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VIEWPOINT
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Our Viewpoint

By J.C. Brueckner, President

This edition of the Viewpoint features articles written by Mark Swanson and Dr. Charlotte Lee. Mark's article presents information from a recent SOA survey that focuses on reinsurers' and direct writers' views on mortality. As a Life Reinsurance Company, mortality research and review is very important to Generali USA. We have captured a wealth of data on our own business that allows us to slice and dice our results in a variety of ways. Beyond our own information, we are continuously looking for new sources to enhance the credibility of our own data. In our pricing, experience data provided with an RFP is an extremely important factor in helping us provide a strong proposal. Going forward, we will look for more ways to incorporate client company data into our own data set to enhance the value of the feedback we can provide.

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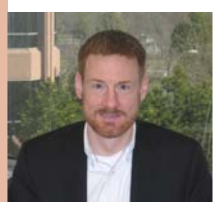

Reinsurers and Direct Writers: Comparative Results From the Recent SOA Mortality Table Structure Survey

By Mark Swanson, FSA, MAAA, CLU,VP Marketing Actuary

The following article first appeared in the Society Of Actuaries' *Reinsurance News Number 61, November 2007.* It is reprinted with their permission in this issue of The Viewpoint.

Introduction

In July 2007 the SOA published the Report of the Society of Actuaries Mortality Table Construction Survey Subcommittee (henceforth, the "Report"). I was a coauthor of this Report. The survey had 64 respondents: 53 direct writers and 11 reinsurers.[1] This provided a rich dataset which we could not exhaust in our published report and still produce it in a timely fashion. In particular, we did not do separate analysis for direct writers and reinsurers, which could be of particular interest to readers of Reinsurance News.[2] The goal of this article is to provide additional analysis based on this distinction among survey respondents.

Before we begin, let me point out that unlike the Report (available at soa.org/research), this article is an individual effort, a summary of my own observations related to the survey data.

Underlying Table

The survey asked what the predominant product (directly issued or reinsured as the case may be) was for new sales in 2006 (Table 1).

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Table 1: Predominant Product		
Product	**% of Reinsurers**	**% of Direct**
Level Premium Term	55%	56%
Universal Life / Variable Universal Life	18%	20%
Universal life with secondary guarantees	18%	6%
Whole life	0%	10%
Other	9%	8%
Respondents	**11**	**50**

Reinsurers & Direct Writers (continued from page 1)

The only significant difference between reinsurers and direct writers was that whole life was not predominant for any of the reinsurers.

Respondents were directed to answer the remaining questions in the survey based on this predominant product.

The survey asked which mortality table was used as the underlying basis for the company's pricing assumption, and why that table was chosen. Some respondents gave more than one answer (Table 2).

Table 2: Underlying Mortality Table		
Mortality Table	**% of Reinsurers**	**% of Direct**
Society of Actuaries 1975-80 Basic Table	55%	42%
2001 Valuation Basic Table	36%	32%
Own company's experience	18%	14%
Society of Actuaries 1990-95 Basic Table	0%	8%
Society of Actuaries 1985-90 Basic Table	0%	4%
2001 CSO	0%	2%
Other	18%	2%
Respondents	**11**	**50**

There is broad agreement between the two groups – the 75-80 Table is most popular, followed by the 2001 VBT. However, 14% of direct writers reported using one of the 85-90, 90-95 Basic Tables or the 2001 CSO, none of which were used by the reinsurers. The "other" responses included the Tillinghast Older Age Mortality Study and the Bragg tables.

Direct writers seemed to place more emphasis on continuity with prior assumptions and consistency with their reinsurers, while reinsurers were in strong agreement that the selected table best reflected their business. The "other" reasons offered had to do with specific advantages of the table selected (Table 3).

Table 3: Reasons For Selecting Underlying Table		
Reason	**% of Reinsurers**	**% of Direct**
Best reflects our business	73%	38%
Relationship of select to ultimate mortality best reflects anticipated future experience	36%	24%
Maintains continuity with prior pricing assumptions	18%	50%
Consistent with reinsurers/ retrocessionaires' experience	18%	40%
Consistent with ceding companies' experience	18%	0%
Consistent with what other companies are doing	9%	8%
Recommended by consultant	9%	2%
Most up to date industry table	0%	4%
Other	27%	8%
Respondents	**11**	**50**

Continued on page 3

Direct writers seemed to place more emphasis on continuity with prior assumptions...

Reinsurers & Direct Writers (continued from page 2)

Risk class was the most common modification to the underlying table made by both reinsurers and direct companies.

Modifications to Underlying Table

The survey asked which modifications to the underlying table the company uses in determining the final pricing mortality table (Table 4).

