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Summary: This session includes a roundtable discussion of current international issues, reports from national ambassadors on local issues, and a discussion of issues facing the International Section

Mr. William J. Bugg, Jr: I'm the chairperson for the International Section Council. We have some very special guests with us this morning, and I'd like to recognize them. From the U.K. we have Duncan Ferguson. Duncan is President of the British Institute. From Scotland we have Paul Grace, President of the Faculty of Actuaries. From Israel we have Avi Bar-Or, President of the Israeli Society. We also have several former Presidents from Canada: Kurt von Shilling, Mo Chambers, former CIA President, and the Government Actuary in the U.K., Chris Daykin, who is also a former President of the British Institute. From the SOA we have Bob Myers, Harold Ingraham, Walt Rugland, and Sam Gutterman.

We have various topics we want to touch on. To bring us up to date on some of the things that are happening around the world, I'll first call on Sam Gutterman to tell us about the Pan-American Actuarial Congress. Sam has been representing the Society during the formation of this organization.

Mr. Sam Gutterman: In the last two years, there has been an effort to try to improve the communication and coordination among actuaries in North and South America. That began with a meeting in Brazil last year. Earlier this year there was a meeting in Buenos Aires in Argentina. At that meeting, there was agreement among

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†Mr. Ferguson, not a member of the sponsoring organizations, is President of the British Institute in London, England

those present, which was about a dozen representatives from actuarial organizations in North and South America, that it would be a good idea to form an organization among actuarial organizations with the objective to improve the coordination and advancement of knowledge, particularly for those actuaries south of the Mexican border. When asked about whether the actuaries north of the border should get involved, there was unanimous agreement that it was appropriate to do so, which would possibly improve relations and transfer some of the knowledge and experience that North American actuaries have received.

The first objective was to avoid redundancy with the international efforts of actuarial organizations. The primary focus was to upgrade and encourage formation of actuarial organizations and advancement of the knowledge of actuaries south of the Mexican border. So far, we have developed a set of initial bylaws. Apparently, the South Americans are very much into developing a set of formal bylaws for their multinational organizations. There has been one round so far. It's anticipated we'll have a couple more rounds of changes and modifications. The next meeting is scheduled for 1998 in Brazil with a potential meeting in Cartagena, Colombia in 1999.

We are trying to promote international or multinational cooperation and communication. There has been a relative lack of involvement of South American and Central American actuaries in the international actuarial community. I hope this will be a step towards bringing them into the international discussions. I know that many SOA members are now beginning to visit and practice as some of those financial services industries are opening up. Hopefully this will be of benefit in terms of improved communication in that area too.

From the Floor: Could you comment on the meeting at the university in Puebla, Mexico held earlier this year?

Mr. Gutterman: The University of Americas in Puebla has been hosting a meeting. They are trying to promote a student actuarial organization in Mexico. They invited many more people than attended this last year, but they are hopeful that this will expand. I've tried to get them in communication with the Actuarial Students of North America, the actuarial student group in Canada. Hopefully the two countries—since the U.S. is not very well-organized in this regard—will promote international cooperation. At least the Canadians and the Mexicans are communicating now. They're planning on hosting similar meetings every year. I know there is notice of the meeting on the international continuing education calendar that's accessible to any actuary in the world through the SOA Web page, and there are interconnections between the Web and the various actuarial organizations. Not enough countries have yet entered their meetings under that

Web site, but I'm hoping that members of this International Section will benefit by knowing when meetings will be.

I've heard of concerns about the potential redundancies with other international organizations, particularly the International Forum of Actuarial Associations (IFAA), and I know that everybody who's involved is going to do their best to avoid that redundancy. They will make sure that it's focused much more on communication and cooperation.

Mr. Bugg: About three years ago, during Barry Watson's term as chairperson of the International Section, the Ambassador Program was started. We have ambassadors appointed in 25–26 countries. They provide input to our leadership regarding the needs of our members in the country in which they reside. They provide some liaison with the local actuarial bodies. They are providing articles for our newsletter and reports on the actuarial activity that is taking place in those countries. We have four ambassadors in attendance, and we're going to ask each of them to tell us a little bit about what they've been doing in the last year. First is Chip Moes, our ambassador in Argentina.

