

# RMA ReFlexions

## A Message from the President



John Chamberlain  
President

January, 2016 marks the 20th anniversary of RMA; a milestone indeed, as I look back on our history. Starting with 2 staff and \$4 million premium under management in that first year of 1996, the company now employs over 35 staff and manages more than \$400 million premium annually.

We started underwriting Accident & Health reinsurance in 1996, and subsequently developed new lines of business along the way: Life Reinsurance, Creditor Insurance products, and Medical intermediary services. There have been numerous challenges to cope with, such as fluctuating exchange rates on US/Canadian currency and the catastrophic events of 9/11/2001. Plus, there has been a steady roiling of the marketplace as companies enter and exit for various reasons; whether it's our client customers, competitors, or reinsurance partners, it stirs the pot and creates both challenges and opportunities for RMA.

Through it all, RMA has striven to provide high-quality, reliable reinsurance products to our clients, and value-added services to all of our market contacts. This remains as true today as it was 20 years ago. Our mission is to develop programs that address client financial security needs, help our clients manage the risks underwritten, and make the whole process as "seamless" as possible.

As an example, in response to requests from a number of our life reinsurance clients, we introduced a new facultative underwriting service just this past summer. This is one more important tool to assist our clients in dealing with very large sums at risk, or other unusual aspects of an insurance policy application. Read more about this important new service offering from RMA in the following pages of this newsletter.

We are proud to count 20 years of excellence in serving the needs of our clients, and are looking forward to serving future needs as they arise.

John Chamberlain  
President

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## The Evolution of Underwriting - Where are we heading?



By Cecilia Torrejon  
Assistant Vice President  
and Chief Underwriter,  
Life Reinsurance

Underwriting, simply put, is the method by which insurance companies assess individual life risks for the likelihood of a claim. Over time, the practice of underwriting has evolved due to market influence, improvements in data gathering, and technology. In modern times, certain subjective aspects of underwriting are being replaced by computer algorithms and predictive analytics. Since individual underwriting has been implemented as a means of risk assessment, has the approach to underwriting changed? To determine this, let's look back at the infancy of the practice to where it is today.

In the early 20th century there was very limited medical underwriting, there being one single risk class, with premiums varying by age only. In the 1940's, gender distinct rates were introduced to the industry, and were considered to be innovative at the time. Then, in the 1970's, Smoker/ Non-Smoker risk class rates were introduced as the notion that lifestyle had an impact on longevity started to take hold.

The 1980's brought several changes. One of the most important was the introduction of blood testing at low face amounts in response to the HIV/AIDS surge; in those early days, there was the perception that it had the potential to cripple the life insurance industry. The learning curve got steeper for underwriters as they had to adjust quickly for a virus with no known treatment at the time and which the medical community was only starting to understand. In addition, underwriters and medical directors alike had to deal with tests included in the blood work that traditionally were not part of the routine testing. The dilemma was how to sort and look at this new information and differentiate between the meaningful and trivial deviations to arrive at a fair underwriting decision.

Looking back, the insurance industry and the underwriting/ medical community rose to the challenge and managed to adapt to the risk of a new disease. The industry did not crumble as many had predicted because it reacted swiftly and decisively.

Another innovation in terms of risk class categorization occurred through the introduction of preferred products which offered new groupings of price differentiation to the consumer in acknowledgement of those who embraced healthier lifestyles. In the 1990's, the number of preferred

classes increased and Term products became very inexpensive as companies competed fiercely to gain market share.

### Tools of the Trade and Processes

With all these changes, underwriting became more interesting but also more challenging. Technology at the time was more limited; the internet did not yet exist. The majority of companies worked in a paper environment, performing most processes manually. Additional support staff were hired to handle the tasks required to complete the underwriting/issue process.

Face amounts were much lower than what we see today, and an application for \$1,000,000 was considered a huge amount. The underwriting process was expensive and time consuming, and relied on paper applications, insurance medical exams done by doctors, EKGs, doctor reports, chest X-rays, etc. An applicant with a slightly more complex medical history might end up waiting months for a policy to be issued.

### Trends in Distribution and Underwriting

With the change in the financial environment in the 1990's, the increase in mergers and acquisitions and the sustained low interest environment, reducing costs and increasing productivity became a must in order to survive. During this period, the first expert underwriting systems started to appear and on-line underwriting manuals were introduced. Technology also had a significant impact on the public, who demanded faster service and accessible products as it became more knowledgeable.

In the 2000's, there has been a liberalization of the preferred criteria and routine age and amount requirements, and an increase in the use of information obtained electronically from vendors databases.

