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International Focus

The Far East: Stepping Up

By Fred Ngan, Michael Chan and Eric Forgy

The insurance story in Asia has been so dominated by “growth”—for example, China’s doubling of insurance industry assets over the last five years—that is it easy to lose sight of the many other interesting tides through which Asian insurers are navigating. The product demands in Asia are ultra-localized yet rapidly evolving, as are the regulations and capital markets. Coupled with the continued strong growth, these demands may pose many pronounced business management challenges for life insurers that can no longer simply focus on growth.

With the exit of several multinational insurers such as AIG and ING from the region to shore up capital back home, local offices often are left without the support of sophisticated group actuarial, risk and investment functions. While this may have relieved local offices from foreign requirements that were at times burdensome and incompatible with the domestic market, relatively new capital management functions need to setup their own frameworks while keeping pace with the rapid business developments. This article aims to share some experiences in insurance investment management from the Far East.

Asia is a complex arena that challenges insurance companies at all stages of their Asset Liability Management (ALM) processes. This article illustrates some of the interesting stories faced by investment actuaries at every step of the path, starting with finding suitable asset classes in which to invest, to the competition in sourcing the assets, to managing conflicting views across risk and constantly-changing regulatory frameworks at all stages of development and balancing all of these demands with relatively young risk and capital functions.

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At the 2015 SOA Annual meeting in Austin, president-elect Craig Reynolds highlighted as one of his five essential areas of focus, supporting our members in international markets and enhancing the global reputation of our organization. With that as backdrop, Risks & Rewards is proud to introduce a new section of our newsletter titled International Focus.

This new section will provide a platform for authors from around the globe to share topical, investment related ideas, initiatives, regulatory developments, etc., related to their specific region. We encourage volunteers to raise their hands if they are interested in supporting this exciting endeavor. Support would entail identifying potential topics of interest and seeking out authors with professional experience in their regions to write an article—roughly 900-1000 words in length—for publication. Interested parties should contact both the SOA Investment Section Council chairman, Jeff Passmore, at jeffpassmore@hotmail.com, and the vice chairman, Jon Mossman, at mossman@towerswatson.com.

If international investment and/or actuarial professionals are interested in regularly receiving the Risks & Rewards newsletter, please visit the SOA website at <https://www.soa.org/professional-interests/professional-interests/prof-join-section.aspx> and sign up to become an official member of the Society of Actuaries’ Investment Section.

Our first International Focus installment comes from Fred Ngan, Michael Chan and Eric Forgy, co-founders of Coherent Capital Advisors, Ltd., based out of Hong Kong. This is a brief preview of an article they have written for the 2016 February/March issue of *The Actuary* magazine.

The article discusses some of the ALM challenges faced by life insurers in the Asia Pacific region due to a confluence of recent events including double-digit growth, the exit of several multinational insurers, and ultra-localized product demands, regulations and capital markets. We have provided the introduction and conclusion of the article here.

CONCLUSION

Asia has the appetite for more investment-savvy actuaries who not only have a solid technical foundation and a creative mindset, but also an unparalleled commitment to learning how to deal with business uncertainties in Asia. Rather than importing experts from the West, domestic firms are looking for local asset managers, consulting firms and software vendors to demonstrate local insights and develop solutions that meet their specific needs.

Asia is ripe with opportunities that reward those with creative solutions in these highly inefficient markets. Simpler products and fewer legacy systems give Asian insurers the potential to leapfrog their Western counterparts by adopting new technology much faster. A great example being China's digital insurance revolution that capitalized on its gigantic e-commerce industry. ALM practices may seem behind the Western counterparts for the moment, but with the exponential growth of insurance business and an ever growing SOA membership base combined with the rate the regulation and infrastructure transformations, Asia's life insurance market may well come out ahead of the game in the not-so-distant future. ■



Fred Ngan, FSA, MAAA; is co-founder of Coherent Capital Advisors, a fintech consulting and software company in Hong Kong. Fred can be reached at fred.ngan@coherent.com.hk.



Eric Forgy, Ph.D., CAIA, is co-founder of Coherent Capital Advisors, a fintech consulting and software company in Hong Kong. Fred can be reached at Eric.Forgy@coherent.com.hk



Michael Chan, FSA; is co-founder of Coherent Capital Advisors, a fintech consulting and software company in Hong Kong. Fred can be reached at Michael.Chan@coherent.com.hk.