Mr. Charles E. Moes, Jr.: I've been in Argentina for a little over three years now. I initially went there working for ITT Hartford, and, after a year and a half or so, the people at Metropolitan convinced me that I should change. I stayed in Argentina and changed companies. It has been a terrific experience for me and my family. We've made the necessary cultural adjustments, although it was not too difficult. Buenos Aires is a beautiful city, and there is an excellent standard of living there. In all honesty, it was quite an easy adjustment.

There are currently about 250 practicing actuaries in Argentina. The educational process is much different from what we do in the U.S. The only university that has an approved actuarial program is the University of Buenos Aires. If you get your degree in actuarial science from the University of Buenos Aires, then you are considered to be a professional actuary in Argentina. I've been told that the course work at the University of Buenos Aires takes five or six years. They take courses in calculus, statistics, numerical analysis, and actuarial mathematics as well as business courses in microeconomics, macroeconomics, business law, money, and banking. It's what you would expect from a college curriculum.

I have five actuaries on my staff who've come out of the University of Buenos Aires, and I find them to be very well-prepared technically. They're also quite computer-literate. We've brought down some software from the U.S., and the actuaries have become quite adept at using that software. There are currently about 200 students in the university program, and I'm told the number is increasing, which reflects the growth of the insurance industry in Argentina. The general practice, I'm told, is that during your first three years in the university you pretty much go to school full-time.

During the next two or three years, a high percentage of the students get jobs in companies and take their course work either early in the morning, late in the afternoon, or at night.

The insurance industry in Argentina, particularly on the individual side, is growing rapidly. Argentina suffered a period of severe hyperinflation in the late 1980s and early 1990s. When Carlos Menem was elected president in 1989, he began to work to stabilize the economy. Argentina has linked its currency to the dollar, and there is no more inflation. They've opened up their insurance regulations so that companies can sell business both in dollars and in pesos. The individual insurance industry that was destroyed by hyperinflation is now making quite a nice comeback in a period of stable currency, and a number of large American and European insurers have entered into the market. It is growing rapidly.

The company that I work for, Metropolitan Life, is now the number three insurer in individual insurance. I would be remiss, especially since Lee Faulkner is here, if I did not say that Eagle Star is the number one insurer in Argentina today. We feel very good about the potential for Argentina, and the insurance industry is making a large commitment to that market.

They have national health insurance in Argentina at the basic level and a system of what they call prepaid insurance providers, which is kind of like HMOs in the U.S. So far there's not a whole lot of opportunity for private health insurance. They are talking about reforming the health insurance system, but it's a theme that's fraught with, shall we say, some interesting political implications. I'm not sure if anything's going to happen anytime soon.

From the Floor: How about their social security system?

Mr. Moes: They privatized the social security system in 1994 following the Chilean model. Metropolitan is not involved in that right now, but I think there were initially 22 or 24 private pension plans, and there has been some consolidation. I expect there will be some more. That seems to be going very well. They are accumulating impressive amounts of assets, and the infrastructure and computer systems seem to be working right. I happen to belong to one of them, and I know they send me my little reports every four months. It appears to be functioning pretty well.

From the Floor: Two of the top three companies that I spoke to at this meeting are shrinking back from this pension-related life and disability annuity coverage. Who is doing that and why?

Mr. Moes: The largest ones are usually connected with banks. Originese is one of the larger ones, and they're connected with the Bank of the Province of Buenos Aires. Consolidar is another large one, and it consists of a partnership of three banks. The banks have their database of customers that they use to get a foothold in the social security system. It'll be interesting to see how that develops, whether you can make money in that business if you're not already established and if you've not already achieved some sort of critical mass. There are several of them with approximately a million affiliates, so if you're thinking about being a new entrant there, then you have to have a strategy for how you will achieve your critical mass.

From the Floor: Why aren't you going after the life and disability and annuity market that's related to that?

