



SOCIETY OF ACTUARIES

Article from:

The Actuary

March 1994 – Volume 28, No. 3

Analyzing results

Most people analyzed intermediate results. More than half the people surveyed said they considered the size of the intermediate negatives in relation to surplus.

Several companies only tested the basic seven interest scenarios. Those that did a few more scenarios typically tested inverted interest rate scenarios. Several tested more scenarios, at least for certain lines of business. About one-third of those surveyed did stochastic testing.

Most companies surveyed "passed" all seven basic scenarios. Eight companies failed one scenario, and four of those established extra reserves. Four companies failed two scenarios, and three of those put up extra reserves.

The survey asked how many positive outcomes were needed for the tests to be considered passing. Of those that answered this question, most said all of the basic seven, with some believing that passing was five or six of the seven. For random scenarios, the answers typically ranged between 80% and 100% pass ratio. At least one person pointed out that several factors entered into the equation, such as whether "reasonable" or "conservative" assumptions were used in the testing.

Opinion language

Several people changed at least some of the recommended wording of the actuarial opinion. Some changes were made to give the actuary more protection. Another area changed was in the list of liabilities, adding, for example, cost of collection in excess of loading, net due and deferred premiums, dividend liability, liability for unauthorized reinsurance, and separate account transfers.

Many of these survey results were incorporated into the 1993 Practice Notes detailing current practices in asset adequacy analysis. As more is learned about asset adequacy analysis, current practices will evolve and should provide more useful information to management.

Donna Claire is president of Claire Thinking, Inc., Dix Hills, New York, and a member of the SOA Board of Governors. Maria N. Thomson is managing principal at Thomson Management Solutions, Inc., Palmer, Massachusetts.

RESEARCH CORNER

The Research Department is always looking for volunteers knowledgeable in any practice area. If you are interested in more information on being a volunteer, please call the Research Department at 708/706-3573.

Following is an update of recent research activities:

- The final report of the 1986-89 pilot Credit Risk study for private placement bonds and commercial mortgages is available through the SOA Books Department, 708/706-3526.
- Data for the Universal Life Persistency study has been received from 21 companies providing 700,000 policy records. Data validation is continuing, and analysis is scheduled to begin by the end of March.
- Results of the Long-Term Bond Yields study are scheduled to be presented at Session 80, April 22, 1994, at the SOA spring meeting in Orlando.
- A report on the data collected for the Reinsurance Mortality experience study has been completed.
- The eight Requests for Proposals (RFPs) announced in a flyer with the January *Actuary* brought in several proposals to complete specified research projects. The projects included three topics in the health practice area, three topics related to dynamic solvency testing, a retirement systems topic, and a project on multi-life risks.

Intensive review seminars offered

The following intensive review seminars will be offered in Philadelphia.

Sponsored by Temple University Actuarial Institute

Course 140	April 16-17	Course 200	April 13-16
Course 151	April 7-9	Course 230	April 18-19
Course 160	April 29-30	Course I340	April 6-9
Course 165	April 9-10		

CAMAR (Casualty Actuaries of Mid-Atlantic Region) review seminars of interest to SOA students

Course 100	April 7-10	Course 135	April 22-23
Course 110	April 14-17	Course 4B	March 6-8
Course 120	April 24-25		

For more information, write to Bonnie Averbach, Program in Actuarial Science, Ritter Annex 475 (004-00), Temple University, Philadelphia, PA 19122, or call 215/204-8153.