Risk class was the most common answer given by both reinsurers and direct companies. Smoking status and sex also ranked relatively high for both groups. The most significant differences were that reinsurers favored modifying the table based on four factors that were less favored by direct companies. Those were:

- Policy size,
- Updating experience to current era,
- Target market, and
- Distribution channel.

"Other" items listed by the reinsurers related mainly to varying the table for individual characteristics of the ceding company.

Respondents were asked to select any of the given sources of information that they used to make these modifications (Table 5).

Note the significant difference in reliance on industry studies, as well as the difference in reliance on reinsurers/retrocessionaires. Reinsurers' comparatively low reliance on their own retrocessionaires makes sense: retrocessionaires' business is almost exclusively excess of reinsurers' already relatively high retention limits and that means that retros' portfolios can be expected to be quite different in nature than reinsurers' portfolios.

Table 4: Modifications Made to Underlying Table

Modification	% of Reinsurers	% of Direct
Risk class	91%	96%
Update experience to current pricing period	91%	46%
Smoking status	82%	82%
Policy size	82%	58%
Sex	64%	68%
Policy duration	55%	72%
Age	55%	70%
Target market	45%	10%
Distribution channel	36%	6%
Conversions from term to permanent	18%	14%
Differences during and after the contestable period	9%	6%
Reclassification of smokers to non-smokers	9%	0%
Other	45%	16%
Respondents	**11**	**50**

With the exception of the reinsurer/retrocessionaires item, the reinsurers as a group were more likely to use every source of information listed in the survey, perhaps a sign of the thoroughness one might expect from their industry.

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Table 5: Sources of Information For Modifications to Table

Source	% of Reinsurers	% of Direct
Our own mortality experience	91%	78%
Industry studies	91%	52%
Consultants	36%	32%
Ceding company experience	36%	0%
Reinsurers	18%	68%
Respondents	**11**	**50**

Reinsurers & Direct Writers (continued from page 3)

The survey asked how frequently these modifications to the underlying table were reviewed (Table 6).

The results showed that 73% of reinsurers reviewed their modifications annually or more frequently vs. 49% of direct writers.

Table 6: Frequency of Review of Modifications		
Frequency	**% of Reinsurers**	**% of Direct**
More frequently than annually	18%	6%
Annually	55%	43%
Every 2 to 3 years	18%	20%
When new products are developed	9%	27%
Other	0%	4%
Respondents	**11**	**49**

Select Period

Respondents were asked to provide the length of the select period of their company's pricing mortality table for issue ages 25, 50 and 75 (Table 7).

The direct writers as a group reported using slightly longer select periods than reinsurers. This is somewhat surprising, since reinsurers might be expected to take the more aggressive stance on how long selection might last.

Direct writers as a group reported using slightly longer select periods…

Table 7: Length of Select Period						
Select Period	**% of Reinsurers**			**% of Direct**		
	Issue Age 25	**Issue Age 50**	**Issue Age 75**	**Issue Age 25**	**Issue Age 50**	**Issue Age 75**
< 15 years	0%	0%	9%	4%	4%	9%
15 years	36%	27%	36%	34%	32%	27%
20 years	18%	9%	18%	4%	2%	18%
25 years	45%	55%	27%	40%	44%	39%
30 years	0%	0%	0%	6%	6%	5%
50 years	0%	0%	0%	4%	10%	0%
70 years	0%	0%	0%	6%	0%	0%
> 70 years	0%	0%	0%	2%	0%	0%
Other	0%	9%	9%	2%	2%	2%
Median	20	25	18	25	25	20
Respondents	**11**	**11**	**11**	**50**	**50**	**44**

Mortality Ratios[3]

The survey requested mortality rates for issue ages 25, 50 and 75 at various durations, as well as for various attained ages from 25 to 105. The goal was to calculate:

Select to Ultimate Ratios: The relative power of selection on mortality and how quickly selection wears off by policy year, ($q_{[x]+t}$ / q_{x+t}, where $q_{[x]+t}$ = mortality rate for issue age x at duration t and q_{x+t} = ultimate mortality rate at attained age $x + t$)

Best Preferred Class to Residual Class Ratios: The relative mortality of preferred risks and the extent to which the state of being a preferred risk persists by policy year ($q^{P}_{[x]+t}$ / $q^{R}_{[x]+t}$, where P = preferred, R = residual standard).

In the tables that follow, I have chosen the median response as the single most valuable summary statistic of the responses as a whole.[4]

Certain respondents provided only partial responses to the request for mortality rates. As a result, the number of responses varied from cell to cell. The number of responses contributing to the medians below ranged from 7 to 9

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Select to Ultimate Ratios

Table 8: Median Select to Ultimate Ratio: Issue Age 25 Best Preferred						
	Duration					
	1	**6**	**11**	**16**	**21**	**26**
Reinsurers	45%	58%	71%	95%	100%	100%
Direct	46%	66%	80%	100%	100%	100%

Reinsurers & Direct Writers (continued from page 4)

The Select to Ultimate ratios for age 50, best preferred are very consistent between the reinsurers and the direct writers.