Mr. Moes: That's because it is pretty much a captive. The people who have social security, the larger ones, have their own companies. They start their own company, and there's a "bidding process." I can't say that the process is totally above board. There are other considerations besides price, shall we say, so you can lose out on the subjective considerations even if you have the best price. The pricing on that business is very competitive, and the reinsurers contribute to this competitiveness. Unless you're part of a group that has control of social security business, it's hard to see how it can be a profitable business.

Mr. Bugg: I wonder if we could ask Mabini Juan to speak. He is our ambassador in the Philippines.

Mr. Mabini L. Juan: I'd like to mention that there are seven FSAs in the Philippines, including one foreigner from Sun Life who works in the Philippines. We also have 12 Associates. It's interesting to note that out of the 12 Associates, 7 became Associates before 1990 and only 5 after 1990. I will presume that the five who got their Associateships would continue to Fellowships because we do have a big number of students taking exams every May and November. As far as involvement in the local Society, 4 of us out of the 90 members of the Actuarial Society of the Philippines (ASP) are on the board of directors of the local actuarial society. There is that interface between our membership in the SOA and the ASP.

Presently, as ambassador, my focus has been on setting up the communication system between the different members and, as much as possible, identifying their needs. Since we are more than 10,000 miles away, the idea is to get as much information regarding the issues that are predominant in the U.S. One of the actuarial issues that we are having problems with in the Philippines is with plan approval because of the liberalization in the insurance industry. Most of the new entrants will be submitting anywhere from 10-15 plans to the insurance commission, and, on a first-come-first-served basis, the queue is getting longer. The

other issue that we're involved with is the margin of solvency definition that we are working out with the insurance commission in the Philippines.

There have also been, in terms of the removal of the uniform currency act, some companies who have been issuing dollar-denominated insurance policies. The insurance commission is still finalizing the rules relative to the investment and other rules of dollar-denominated policies. The other thing that we have been able to work out with the insurance commission is the accreditation of actuaries. As far as the Philippines is concerned, the recognition of actuaries is done in the insurance field itself, and basically Fellows of the local society are the ones that are authorized or accredited to sign certain actuarial documents.

Regarding the exam system in the Philippines, we used to give the Associateship and Fellowship exams. The local Fellows would work on it, and the exams were given in June and December—a few weeks after the Society exams—since materials overlapped those that were required by the Society. However, a few years ago the ASP decided to do away with their own Associateship exams and merely have their members pass certain courses in the Associateship exams of the SOA. We continue to give the Fellowship exams. For information, the ASP has also applied for IFAA membership a few months ago. As far as the ASP is concerned, we have 56 Fellows; as an interesting note, ten of them are in consulting and ten are retired. I'd like to make an exception that I'm not one of those retired. We also have 31 Associates. In the Society, we admit what we call affiliates—those students who would have passed one Associateship exam.

I thought I'd end by giving you a report on the liberalization of the Philippine life insurance industry. Prior to liberalization there were 27 companies operating, 2 foreign branches (Manu Life and Sun Life), and 3 domestically incorporated foreign companies. Since then, ten new companies have been authorized. They are: Aetna, CIGNA Life, DeMaFra Spain together with a local firm: DeMaFra Spain, Prudential Life of the U.K., Aegon Life, ING Life, Zurich Life, Nippon Life, John Hancock, and the latest, Berkeley International Life, which is a joint project with Northwestern Mutual. So, ten companies have gotten their license from the insurance commission. However, only the following are operating as of October 17, 1997: Aetna, CIGNA, DeMaFra Spain, Prudential Life, Nippon Life, and John Hancock. The others are still recruiting people and having their plans approved.

Great Eastern Life of Singapore, Protective Life of the U.S., Liberty Mutual in the U.S., Sony Life, and Standard Life are among the companies who have written the insurance commission informing it that they will be entering the Philippine life market. Earlier, UNUM Life negotiated with a bank for a joint venture, but it decided to defer its plans and do business in the Philippines. My personal feeling is that before the end of 1998, the five foreign companies will be licensed.

Although there are some demands by the domestic companies to close the doors on liberalization, I think the Ramos administration is committed to keeping the doors open. For foreign companies to enter, the capital surplus requirement is only 300 million pesos, which would translate to about \$8 million.

