457	3,873	4,330
Lincoln Re	5,950	0	5,950	3,960	0	3,960	10,156	0	10,156
Manufacturers Life	0	2,978	8,121	0	284	808	0	2,699	7,794
Munich Re (Canada)	39,856	0	39,856	10,181	13,191	23,372	49,682	12,978	62,660
Optimum Re (CAN)	5,058	662	5,720	826	0	826	5,900	557	6,457
RGA	1,976	631	5,768	0	0	0	1	0	1
RGA Re (Canada)	26,553	6,358	35,067	8,147	1,416	9,563	41,081	1,416	44,965
Sun Life	0	0	2,461	0	0	385	0	0	2,922
Swiss Re	45,164	566	45,869	9,735	0	9,735	57,155	0	57,155
Transamerica Re	0	0	7	0	0	0	0	0	0
<b>TOTALS</b>	<b>126,373</b>	<b>15,729</b>	<b>14,536</b>	<b>156,637</b>	<b>17,681</b>	<b>1,081</b>	<b>169,064</b>	<b>24,754</b>	<b>205,845</b>

Canadian Exchange Rate Used: 1998 = .6510 and 1999 = .6904

U.S. GROUP REINSURANCE ASSUMED AND IN FORCE MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN \$U.S. MILLIONS)

Company	Group Reinsurance Assumed			Percentage Increase			Market Share Percentages			Group in Force			Market Share			
	New	Incr.	Total	New	Incr.	Total	New	Incr.	Total	1998	1999	Total	1998	1999		
Allianz	1,542	0	1,542	1,391	0	1,391	-9.79%	0.00%	4.95%	4.96%	0.00%	4.85%	2,204	2,204	2.12%	1.98%
AJL	13	114	127	1,389	0	1,389	993.70%	0.04%	16.22%	0.04%	16.22%	0.40%	1,487	1,923	1.39%	1.73%
BMA	0	0	0	14	2	16	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	34	50	0.03%	0.04%
Canada Life (Growth)	0	0	0	9,856	0	9,856	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1,146	4,191	1.06%	3.77%
CIGNA Re	330	0	330	442	0	442	33.94%	1.06%	1.04%	0.00%	0.00%	0.00%	8,834	14,912	8.17%	13.41%
Clarica LIC (Mutual Group)	18,631	18	18,649	673	8	681	-96.35%	59.89%	58.62%	3.40%	0.12%	2.60%	20,789	21,123	19.22%	18.99%
Cologne	2,394	0	2,394	0	0	0	-100.00%	7.70%	0.00%	0.00%	0.00%	0.00%	5,484	2,778	5.07%	2.50%
Employers/ERC	628	0	628	432	0	432	-31.21%	2.02%	1.97%	2.18%	0.00%	1.65%	7,693	2,162	7.11%	1.94%
Gerling Global	607	0	607	1,583	0	1,583	160.79%	1.95%	1.91%	8.00%	0.00%	6.03%	3,537	4,610	3.27%	4.15%
Lincoln Re	DNR	DNR	DNR	DNR	DNR	DNR	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	DNR	DNR	0.00%	0.00%
Manufacturers Life	0	571	571	0	249	249	-56.39%	0.00%	81.22%	1.79%	0.00%	3.87%	1,210	750	1.12%	0.67%
Munich American Re	924	0	924	3,868	0	3,868	318.61%	2.97%	0.00%	19.54%	0.00%	14.74%	1,331	4,011	1.23%	3.61%
Partner Re (Winterthur)	986	0	986	64	0	64	-93.51%	3.17%	0.00%	3.10%	0.00%	0.24%	1,372	1,407	1.27%	1.27%
Sun Life	2,112	0	2,112	87	0	87	-95.86%	6.79%	0.00%	6.64%	0.44%	0.33%	22,467	22,514	20.78%	20.25%
Swiss Re	2,944	0	2,944	0	6,182	6,182	109.98%	9.46%	0.00%	9.25%	0.00%	95.98%	30,465	28,571	28.17%	25.69%
<b>TOTALS</b>	<b>31,111</b>	<b>703</b>	<b>31,814</b>	<b>19,799</b>	<b>6,441</b>	<b>26,240</b>	<b>-17.52%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>108,141</b>	<b>111,206</b>	<b>100.0%</b>	<b>100.0%</b>