The Select to Ultimate ratios for age 50, best preferred are very consistent between the reinsurers and the direct writers. However, the reinsurers take a more aggressive view of the power of selection at age 25, especially between durations 6 and 11, while the direct writers take a more aggressive view of the power of selection for 75 year olds, at least for the first 11 durations. It's also interesting that reinsurers and direct writers tend to agree that selection is gone after 20 years for age 25 and age 75 issues, while for issue age 50 some selection persists beyond 20 years.

For the residual standard class, the same general pattern applies, with reinsurers more confident in the power of selection for age 25 and the direct writers more confident for age 75. For age 50, the reinsurers seem to take a slightly dimmer view of the power of selection than the direct writers.

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Table 9: Median Select to Ultimate Ratio: Issue Age 50 Best Preferred

	Duration					
	1	6	11	16	21	26
Reinsurers	33%	60%	72%	88%	94%	100%
Direct	33%	59%	72%	88%	90%	100%

Table 10: Median Select to Ultimate Ratio: Issue Age 75 Best Preferred

	Duration					
	1	6	11	16	21	26
Reinsurers	32%	61%	73%	91%	100%	100%
Direct	25%	49%	65%	92%	100%	100%

Table 11: Median Select to Ultimate Ratio: Issue Age 25 Residual Standard

	Duration					
	1	6	11	16	21	26
Reinsurers	48%	63%	81%	99%	100%	100%
Direct	53%	67%	82%	100%	100%	100%

Table 12: Median Select to Ultimate Ratio: Issue Age 50 Residual Standard

	Duration					
	1	6	11	16	21	26
Reinsurers	37%	67%	78%	98%	100%	100%
Direct	38%	63%	78%	92%	97%	100%

Table 13: Median Select to Ultimate Ratio: Issue Age 75 Residual Standard

	Duration					
	1	6	11	16	21	26
Reinsurers	33%	69%	86%	93%	100%	100%
Direct	30%	53%	72%	97%	100%	100%

Reinsurers & Direct Writers (continued from page 5)

Best Preferred to Residual Standard Ratios

There are two things being measured with this ratio. First, the magnitude of the ratio indicates the assumed amount of mortality savings due to the more restrictive selection process for preferred risks. Secondly, the upward drift of this ratio as duration increases measures the "wearing off" of the preferred nature of the risk. To focus on this wearing off, I've computed the mortality discount implied by the median, which is simply 100% minus the median preferred to standard ratio, and the relative change in this implied discount as the duration increases (Tables 14-16).

For issue age 25, reinsurers clearly expect little preferred to wear off over the first 26 years (drift from 57% to 59%) while direct writers as a group see a stronger upward trend (from 55% to 65%), a wearing off of about 22% in relative terms.

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For issue age 25, reinsurers clearly expect little preferred to wear off over the first 26 years...

Table 14: Preferred to Standard Ratio: Issue Age 25						
	Duration					
	1	6	11	16	21	26
Reinsurers						
Median	57%	57%	57%	57%	58%	59%
Implied discount	43%	43%	43%	43%	42%	41%
Relative change	100%	100%	100%	100%	98%	95%
Respondents	11					
Direct						
Median	55%	56%	58%	60%	61%	65%
Implied discount	45%	44%	42%	40%	39%	35%
Relative change	100%	98%	93%	89%	87%	78%
Respondents	43					

Table 15: Preferred to Standard Ratio: Issue Age 50						
	Duration					
	1	6	11	16	21	26
Reinsurers						
Median	55%	56%	57%	58%	60%	62%
Implied discount	45%	44%	43%	42%	40%	38%
Relative change	100%	98%	96%	93%	89%	84%
Respondents	11					
Direct						
Median	53%	55%	56%	60%	61%	67%
Implied discount	47%	45%	44%	40%	39%	33%
Relative change	100%	96%	94%	85%	83%	70%
Respondents	43					

Reinsurers & Direct Writers (continued from page 6)

For issue age 50, the same relationship holds, with reinsurers assuming more persistence of preferred than direct writers, though the difference is not as dramatic as at age 25.

For issue age 75, the reinsurers saw preferred persisting for the first 11 durations and wearing off fairly quickly thereafter. While the direct companies saw about the same or a little more aggregate wearing off over 26 years, they saw it wearing off more consistently over the 26 year time frame.

In September 2007, the Futurism Section, the Committee on Knowledge Extension Research and the Committee on Life Insurance Research published a report titled "Persistence of Individual Mortality Risk Differentials Utilizing A Modified Online Predictive Market". This project used innovative techniques to study the persistency of preferred as measured using quantities similar to the "implied discount" and "relative change" above. I encourage the reader interested in further investigation to find this report at soa.org/research.