Preneed insurance is another form of insurance that was born more than 20 years ago. It would cover the life, pension, and educational needs of the family. The controversy lies in who should be administering it. At the moment preneed is under the jurisdiction of the SEC. To have an even playing field it should also be under the insurance commission. An agreement has been reached with the federation to try to resolve the issue, and there seems to be an agreement that in due course jurisdiction of preneed will be under the insurance commission. In the Philippines, this access to premium is unique in the sense that they have been able to get more agents. In the Philippines, licensing of agents is a very difficult process. I always say that they can come in the morning, and by noontime they can sell the preneed product. In the life industry, if you come in the same morning, you'll wait for about three to four weeks before you can sell anything. That has been one of the successes.

From the Floor: Isn't there also a problem with respect to reserve requirements? As I recall, they were not very demanding.

Mr. Juan: The present SEC rule is that every year the liabilities in trust funds have to be evaluated by an actuary and properly certified. I agree that there have been certain deficiencies that have been noted by actuaries recently, but they have not been acted upon by the companies. There is some negotiation between the companies and the SEC.

Mr. Bugg: Now let's hear from Luis Caro from Colombia.

Mr. Luis G. Caro: We have an association of actuaries in Colombia with around 30 members. The association does not have any legal position within the country. You don't have to be a member of the association to sign a financial statement or any sort of related document. The requirements to become a member of the association are very nonstandard. We don't have a set of exams. Right now most of the people who study in a foreign university are accepted as members. There is really no local university providing an actuarial degree, except at a technical level. Actually, the people who have gotten those degrees at the technical level have not been accepted by the Colombian Society as members. They have created another society that has lower standards. There's a group of us that is trying to impose a requirement of taking the SOA exams for membership. Actually, they give the exams in Bogota every year. There's an institute that gives all kinds of exams like GMAT, GRE, and others like that. They provide the service of giving the SOA exams. Every year three to five people take different exams. In my company there

are three people taking exams, so some of us are pushing towards making attainment of the ASA a requirement for becoming a member of the association. With the new standards for the ASA level, which are stricter, there's a lot of resistance. People believe that if we impose those restrictions, it's going to be very difficult to get new members.

There are some important changes in the market in Columbia right now, and it really came from the banking side. Recently, there was a new resolution in which the banks were required to do some basic measurement of interest-rate risk and liquidity risk. We didn't have that before. That has created more work and more possibilities for actuaries. Things like a market value of portfolios and asset securitization have become important issues. Some of the actuaries, like myself, are working in those fields. It's very important that we break from strictly insurance business and start looking into the financial sector because of the entrance of foreign banks. Other bigger banks in our countries are creating pressure on the interest margins, and that has created the need for banks to start working with more technical things.

In terms of pensions and health we had a reform in the past government in which we copied the model from Chile. It has not worked very well. Actually, the new government is solidly at the populist end, so the process towards privatization has started to reverse. The social insurance is gaining force again. It has a lot of reserve problems, and we think it's going to hit hard 10 or 15 years down the road. That's the direction in which the government is pushing. In terms of health they have something called the EPS, which are private, government-regulated providers of health services. It's part of the new reform of social security, and it is having problems. Apparently, the premiums that were set for the EPS are too low related to the services they have to provide.

We have been participating in the Pan American Association of Actuaries. We went to the meeting in Buenos Aires. In two years the meeting is going to be in Colombia. I hope we'll see a lot of you there. But there's one thing that makes us a little bit different. At a meeting in Argentina, there were 200 or 300 participants, and I had the feeling that maybe 150 were students from the university there. As such, I don't know how the association is going to grow in the next few years.

From the Floor: What kind of changes do you expect in the EPS?

Mr. Caro: The EPS had a big marketing front when the regulation came out. However, as with pensions, the government is trying to gain ground in the health area. What has happened is many of these companies have spent a lot of money in the process of setting up. There's a lot of uncertainty as to how their market is going

to grow. The EPSs are closing the opportunities for the traditional private health insurance companies.