DNR - Did Not Report

CANADIAN GROUP REINSURANCE ASSUMED AND IN FORCE MARKET SHARE PERCENTAGES FOR 1998 AND 1999 (AMOUNTS IN \$U.S. MILLIONS)

Company	Group Reinsurance Assumed			Percentage Increase			Market Share Percentages			Group in Force			Market Share			
	New	Incr.	Total	New	Incr.	Total	New	Incr.	Total	1998	1999	Total	1998	1999		
Manufacturers Life	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5	5	0.02%	0.02%
Munich Re (Canada)	157	683	850	157	719	876	3.13%	17.97%	75.85%	47.56%	14.46%	66.56%	17,649	19,230	80.22%	78.92%
Optimum Re (Canada)	150	7	156	142	12	154	-1.46%	17.15%	0.71%	8.75%	13.06%	1.15%	915	750	4.16%	3.08%
PGA Re (Canada)	438	0	438	530	0	530	20.86%	50.19%	0.00%	24.53%	48.86%	0.00%	710	1,069	3.23%	4.39%
Sun Life	3	0	3	0	0	0	-100.00%	0.37%	0.00%	0.18%	0.00%	0.00%	29	37	0.13%	0.15%
Swiss Re	125	214	339	256	349	605	78.47%	14.32%	23.43%	18.98%	23.62%	32.29%	2,694	3,274	12.24%	13.44%
<b>TOTALS</b>	<b>873</b>	<b>913</b>	<b>1,786</b>	<b>1,084</b>	<b>1,081</b>	<b>2,165</b>	<b>21.19%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>22,001</b>	<b>24,366</b>	<b>100.0%</b>	<b>100.0%</b>

Canadian Exchange Rate Used: 1998 = .5510 and 1999 = .6904

## Life Reinsurance Data from the Munich American Survey *continued from page 13*

### Conclusion

The U.S. reinsurance market may be showing signs of cooling down, particularly if one looks at the amount of new business assumed less retrocession ceded. However, the Canadian market appears to be heating up. After recording exceptional growth in each of the last five years prior to 1999, there may be a limit to the amount of first dollar quota share arrangements and in force blocks deals. In fact, the large decrease in U.S. portfolio business recorded in 1999 suggests that the number of in force block deals may have reduced from 1998.

Although Guideline XXX may slow direct life sales in 2000, the need for reinsurance continues to be strong as direct companies seek relief from the reserve strain. As long as the level of competitiveness continues in the reinsurance market, we can expect reinsurers to continue to have a large role in shaping the life insurance environment.

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### Footnotes

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

**Mark your calendars and make sure you attend the following Reinsurance sessions at the Annual Meeting!**

### **Chicago: October 16-18**

- HDI/R:** Group Long Term Disability Reinsurance Options
- R/PD:** Reinsurance Roles in Product Development
- H/R:** Reinsurance Trends in Individual Health
- IN/R:** Who Wants to be an Offshore Reinsurer
- R:** Reinsurance Section Breakfast
- A/R** Accident and Health Reinsurance Problems in 1998 - 2000
- R:** Financial Reinsurance: Tool for the 21st century
- R:** Reinsurance Regulatory and Tax Issues

## *The Reinsurance Section Council Meeting in San Francisco*



*Reinsurance Section Council members meet in San Francisco to determine the direction of the Section in the new millenium*

**Standing—l to r:** Jeff Katz, James Keller, Richard Ostuw (SOA staff fellow)

**Seated—l to r:** Tim Alford, Bill Wellnitz (1998-1999 chairperson), Graham Bancroft (1999-2000 chairperson)

*Graham Bancroft (right) 1999-2000 chairperson makes a point as Bill Wellnitz, 1998-1999 chairperson, listens during the planning meeting of the Reinsurance Section Council in San Francisco.*



# Reinsurance Treaty Project

by James L. Sweeney

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Imagine sitting in a room for hours upon hours agonizing over finding just the right words to incorporate into a reinsurance treaty. Now imagine having your wording reviewed in minute detail by the industry's most experienced treaty professionals. For almost two years, representatives of direct companies and reinsurers have met on a bi-weekly basis to review treaty language word by word, sentence by sentence. The goal of this group, the Guidelines Working Group of the Reinsurance Committee of the ACLI, has been to draft model treaty language for the industry. This language is intended to reflect usual industry practice, and the Group has worked hard to develop these new guideline articles through a painstaking review of sample treaty language from several different insurance and reinsurance companies.