The trend in underwriting in the last few years has been to move to less invasive testing (more Attending Physicians Reports, i.e. APS's, fewer MD exams, EKGs and chest X-Rays, and Simplified Issue (rapid or instant issue of policies based on information obtained electronically from various sources).

### Simplified Issue

There is great interest in these type of products as an effective way to capture the under-insured middle market.

An underwriting approach may involve a completely electronic process aimed at the instant issue of a policy. Technological advances have made possible the use of electronic applications and underwriting systems that facilitate the utilization of database driven risk assessment. The typical databases and tools used to process simplified issue cases may be some, or all, of the following: MIB, MVR, Pharmaceutical databases, Identity Checks, Tele-Underwriting with extensive drill-down questions, and the use of scores for financial and non-financial data. Once the required information is obtained, underwriting rules engines kick in and a decision is made. The decision could be just a simple Approve/Reject or, in other cases, a third option "Refer to Underwriting" is added.

To counteract increased anti-selection, margins have been built into the rates. It is also important to monitor experience and distribution channels on a regular basis to adjust questions, e-requirements and rules engines as necessary. On the other hand, with all the technology advancements and additional tools that may be available in the future, risk assessment for simplified issue products may eventually evolve to be similar to fully underwritten products, at least for a segment of the population.

### Predictive Modeling and Life Underwriting

The volume, complexity and variety of data available today is challenging organizations to find new ways to grow and innovate. Life insurers are starting to use predictive analytics to transform their data into useful insights for better decision making and to gain a competitive advantage. A developing trend is to apply predictive models to fully underwritten business using innovation in technology, scoring models, new media and big data.

Today's customers are well-informed and expect fast and reliable services and products at the right price. Real-time data analysis used in simplified underwriting, combined with predictive models that incorporate traditional underwriting data, have stronger protective value and the potential for significant cost savings as well as reduction of cycle time that will benefit the client. Models can be used for selecting a risk class, requesting/triggering additional information and determining ratings.

This doesn't mean that underwriters will no longer be needed. Increased underwriting efficiency may help generate more business and reduce wastage. Thus, underwriters can concentrate on the complex cases that have been identified by the model at an early stage, something a machine can't do.

Developments that will facilitate and speed up the implementation of underwriting models are electronic health records and the much-talked-about wearable health devices and mobile-health apps. As electronic health records are universally adopted by the medical establishment and data is structured, life companies will have an increased ability to track and determine impairments, lab results, prescription histories and diagnostic testing over the years. Development of more predictive scores based on all this data will also increase.

Many of the mobile-health apps in the market, such as Fitbit and Nike FuelBand, are devices that use body sensors to track the wearer's physical activity, monitor exercise, calorie expenditure and so on. However, the information provided by these devices has not yet made its way to the risk selection process.

There are many wearable medical devices that are available today, such as glucose sensors, blood pressure monitors, as well as devices in development that can predict a heart attack/stroke minutes before happening that may in the future become available to the public. The challenge for the industry will be how and if this information will be accessible, as this is new territory and regulations will have to be formulated as the technology develops.

### Conclusion

Change is here to stay and it will continue to evolve due to data availability, and advances in technology and medical industry space. Underwriting practices as we know them today may well disappear in 5 to 10 years from now. Underwriters will be involved in interpreting large amounts of data, helping in the creation of predictive models and rules engines and evaluating new technologies. The traditional skills required to be an underwriter - analytical skills and technical medical expertise - will become of paramount importance. A background in statistics may also be useful. The future will present enormous challenges as well as great opportunities and the question is if we are ready to face them. As history has shown, the insurance industry will continue to adapt and rise to the occasion to find suitable solutions that will mutually benefit the customer and the risk carriers alike.





## News Items

RMA is pleased to announce the following developments since our last issue:

- Partnered with Northbridge Insurance to issue Guaranteed Asset Protection for Canadian Auto Creditor business.
- Introduced New Facultative Life Underwriting Services introduced effective July 1, 2015. RMA produced an underwriting manual and hired Jeanne Chan as Director of Life Underwriting as part of the roll out of these services.
- Also, effective July 1, 2015, secured a Lloyd's Binder with AmTrust Syndicate 1206, to further expand our Accident and Health Reinsurance business.
- RMA is proud to be a sponsor of the Canadian Reinsurance Conference, Group Underwriters Association of America (GUAA) and Society of Actuaries (SOA).

## Health & Wellness Initiative



RMA continues to build on the Health and Wellness Initiative it introduced in 2014.