From the Floor: Is there anything you or anyone can do to start an actuarial program at the universities?

Mr. Caro: We have been discussing that in the Society. Although our Society has few members, we meet quite regularly. We have two purposes for our meetings. We try to keep track of what the government is doing and give recommendations to the government. The other part is the education process. However, I have the feeling that the problem is a lack of teachers. We have very few members. Some of us believe that it's better to start working with the exams. As a result, people who study computer science, mathematics, or economics can get the right training through the exams. It's very difficult to set it up in a university.

Mr. Bugg: Rick Geisler is our ambassador in New Zealand.

Mr. Richard J. Geisler: The New Zealand Society of Actuaries admits members not by examination but by membership in other organizations. There are 120 members, 7 of whom are Fellows of the U.S. SOA; 22 are Associates, primarily of the Institute of Actuaries and Faculty of Actuaries in the U.K. and the Institute in Australia. Most students are taking the Australian exams now. They are switching from the U.K. to the Australian exams. I think it's primarily because of the valuation material that's so important for the Australian market. Most of our companies in New Zealand are subsidiaries of the Australian market, as opposed to the U.K. market.

There are more than 20 life insurance companies operating in this small country. In terms of new business premium, there is only \$500 million in premium. Much of that is single premium. One billion dollars of annual premium is in-force. There are many companies operating for a small number of dollars. I went to New Zealand about three years ago, after about 25 years in corporate life insurance companies, when my wife was offered an opportunity with M&G, now Swiss Re. I had no difficulty finding consulting work. I had 1 client, but it was a client that I visited every day for 18 months, and if you have one of those clients, that's pretty good. The only trouble is the IRS begins to wonder about whether you're an independent consultant. Then I took a position with National Mutual Life Association, a life association headquartered in Melbourne. We also have a branch in Wellington, New Zealand. We are full-service, except for systems, and we do not do the valuation. My particular role is the marketing actuary. I'm doing product development pricing.

In New Zealand the most interesting thing that's happened in the last year is the debate on compulsory superannuation, a compulsory pension. In 1994, the

government had an accord with the two major parties at the time that the pension problem (providing retirement benefits to an aging population) would be solved by reducing the reliance on the government-funded plan. People would be encouraged to provide their own retirement plan. Much effort was put into education and getting people aware that they would have to provide for their own retirement. That accord, which was supposed to last until the rivers dried and so forth, didn't last very long.

The new coalition government came in and decided there should be compulsory superannuation, and the debate began about what type of plan would be the best. The government looked at the Chilean and Singaporean models, among others, and proposed in July a plan that would require a tax that would start at 2.5%, I believe, and eventually get to 8%, funded by tax cuts in other areas. They were not called taxes; instead they were called compulsory contributions to individual plans. Everyone would have their own account, which they could manage and move between fund managers. These would be privately run funds. The government wouldn't run the funds.

Insurance companies and financial planners saw this as a great opportunity, of course, but from the beginning, it didn't look like it would go very far. One of the highlights of the plan was the individual control. The money was invested with these individual accounts and the person would have a choice among private qualified plans. The other interesting thing was that they were defined-contribution (DC) plans. Once the individual got to retirement age, which was 65, if that person was disadvantaged in any way when it was annuitized, the government would top it up. Female annuities would be topped up to the male annuities. If the person was unable to contribute due to his or her economic status, that would be topped up to the minimum amount. There were no tax incentives to save. The vote, which was a postal ballot, had tremendous participation and was defeated as we expected. The size of defeat should have brought the government down, but I believe it is still operating. It was defeated 93% to 7%.

They're trying to make a level playing field in the tax area between banks and insurance companies in tackling the problem of how to tax life insurance, particularly conventional life insurance, so that it's not disadvantaged or advantaged. There are some proposals that have been made to the government. The government made some counterproposals back to the industry, so we'll see how that comes out.

From the Floor: To what extremes do you have defined benefit plans and DC plans, and how has that changed in the last five years or so?

Mr. Geisler: Because the tax situation does not favor or has no incentive for pension plans, these have not grown. They're primarily DC plans, but I don't know the percentages.