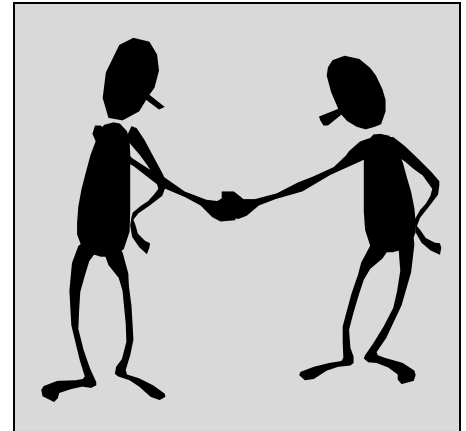
## The Process

The Reinsurance Committee of the ACLI is currently chaired by Jeremy Starr of Guardian Life, and is organized into a number of working groups. These groups work on emerging regulatory issues, the education of regulators and others about reinsurance, the Guidelines Group mentioned above and information gathering about the industry. At any given time there may also be a number of task forces working on current issues, such as securitization or international reinsurance. The Guidelines Group is responsible for promulgating guidelines on a number of topics of common interest. The Group also finalized and published a checklist for the information that should be provided for a reinsurance quote. This checklist can be found on the ACLI Web site ([www.acli.com](http://www.acli.com)).

The project began in 1998 following a survey conducted by the ACLI of its member companies, in which treaty language clearly emerged as a topic needing development. Johanna Becker of New England Financial chaired the Working Group in that first year, during which time the quote checklist was also developed. Later that year, Connie Walker of Swiss Re assumed the leadership of the Group, and its work has continued under her direction. Working with her over this time period have been a number of individuals including Tom Huber, Jack Bailey, Joan Paultler, Mike Stein, Tim McGrath, Denis Loring, Graham Bancroft, Larry Warren, and many others. These individuals represent some of the largest direct insurers and reinsurers.

The process began with each company sending the members of the Working Group their standard treaty wording. The treaty was broken up into over 30 articles, exhibits, and sections. Each article was given to a member of the task force, who was then to consider "best industry practice." Once an initial draft was made, the real work began. For any number of weeks the draft was reviewed, discussed, analyzed, and sometimes argued. At this point another draft was prepared, and the process began all over again. Only after everyone was satisfied did the Group move on to the next subject. The result of this process is a template for single life YRT and coinsurance treaties for ordinary life. This template often uses options and identifies areas where the treaty needs to consider administrative constraints. There is also a separate checklist for joint life treaties, which identifies areas where a typical single life treaty should be modified to accommodate joint life reinsurance.

After the Group completed the individual articles, the entire treaty was reviewed for consistency. Although the



treaty is the work of a committee, we did not want it to appear to be so. So the individual articles were reviewed in their entirety, by looking for overlaps, gaps, and inconsistencies. This was accomplished by having both the Working Group and other company representatives review the work in total. This summer the Group's work is to be exposed for further review and comment. Following the review process, the wording will be available to the industry. The Group's goal is to have the entire process all completed by the end of the year.

## The Work Product

The final work product is sample treaty wording separated into the various articles and exhibits. These articles outline the basis of reinsurance, the terms of coverage, claims, accounting and administration. DAC tax, severability, arbitration, mediation, and entire agreement wording are also included. These are the articles and exhibits that one would typically find in an ordinary life treaty.

In many cases the wording is the same for both YRT and coinsurance agreements, but where distinctions needed to be made, they were made. In many cases there are various options that one can choose from, and there are also a number



of drafter's notes to identify areas where a company's administrative practices may need to be considered. While the work product should be a valuable resource to both new and experienced treaty writers, it should not be deemed as industry standard, nor is its use intended to be mandatory. Therefore, any reinsurance treaty should reflect the actual intent of the parties involved, and not simply rely on the Working Group's product. Also, while the sample treaty drew from what would be considered to be usual industry practice, individuals using this guideline wording in future should always take into consideration any tax and/or statutory regulations as applicable

for their own company's situation.

Even though the process took two years, the Group decided it would be best to focus on the more important and more common treaty articles. In some cases it decided to provide enhanced wording in areas of growing importance such as quota share treaties. The Group did not include every treaty provision that one could find in any treaty. In particular, modified coinsurance, or modco, treaty provisions were not included at this time.