In-house Lunch and Learn sessions have been introduced to more easily allow staff the opportunity to join in on sessions ranging from eating healthy to where to dine out to having a healthy back.

Group exercise classes have also started being offered, again on-site, for the convenience of RMA's employees. Our first session, Yoga, proved to be so popular that a second round of yoga was scheduled shortly thereafter. Future sessions will feature a variety of other forms of exercise such as resistance training, pilates and zumba.

The lunchtime walking group continues to prove popular, with participants eagerly looking forward to the warmer spring weather to start getting out again.

## RMA 20th Anniversary

On January 14, 2016, RMA celebrates 20 years of being in business. From starting out in 1996 with two people in a shared office space and \$4 million of premium under management, RMA has grown to 38 people with offices in Toronto and the US and \$423 Million of premium under management.

We would like to extend our thanks and appreciation our staff and our clients for their ongoing support over the course of our history.



## Community Outreach



RMA's Social Committee is always seeking out opportunities that encourage us to give back to the community.

As a follow up to our first event at the Daily Bread Food Bank in 2014, RMA staff volunteered to serve meals at the The Scott Mission on both January 21 and August 27 of 2015.

The Mission's focus is the poorest of the poor, offering such services as daily hot meals, shower and laundry facilities for the homeless, an overnight program, free good quality clothing,, as well as programs for children and youths.

Our team covered 2 sessions, which included table set up, preparation and serving of the meals, and clean up. As a result of our efforts, approximately 50 less fortunate people enjoyed a hot meal.

These experiences provide great team building for work colleagues and with RMA's support, we are able to make a difference.

## RMA Client Hockey Event



On Wednesday, January 7, 2015, RMA hosted local clients at an Air Canada Centre suite to enjoy a hockey game between the Toronto Maple Leafs and the Washington Capitals. Guests were invited to partake in a generous array of food and beverages as the Leafs skated to a loss, having been outscored 6 to 2 by the Capitals. In spite of the outcome, a good time was still had by all. We thank our guests for braving the record freezing temperatures to join us for this event.

## RMA At ReFocus



ReFocus is one of the more highly regarded annual industry meetings in North America, being jointly chaired by the Society of Actuaries and the American Council of Life Insurance. The 2015 edition of ReFocus was held from March 1 to 4 in Las Vegas, Nevada and was attended by over 600 delegates from across the globe.

The ReFocus meeting continues to be an effective networking venue for insurance and reinsurance practitioners to meet and to discuss business, and trending issues that impact the industry. Howard Bernstein, Steve Hardacre and Douglas Lum attended the forum on behalf of RMA this year.

## RMA CRC Event



RMA's pre-Canadian Reinsurance Conference (CRC) reception was held on Monday, April 13th, at the CBC Building in downtown Toronto. The theme of the evening revolved around the Pan-American games which Toronto were hosting in 2015 for the first time. The evening's entertainment featured musical and acrobatic acts meant to represent many of the participating nations and scheduled athletic events.

Guests were also invited to try their skills at Archery, Basketball, Shuffleboard, and the always popular Foosball, with medals and prizes being awarded to Melanie Laberge of Aon Benfield, Isabelle Bouchard of RGA, Tim Hardie of Industrial Alliance and Robert Litt of Trisura.

## RMA Annual Golf Classic



RMA held its 16th annual golf classic at The Country Club in Woodbridge, Ontario on Wednesday, September 9, 2015. This year's top Foursome was comprised of representatives from Canada Life, Aon Benfield, Hannover Re and RMA. The 'male low gross' award went to Craig Emuss of Northbridge Insurance, and the 'female low gross' award went to Denise Garagan of Denny Marketing Inc.

## Staff Profile



In this issue, we'd like to introduce you to **Tracy English, Assistant Vice President, Insurance Operations**

**RMA:** What is your position at RMA and how long have you been with the company?

**Tracy:** I joined RMA in 1999, and am celebrating 17 years of service currently as an Assistant Vice President for our Insurance Operations division.

**RMA:** How has your role at RMA changed in the time you've been here?

**Tracy:** I initially started as an Account Manager. In addition to management responsibilities, my main focus was to help develop and administer RMA's creditor insurance business. In 2004, I was promoted to Director, continuing to support the creditor insurance division in various aspects along with initiatives to help with RMA's expansion into new product lines. As of February 2014, in my current role as Assistant Vice President of Insurance Operations, I continue to manage and grow our core lines of business while looking for new opportunities that add value to RMA's operations and continuing to build strong relationships with our valued partners.