From the Floor: Is an asset analysis required as part of the valuation process?

Mr. Geisler: It's not required, but most of the companies have headquarters in Australia, and the proposals have been to use margin-on services. That hasn't actually been agreed to yet, but my particular company, as most of them, has adopted margin-on services for the valuation. It's not the valuation law, however.

Mr. Bugg: At this time last year one of the issues that was facing the Society and the International Section was a question about our involvement in the Far East. Under the prodding and direction of Yuan Chang during the last year, an Asia Committee has been put together. A business plan was presented to the Society's Board of Governors. As a result, the Society has plans to open and staff an office in Hong Kong. Patrick Cichy has been selected and hired for that staff position, and we're pleased to have him with us. Patrick is prepared to tell us a little bit about what he anticipates doing in that role. Patrick could you also share a little bit about your background?

Mr. Patrick Cichy*: I'll be flying to Hong Kong shortly to open up the representative office, tentatively planned for the third week of November. I spent the last several months working at the Society office with Linden Cole. I'm learning about the past work we've done in Asia and getting background on current and future projects there. I've also worked with the various departments, such as exams, study notes, books, and continuing education, to be able to address certain questions that I'll get in the office. I have a degree in communications, and I've worked in various departments at the Society. I started in public relations and then went to publications and spent some time working on The Foundation.

The representative office is going to be initially located at the Met Life office, where I'll be able to work with Yuan Chang who is chairperson of the Asia Committee. He's also the chairperson and CEO of Met Life Greater China Operations. He is now just finishing up his term as vice president in charge of International Practices. I'll also be able to work with Wang Chung, who is a member of the Asia Committee and director of Met Life's Greater China operations. I will be the only staff member and act as a liaison to the home office. My primary responsibility will be to provide support for the Asia Committee. Their objectives are to act on behalf of the Society in promoting actuarial education in Asia and to provide service to our members in the Asian region in the development of actuarial education, research, and

* Mr. Cichy is SOA Staff Liaison in Kowloon, Hong Kong

professional support. I will also help to build the image and awareness of the profession in Asia.

Right now there are many prosperous countries and soon-to-become prosperous countries. With recent developments, they might be "soon-again-to-become-prosperous countries." Their financial security programs are in a developmental stage and sometimes chaotic. We need to help determine the roles actuaries play there and also how they're viewed by their governments. We currently have more than 600 members living and practicing in the region, which is the largest number of members in any region outside of the U.S. and Canada. We never anticipated having so many members, but because of this growth, we need to help them plan for new programs and initiatives there.

The first objective is to promote actuarial education in Asia, and we began that in 1987 when we signed the agreement with Nankai University in Tianjin China to help support a graduate program in actuarial science, which has helped to encourage other universities in China to begin their own undergraduate and graduate programs in actuarial science. We're now beginning our fourth cycle of the agreement and are continuing to send members there to teach the Associate-level courses. Dominic Lee, a member of the Asia Committee, has taken the initiative to promote actuarial education by establishing the American Insurance Association (AIA) Fudan Actuarial Center, which provides financial assistance, study materials, and correspondence courses for the students at Fudan University in Shanghai. AIA has also gone on to establish another center in Guang Xi at Nankai University.

The Asia Committee is currently organizing projects, including the Virtual Tutorial Center, which will be a question and answer center on actuarial issues in the region on everything from exam questions to operational issues for insurance companies. This will be supported by volunteer SOA members, and it'll be virtual in the sense that questions will be answered through a possible newsletter, faxes, and e-mail. We're also planning on establishing SOA reference centers in strategic locations throughout Asia to provide Society publications for students, educators, and other decision makers. Some proposed projects include newsletters, experience studies, actuarial research, conferences and seminars, and adding an East Asian specific course at the Fellowship level.

The second objective of the committee is to provide service to our 600-plus members. We'll be able to provide a more convenient service to them so they don't have to call the Chicago office in the middle of the night and ask an exam question or ask about meetings. Hong Kong is 14 hours ahead of Chicago time. There are also many exam centers throughout Asia. Right now there are six in China and they've been having phenomenal pass rates. The pass rates for

Associate-level exams have been almost double the pass ratio for the same level exams for the rest of the world. We'll be able to help provide support for these exam centers, where there are hundreds of students taking exams. In May 1997, 700 candidates sat for Courses 100–165, and 207 candidates sat for Courses 200 and above.