With the sample treaty language, the ACLI's Working Group has made a significant addition to the body of reinsurance reference material. This is in addition to the quotation checklist and

reinsurance glossary that was developed last year. If you were asked to review the language I would encourage you to do so. There was a session at the Society of Actuaries June 2000 meeting in San Diego during which both the treaty project and some current issues regarding treaty language were discussed. You should be on the lookout for an important new reference source for the arcane world of reinsurance.

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## ***Editors Wanted:***

Are you interested in reading *RECORD* manuscripts before they are released onto the SOA Web site? We are attempting to improve the timeliness of the *RECORD* but that depends heavily on you.

These manuscripts have already been edited by a freelance editor for grammar, style, and format. You would be responsible for reviewing the actuarial content of the manuscript.

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Here's your chance to join the *RECORD* Editorial Board. You can be immortal! Your name will appear on the SOA Web site in the Meeting Table of Contents and in the Yearbook as a member of the Editorial Board.

If you are interested or want more information about volunteering, please contact the Chairperson, Rich Cruise at 402-361-7499 or by e-mail at [rcruise@guar.com](mailto:rcruise@guar.com).

***1999 Reinsurance Sessions Now in The Record  
on the Web (www.soa.org)***

**Atlanta, May 1999**

**7PD Using Reinsurance to Manage Guaranteed Minimum Death Benefits, Income Benefits, and Maturity Benefits on Variable Annuities**

*Panelists discuss the requirements and ramifications of the new Academy and CIA proposals for reserving and capital requirements of guaranteed minimum death benefits, income benefits, and maturity benefits attached to variable annuities and segregated funds. They also discuss possible ways to assess and reduce the economic risk.*

**64IF Underwriting Issues: Processes in Foreign Jurisdictions**

*Panelists discuss developing products for a foreign market, including differences in areas that impact risk assessment and underwriting.*

**71PD Use of Reinsurance in Mergers and Acquisitions**

*Panelists discuss different types of reinsurance used to finance mergers and acquisitions, their advantages and disadvantages and recent activity related to the use of reinsurance.*

**Seattle, June 1999**

**40OF Designing Your Own Individual Disability Reinsurance Program**

*The panel explores the many forms of individual disability reinsurance available to companies, such as excess coverage, quota share, stop loss, finite reinsurance, and financial reinsurance. They cover the advantages and disadvantages of these approaches and consider their applicability to different business situations.*

**42TS Nontraditional Reinsurance Solutions to Group Issues**

*Nontraditional reinsurance solutions designed to address group insurance issues include finite reinsurance, stop-loss, and surplus relief. Panelists provide examples, discuss applications, and the advantages/disadvantages of each.*

**102PD Reinsurance for Group Voluntary Products**

*The panel discusses the voluntary products that are gaining popularity in the group insurance markets, such as critical illness, group accidental death and dismemberment, and group long-term disability. They answer questions on how reinsurers can assist in this market.*

## ***1999 Reinsurance Sessions Now in The Record on the Web (www.soa.org)***

### **San Francisco, October 1999**

#### **34PD Emerging Reinsurance Markets**

*A panel of experts provide an overview of expanding markets in Mexico and South America (Argentina, Brazil, and Chile) and the North American offshore market. The role of reinsurance is explained, including development, growth, products, solvency/capital requirements, financial reporting, and regulation.*

#### **38PD Security Blanket for Life (and Health)**

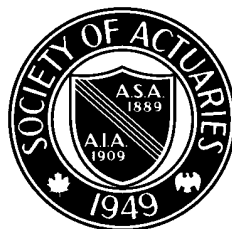
*The life insurance industry within the UK developed techniques to use capital markets to help them with capacity issues. Panelists discuss the applicability of these principles to the North American life and health market, and in particular address securitization versus reinsurance.*

#### **62PD Mortality - Do the Limbo?**

*Since much new and in-force business is being ceded by direct-writing companies into the reinsurance marketplace, the factors driving this activity are discussed by the panelists. Some include who's right when there's a difference of opinion on mortality assumptions between the reinsurer and the direct writer and what the other driving forces are behind the large amounts being ceded.*

#### **83PD It's 11 O'Clock: Do You Know Where Your Data Is?**

*Historically, margins were such that careful management of assumed business was not required to make a profit. With the current competitive marketplace, it is crucial to know what you have and what it means. Panelists discuss how your data can be split into three components: quality and timeliness, ability to process, and ability to use the information. They conclude with the future direction of data management.*



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