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Table 15: Preferred to Standard Ratio: Issue Age 50

	Duration					
	1	6	11	16	21	26
Reinsurers						
Median	55%	56%	57%	58%	60%	62%
Implied discount	45%	44%	43%	42%	40%	38%
Relative change	100%	98%	96%	93%	89%	84%
Respondents	11					
Direct						
Median	53%	55%	56%	60%	61%	67%
Implied discount	47%	45%	44%	40%	39%	33%
Relative change	100%	96%	94%	85%	83%	70%
Respondents	43					

Table 16: Preferred to Standard Ratio: Issue Age 75

	Duration					
	1	6	11	16	21	26
Reinsurers						
Median	58%	59%	59%	62%	71%	80%
Implied discount	42%	41%	41%	38%	29%	20%
Relative change	100%	98%	98%	90%	69%	48%
Respondents	11					
Direct						
Median	54%	58%	61%	65%	73%	80%
Implied discount	46%	42%	39%	35%	27%	20%
Relative change	100%	91%	85%	76%	59%	43%
Respondents	37					

Reinsurers & Direct Writers (continued from page 7)

Mortality Improvement

The survey asked whether respondents modified their pricing mortality tables to make explicit adjustments for future mortality improvements (Table 17).

Table 17: Adjust for Future Mortality Improvement		
	% of Reinsurers	% of Direct
Yes	100%	28%
No	0%	72%
Respondents	11	50

The survey went on to ask those who responded positively to state how many policy years of improvement are assumed for issue ages 25, 50 and 75, male nonsmoker best class (Table 18).

There is a difference of opinion with respect to using future mortality improvements in pricing. Assuming future mortality improvements is much less common among direct writers than among reinsurers – in fact, every reinsurer reported that they assume future mortality improvements in pricing. However, among those direct writers who do assume future mortality improvements, a somewhat more aggressive stand is taken, with improvements assumed to persist for a longer time at every age.

After asking how long improvements were assumed to persist, the survey asked for the specific annual improvement factor for male nonsmoker best class, issue age 50 (Table 19).

Table 18: Years of Future Mortality Improvement Assumed						
	Reinsurers			Direct		
Years	Issue Age 25	Issue Age 50	Issue Age 75	Issue Age 25	Issue Age 50	Issue Age 75
0	18%	0%	9%	0%	0%	0%
5	0%	0%	9%	0%	0%	0%
10	18%	18%	18%	21%	21%	33%
15	18%	36%	18%	14%	14%	25%
20	27%	27%	27%	36%	36%	17%
25	0%	0%	9%	7%	7%	25%
30	18%	18%	9%	7%	7%	0%
50	0%	0%	0%	0%	7%	0%
75/Lifetime	0%	0%	0%	14%	7%	0%
Median	15	15	15	20	20	15
Respondents	11	11	11	14	14	12

There is only slight evidence that those direct writers who assume future mortality improvements take a somewhat more aggressive position on the magnitude of the annual improvement.

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There is a difference of opinion with respect to using future mortality improvements in pricing.

Table 19: Median Annual Improvement Factor							
	Duration						
	1	5	6	10	11	20	21
Reinsurers	0.8%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%
Respondents	11						
Direct	1.0%	1.0%	1.0%	1.0%	1.0%	0.6%	0.0%
Respondents	13						

Reinsurers & Direct Writers (continued from page 8)

...the survey data have revealed a more ambiguous picture than one might have expected.

Finally, the survey asked how often the company's assumption as to future mortality improvement is reviewed for possible adjustment (Table 20).

Reinsurers appear to review their mortality improvement assumption somewhat more frequently.

Table 20: Frequency Of Review Of Mortality Improvement Assumption		
Frequency	% of Reinsurers	% of Direct
More frequently than annually	0%	0%
Annually	45%	20%
Every 2 to 3 years	45%	40%
Less frequently than every 3 years	0%	7%
When new products are developed	0%	27%
Other	9%	7%
Respondents	**11**	**15**

Conclusions

Please keep in mind that any conclusions are limited by the sample size. This is especially the case with respect to the direct writers. For the reinsurers, while the total number of survey respondents is small, they represent a substantial portion of their industry. Of course, any conclusions are also limited by the accuracy of the answers to the survey questions and of the interpretations of survey questions made by respondents. Keeping these limitations in mind, some conclusions worth noting include:

- Reinsurers and direct writers both use the SOA 75-80 Table and 2001 VBT most commonly.
- Direct writers made somewhat fewer modifications to their underlying table and the modifications they made were more likely to be based on consistency with past assumptions and consistency with their reinsurers. Reinsurers seemed to customize their tables more to the specific ceding company, and tended to use industry studies and their own experience to make these modifications.
- Direct writers used slightly longer select periods in their pricing mortality tables than reinsurers.
- Reinsurers assumed more power of selection than direct writers at age 25, while the direct writers assumed more power of selection than reinsurers at age 75.
- When it came to the persistence of the mortality advantage of preferred risks, reinsurers believed that preferred would wear off more slowly than the direct writers tended to believe.
- Every reinsurer reported assuming future mortality improvements in pricing, while a clear minority of direct company respondents reported doing so.