**RMA:** Tell us about your department and its role at RMA.

**Tracy:** We administered our first group creditor insurance policy in November 1997. Our main source of business at that time (and for years to come) was group creditor insurance sold through RV and automobile dealers. In 2003, we developed a group creditor mortgage insurance offering to applicants, using a mortgage broker distribution channel. Both of these portfolios continue to be an important part of our department's foundation; however, our recognition to diversify into other markets was necessary. We accomplished this in the most recent years by adding 2 more product lines to our product and administration offerings in the automotive space, a warranty refund program and a Guaranteed Asset Protection (GAP) program. We have a department team of 8 wonderful staff which I am excited to work with and proud to be part of.

**RMA:** You've been actively involved in the Health and Wellness initiative that was introduced at RMA in 2014. Tell us a bit more about that.

**Tracy:** Health and wellness is very important to me and I strive to incorporate this into my everyday life. I have always been into fitness and consider myself to be a healthy and fit individual. However, it was time for a change with new health goals on the horizon to improve my overall health and physical shape. In May 2014, I decided to invest in a personal trainer and adopt a new eating lifestyle by going Paleo. I cannot begin to describe all of the positive changes I have seen in myself. I am still going strong and love sharing my journey with others. This is mainly why I got involved in developing RMA's Health and Wellness program. By setting new goals for myself, I was hoping to inspire others to do the same. We have some interesting "Lunch and Learn" sessions for staff to hear from health and wellness experts on a variety of topics. The most fun is our Walking Program which runs from April to October, twice a week, for 45min. Starting in 2016, I organized some on-site fitness classes and those are turning out to be quite successful. I hope to continue to be a positive role model for those wanting to take charge of improving their overall health.

**RMA:** Do you have an idol (past or present) that you look up to that has made an impact on your life?

**Tracy:** Although I am fascinated with the lives of celebrities and love to read about them in magazines, "idol" does not come to mind. The first person that comes to mind for that label is my Mother. She was a single mother when I was 10 years old and I learned very quickly how to be independent. She was, and still is, a tough lady but she drilled into me the importance of working hard to get what you want as it will not be handed to you, and to be proud of your accomplishments. I thank her for instilling those qualities on me as they are a big part of who I am today.

**RMA:** What are your interests outside of work?

**Tracy:** Most people that know me know how much I love to travel, especially to my 2nd home on the island of Maui, Hawaii and am very fortunate to be able to travel there twice a year. However, what some people may not know about me is my love for watching Soap Operas (Y&R, Bold and Beautiful, General Hospital) and BINGO! Yes, BINGO!

**RMA:** How would you describe yourself in one word?

**Tracy:** Disciplined



## New Faces at RMA



**Jeanne Chan**  
**Director, Life Underwriting**

Jeanne joined RMA in April 2015 and is responsible for providing underwriting services in the Life Reinsurance unit. She brings 30 years experience in the financial industry having worked at direct, TPA, fraternal and international insurance companies underwriting life, juvenile, critical illness and creditor business. Jeanne has held various roles with responsibilities in development of underwriting/administration/imaging systems, products and new business processes, auditing, claim reviews, TPA activities, training and building client relationships. Jeanne holds several insurance designations including Fellow of Life Management Institute (FLMI), Fellow of the Academy of Life Underwriting (FALU) and Associate, Life and Health Claims (ALHC).

## Upcoming RMA Events:

### **RMA 20th Anniversary Celebration**

Toronto, ON, January 14, 2016

### **ReFocus Conference**

Las Vegas, NV, March 6-9, 2016

### **RMA CRC Client Event**

Blue Jays Skybox at Rogers Centre, April 12, 2016

### **RMA Staff Appreciation Summer Outing**

Medieval Times, Exhibition Place, July 29, 2016

### **RMA Annual Golf Classic**

Woodbridge, ON, September 14, 2016

### **RMA Fall Staff Event**

Cirque du Soleil - Luzia, September 30, 2016

### **Society of Actuaries Annual Conference**

Las Vegas, NV, October 23-26, 2016

## Tessie de los Santos Retires



On March 27, 2015, RMA hosted a luncheon to celebrate the retirement of Tessie de los Santos after a lengthy career with RMA.

Tessie was one of RMA's earliest employees having joined the company in March 1998 to develop and eventually manage RMA's Life Treaty and Claims unit. In 2013, she elected to transfer her focus to the development of a new function at RMA in the field of Auditing Services. Tessie has been a vital member of the RMA team for 17 years and her presence will be missed.

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