Some of these conclusions might be considered surprising, especially if one assumes that reinsurers are more aggressive than direct writers. On the whole, this might be true, but the survey data have revealed a more ambiguous picture than one might have expected.

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Reinsurers & Direct Writers (continued from page 9)

Notes

[1] The Report stated that 10 of the 64 respondents were reinsurers. 11 is the correct number.

[2] The differences between the published Report and this article are the following:

a) For analysis of Select to Ultimate ratios, Select Grading ratios and Preferred to Residual ratios, the Committee used only responses from those respondents reporting either a 15 year select period or a 25 year select period. There were between 14 and 18 respondents for the 15 year case (depending on age) and between 17 and 23 respondents for the 25 year case. Responses from those reporting some other select period were not analyzed. In the present article, all respondents are included regardless of select period. This increases the effective number of respondents by about 10, depending on cell.

b) The ratio analysis was done separately for the 15-year and 25-year cases. Direct writers and reinsurers were not analyzed separately. In the present article, the analysis was done by reinsurer vs. direct instead of by reported select period.

c) There was comparatively little editing of responses in the Report, even when responses seemed not to correctly interpret the question in the survey. By contrast, such responses in the present article have been carefully edited. When select rates reported were higher than ultimate rates for the same attained age, the resulting ratio was capped at 100%. Furthermore, if a company priced on a pure ultimate basis for a given cell, their responses were not included in the analysis of Select to Ultimate Ratios for that cell. Finally, the respondent's indicated select period was overridden if the mortality rates provided indicated another select period. The de facto select period was assumed to be true.

[3] The Report also contains an analysis of the Select Grading Ratio, which is the ratio of a given select mortality rate to the mortality rate at the end of that row of the mortality table. In this article, I have skipped an analysis of these ratios, preferring instead to concentrate on Select to Ultimate Ratios and Preferred to Residual ratios.

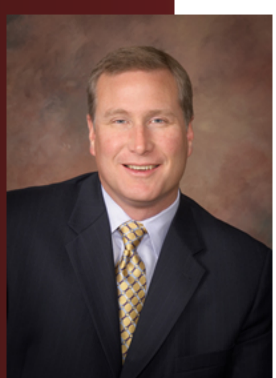
[4] If one is trying to measure an underlying random process, mean may be more useful because it is the expected value's unbiased estimator. However, in this case we are not trying to estimate some underlying "true" value; rather, we are trying to gauge a consensus of opinions, and the median is preferable because of its lesser sensitivity to outliers, especially considering the relatively small sample sizes we have in this survey.

Mark Swanson, FSA, MAAA is Vice President, Marketing Actuary with Generali USA Life Reassurance Company. If you have any questions or would like to talk with him, Mark can be reached at mswanson@generaliusa.com.

View On…Terry Dickinson

The Viewpoint (TV) is pleased to feature the second installment in our *"View On..."* series. Each issue we will feature an interview with various key players within the Generali USA circle. The objective behind *"View On…"* is to profile members of our team and give everyone the opportunity of hearing directly about their respective responsibilities and business activities, their involvement and contribution to our business, information about market issues and/or challenges affecting business initiatives, plus individual ideas and views on current business developments. Finally, it will provide an interesting personal perspective on them, e.g. hobbies, interests.

This installment spotlights Terry Dickinson, Senior Vice President – Group Reinsurance and Sales.



Terry Dickinson, Senior Vice President Group Reinsurance and Sales

TV: Terry, please introduce yourself to our readers.

Terry: My name is Terry Dickinson, and I am delighted to be featured in this edition of your "View On…" article for the Viewpoint. My title at Generali USA is Senior Vice President – Group Reinsurance and Sales. I have been with the Generali USA for 4 years. Prior to that, I spent 20 years working in the reinsurance business, namely with ING Re. I have a Bachelor's degree in Business Administration from Drake University, and I live in Minneapolis with my wife and children. Generali USA's Group reinsurance office is headquartered in Minneapolis.

TV: Can you summarize what you do at Generali USA?

Terry: I am involved in all aspects of Generali USA's Group reinsurance operation and am responsible for Individual Life reinsurance sales. I am fortunate to work with dedicated and experienced Sales and Group associates so my focus is making sure they have the support to satisfy customer expectations and achieve the expectations of our stakeholder.

TV: How do you view Generali USA's progress over the last couple years and what are your plans for the future?

Terry: I joined the company in May 2003 as part of the transformation of the reinsurance operation of BMA to Generali USA, a free standing, wholly owned subsidiary of Generali Group. The opportunity to build onto a new organization with a heritage of providing reinsurance in the U.S. for over fifty years was tremendously exciting. Generali USA has a solid business plan and vision and has been successful in the implementation of it. More importantly, our customers are noticing the progress as documented by General USA's positive results in the 2005 and 2007 Flaspohler Reports.

TV: What are your main business objectives and focus for 2008?

Terry: It is critical to retain a clear vision of the big picture; however my main focus is doing the little things to improve day to day. If I personally and Generali USA collectively get better day to day and week to week the goals of providing quality products, outstanding customer service and strong security to our business partners will be fulfilled.

TV: About the Group reinsurance market, what is Generali USA's target customer? Where does it rank against other competitors or peers? What do you think is special about how you service this market?

Terry: Although Generali USA accepted limited Group reinsurance risk prior to 2003 the commitment to the product line was strengthened with the addition of four new associates that year. Generali USA's target Group customer is a top 100 Group Life/AD&D writer, an insurer retaining risk on their own employee Group Life/AD&D program, an insurer looking to reduce volatility caused by accidental death claims utilizing AD Carve-out or catastrophe excess of loss reinsurance. An important market segment for Generali USA has been life affiliates of

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View On… (continued from page 11)

Property and Casualty organizations. I believe many of the same attributes that allow Generali USA to provide quality customer service in other areas apply to the Group business as well. However, I believe our most important quality is a seasoned actuarial and underwriting staff that is exceptional at finding ways to help our clients grow their blocks of business.

TV: Can you give us a short overview of the current reinsurance market conditions and identify the major challenges reinsurers will face in 2008?

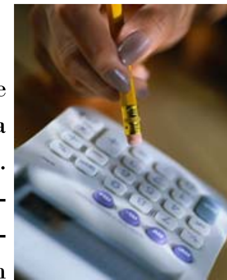
Terry: Reinsurers face numerous challenges including maintaining adequate capacity and capital, monitoring catastrophic exposures and emerging risks, enforcing underwriting standards and adapting to a new era in treaty terms. The whole arena of enterprise risk management is more important than ever. I believe a critical challenge for reinsurers is balancing ceding company expectations of competitively priced products along with an array of services in a fashion that allows reinsurers to maintain profitability and to provide a high level of financial security. The current market condition can best be described as heating up as consolidation, higher retentions and non-traditional tools for managing financial risk impact supply and demand.

TV: Enough about the business. We would like to hear more about you. What do you like most about your job?

Terry: I have always enjoyed the variety of people you encounter in the insurance industry. I am fortunate to work with people with Individual Life, Group insurance and even Property and Casualty backgrounds. I have been accused of claiming to know a little about everything working with actuaries, underwriters and other disciplines occasionally. But most importantly, I have met some very interesting people from across the U.S., Canada, London, Europe and Asia.

TV: What are the most memorable moments in your career?

Terry: Clearly, the most memorable moment of my career is meeting my wife at work. Beyond that good fortune, another interesting experience was being stranded in a car by a wild fire prior to a Society of Actuaries Meeting in Hawaii. I had just completed a round of golf at Kapalua, Maui and the only road between the course and the hotel in Wailea was closed due to a fire in the hills. I never made it to the hotel that night however the beautiful orange flames moving from ravine to ravine while reflecting in the ocean in the middle of the night is a remarkable memory. Sadly, I will never forget the events of September 11th which resulted in the death of several friends.



TV: Do you enjoy sports?

Terry: I enjoyed participating in most of the traditional U.S. sports during my youth. Recently, through my children's activities my interest in less established American sports like soccer, lacrosse and rugby has been increasing. This past summer both of my kids started to express interest in golf so hopefully this can develop into a family sporting activity.

TV: What do you enjoy doing when you finally have a chance to be at home or on vacation? What are your hobbies?

Terry: An enjoyable day at home for me includes working in the yard followed by watching one of my kids' activities, topped off by an ice cream cone with the entire family. Vacation days are normally spent pursuing my wife's interest in travel or visiting our families in Iowa and Michigan.

TV: Finally is there a message or moral in the form of an anecdote you would like to share with us?

Terry: I was involved in a reinsurance arrangement that resulted from over ten years of

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I believe our most important quality is a seasoned actuarial and underwriting staff that is exceptional at finding ways to help our clients…

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discussions between the ceding company and the reinsurer. Even after the first contracts were signed it took several more years before the relationship developed into a partnership. Unfortunately, a simple communication matter escalated and the arrangement was dissolved. Today, I understand that a reinsurance relationship is a two way street that deserves to be valued and nurtured. Gaining the confidence of a partner the first time is difficult, but regaining the trust a second time is even more challenging.

TV: Terry, it's been a pleasure talking to you and thank you for sharing your time with us. We wish you every success with your plans for 2008.

Terry: Thank you.

Generali USA Welcomes New Addition To The Team!

Generali USA welcomes ***Becky Bigham*** to our team! Becky joined Generali USA in July, and serves as Director of Client Services. Becky is no stranger to our company; she previously worked at BMA (Business Men's Assurance) for 32 years in a variety of capacities, most recently as Vice President of Client Services. Her tenure at BMA ended in 2003, and she has since worked for a family business and also at Prudential Financial Services. Becky holds several designations: FLMI, ACS, IRC, and AAPA. Born and raised in the Kansas City area, Becky resides in Louisburg, Kansas and enjoys spending time with her two grown children and three grandchildren. Becky can be reached at 816.412.3723, or BBigham@GeneraliUSA.com.

Generali USA welcomes ***Peter Komsthoeft*** to our team! Peter joined Generali USA in June as Director – Medical Underwriting Standards. Peter has 30 years of industry experience. He began his career at Frankona in 1977, and made his move to the Kansas City area with them in 1979. From there he worked at ERC and Transamerica in Kansas City. Peter has a CLU designation. Originally from Germany, Peter moved to the U.S. during early adulthood when he began his career in reinsurance. Peter lives in Olathe, Kansas with his wife. He has five grown children; two of which attend the University of Kansas, and one who attends the University of Arkansas. When asked which is his favorite college football team, he said, "Well, most of my money goes to KU, so I'd have to say KU is my favorite football team." If you would like to reach Peter, his phone number is 816.412.3730, and his email address is:

PKomsthoeft@GeneraliUSA.com.

Bonnie Tarwater joined Generali USA in October as Team Leader & Administration. She has over 35 years of experience in the insurance industry, 32 of which she spent at BMA (Business Men's Assurance) where she worked in Administration. Her last position there was Manager – Client Services. Since 2003, Bonnie has worked for Kansas City Life in Customer Service. Her designations include AAPA and ACS. Bonnie is married with one grown son, and she has lived in the Kansas City area all her life. She currently resides in Liberty, Missouri with her husband and son. Bonnie can be reached at 816.412.3718 or:

BTarwater@GeneraliUSA.com.

Newer Screening Tests For Our Not-So-New Applicants

By Charlotte Lee, M.D., VP & Chief Medical Officer

The over-70 members of society represent the fastest-growing segment of our population. We see this being reflected in the increasing number of persons applying for life insurance. The greatest concern for insurers is that we need to get a good feel for the overall health picture of these individuals, as we sometimes cannot get a clear picture from the medical records. In order to feel more secure in our underwriting of these persons, the life insurance industry has begun using additional underwriting aids to help assure ourselves that we are assessing these lives properly. Some of the underwriting manuals in the industry are now beginning to use different rating scales for the over-70 applicant; other companies have instituted additional screening tools for the 70-plus group of applicants in order to "level the playing field".

Some of the screening tools utilize assessment of the applicants' physical capabilities; others focus more on their cognitive ability. Since the physical aspect of one's health can more readily be found in the medical records, we are faced then with the need to know more about the applicant's cognitive functioning, which frequently is not made clear in the medical records.

Many of the complaints about memory loss that bring an elderly person to the doctor reflect normal aging or the effects of a treatable condition, such as depression. However, sometimes early memory loss is a hallmark of the beginning of dementia, or Alzheimer's. Since memory loss is a common complaint of the elderly, it is important to evaluate the significance of such complaints.

The over-70 members of society represent the fastest-growing segment of our population.

Cognitive Function

Cognitive function in a normally aging person typically reveals some decline in processing and retrieval of new information. This selective impairment leads to specific deficits on tests of word retrieval, memory recall, divided attention, and procedures involving rapid processing or working memory (e.g., doing two tasks simultaneously). For example, patients may report that they cannot quickly remember the names of acquaintances or that they become forgetful when their attention is divided. They may feel that learning new information takes more effort than it once did. However, in normal brain aging, structural cueing maneuvers (e.g., use of reminders, visuals tips) can facilitate recall to normal levels. In normal aging, the following activities are intact unless there is a true physical limitation:

- Activities of Daily Living (ADL's), including eating, bathing, dressing, toileting, transferring, and continence.
- Instrumental Activities of Daily Living (IADL's) are also intact as long as there is no significant physical impairment: cooking, cleaning, laundry, bill-paying.
- Questionnaires that are part of the application process are available for the applicant to specify any limitations with ADL's or IADL's.

Minimal Cognitive Impairment (MCI)

Persons with MCI often present with vague and subjective symptoms of declining cognitive performance, which may be difficult to distinguish from the decline in such performance affecting healthy older individuals. The most common symptom by far is memory loss. Frequently, the patient isn't aware of decline in memory function, and it is the family who brings this to the attention of the physician. MCI is characterized by a slowly progressive cognitive impairment not attributable to motor or sensory deficits, resulting eventually in social or occupational impairment, e.g., loss of ADL and IADL capabilities.

There are many tests that have been developed as screening tools for the older-age ap-

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This test [delayed word recall] measures the applicant's capacity for recent memory…

plicant. Most of these tests can be done by paramedical personnel. These tests are non-invasive and take little time. The following screening tests are quick, easy-to-administer, and are non-invasive. They have been found to be very useful in cognitive screening of the older applicant:

a. **Delayed Word Recall Test**

This test measures the applicant's capacity for recent memory, the type of memory that is lost or greatly diminished in Alzheimer's disease. With the Delayed Word Recall Test (DWR) the proposed insured is given a list of 10 words that he or she will be asked to recall later in the paramedical interview. As the words are given, the insured is asked to use each word in a sentence. Further interviewing is then done with questions re. ADL's, lifestyle, etc., after which the applicant is asked to recall as many of the 10 words as possible. The examiner is asked to document the number of correct words recalled, and the time needed to complete the list. The underwriter uses specific guidelines in assessing the number of words correctly recalled and uses this information in the underwriting process.

b. **Clock Draw**

The clock draw offers a quick screen for cognitive function. The completely normal clock is a suggestion that a number of functions (including spatial) are intact and contributes to the weight of evidence that the insured should be able to function independently. Alternatively, a grossly abnormal clock is an important indicator of potential problems warranting further investigation. The examiner provides the applicant with a pre-drawn circle, tells the applicant that the circle represents a clock face and asks him/her to put in the numbers so they look like a clock face. The applicant is then asked to show the time, "10 minutes after eleven" (any time can be used, but this one is the frequently-used time). It is then up to the applicant to draw the hands so that this time is displayed. There are multiple methods of scoring this test.

c. **"Get up and Go"**

As I mentioned earlier, we are usually able to get a better feel for the physical condition of the applicant than we are the cognitive function by reading the medical records. However, there are still times when there is a question about the overall mechanical capacity of the individual. The Get-up-and-Go test is one readily available test that can be done by the paramedical personnel. The applicant is asked to rise from a sitting position, walk 10 feet, then turn around and return to the chair and sit down. The examiner observes how long it takes the applicant to complete the test. Any time less than 20 seconds implies that the person can independently transfer and has good mobility. If it takes over 30 seconds to complete the test (or if the applicant can't do it at all), this suggests a higher state of dependence and a risk of falls. Keep in mind, however, that there can certainly be variations between "good" and "bad' days, and the overall assessment still has to be the guiding principle.

d. **Screening Timed Vital Capacity or Peak Flow Volume**

These tests have been available for several years, but have not been used in the life insurance industry for primary screening until recently. They were used previously to assess someone already known to have respiratory impairment. Measurement of the respiratory capacity of the older individual has been found to be a good indicator of future morbidity and mortality. The equipment needed for the screening test is not very expensive, and the directions for the paramedical examiner are simple. Again, this requires only a few minutes to complete.

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The examiner is not asked to score the results, merely to provide them to the insurer.

These are but a few of the many assessments that are now available to help us and our client companies feel a bit more secure in our underwriting of the older age group. New screening procedures are being developed continuously, and in the future, we will be even better prepared to accept this new group of insured lives.

Our Viewpoint (continued from page 1)

Dr. Lee's article focuses on another area of increasing interest to Generali USA, the market over age 70. The demographics clearly indicate that this a growing market with a wealth of opportunity for the life insurance industry. The challenge for us is to break down the traditional views of how to underwrite this group, balancing with that our need to write profitable business. Dr. Lee has a great deal of experience in this area and has been a tremendous resource helping to reshape our underwriting guide to reflect a more current way of assessing this age group.

Unfortunately, this will be the last article that Dr. Lee will write as a member of the Generali USA team. She has accepted what she says is "an offer too good to refuse" and will be leaving us at the end of this year. She will be missed not only on a professional level by all of us, but on a personal level by many. Charlotte truly has been a part of the Generali USA family and her warm presence and calm demeanor will be missed by all.

As another year draws to a close, I would like to thank all of our clients for trusting Generali USA to be a reinsurance partner. We value our relationship with you and look forward to continuing to serve you in 2008. Happy holidays!

Generali USA Life Reassurance

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