Another service that the Hong Kong office will provide is to help arrange visits for actuarial VIPs in the area.

The third objective of the committee is to build the image and awareness of the actuarial profession. The profession is not well-understood by the nonactuarial community in the region, and even if they do know actuaries, they may not be aware of the full extent of actuaries' abilities. The representative office will be able to provide information for them and to carry out their objective there.

I'm very honored to be a part of this time of growth and extension for the actuarial profession and the SOA. We welcome your ideas and suggestions for new programs and initiatives in this region.

From the Floor: Will you be indirectly handling the Republic of China also? I mean will you be a representative office for that entire region?

Mr. Cichy: Yes. It's going to cover all of Asia. Hong Kong is just centrally located. There seems to be a large percentage of members located in Hong Kong and also in Taiwan and Singapore. Many of the members on the Asia Committee are located in Hong Kong.

From the Floor: Are the opportunities primarily or entirely in insurance companies or are there other opportunities?

Mr. Cichy: China, in October 1995, passed their first insurance law, which required general and life insurance companies to hire an actuary. The area of issuing new licenses for insurance companies to operate there seems like a place where there is a lot of potential.

From the Floor: Will you provide service to Indonesia, Korea, and the Philippines?

Mr. Cichy: Yes.

From the Floor: Patrick, will you be working with the ambassadors, particularly the one in China?

Mr. Cichy: Yes. And with other ambassadors in the area.

Mr. Bugg: Dominic Lee, the individual who Patrick mentioned, is ambassador in Hong Kong.

From the Floor: There also was a Chinese Actuarial Association (CAA) that's organized to the extent that papers are written, but they haven't done much else. I hope the Asian Committee might work with them to get them to coalesce a little bit to develop a code of professional conduct.

Mr. Cichy: That's also another project that they have planned to help support.

From the Floor: Patrick, do you have a personal background in this region?

Mr. Cichy: Somewhat. My mother is from Hong Kong, and I have a lot of relatives there. I'll be staying with relatives and learning where a more affordable place to live is, if one exists in Hong Kong. I do not know the language, but I have an ear for it from my mother speaking it and I plan on taking language courses there.

From the Floor: I was lucky enough to lead a group of actuaries to China last year. We met with a number of the students who had won prizes in the mathematics exam. As you may know, all six prizes were won by mainland Chinese students last year. We were surprised to find that, without exception, the objective of all the students who we met was to come to the U.S. My particular view is there are far more opportunities in China than there are in the U.S. because the U.S. insurance industry is relatively mature, while it is emerging in China. Are you going to do anything to keep those people in China where they're really going to be able to do some good?

Mr. Cichy: I will try working with the Asia Committee to help accomplish that. The Nankai University program was set up to have more people educated so that they can teach in China. I guess the university salaries aren't quite as high as the salaries paid at the insurance companies. Once there's a greater demand, with more foreign and other insurance companies established in the region, there will be more positions open and more incentive for these students to stay in China.

From the Floor: Perhaps you know there is a man in Wisconsin getting a Ph.D. who I believe intends to return to China in a teaching position.

From the Floor: I think probably the next stage in China is to develop the Chinese internal examinations in the Chinese language, which will be an extension of what's happened up to now. Perhaps that'll create less incentive for people to leave China. The International Actuarial Association (IAA) and the IFAA are planning to have a meeting in China in the not-too-distant future to try and assist in the process of establishing the actuarial profession there. The CAA, as Harold said, is only on

paper. It really exists only to the extent that the ASAs are supposedly members of that organization, but it doesn't do anything. It has been moved from Beijing, from the Chinese Insurance Institute and the People's Bank of China, to establish an actuarial professional body that will be throughout China and include people who qualified through other groups as well as the SOA. It is still in a very early stage. I'm hopeful that the Asia Committee will cooperate with other international organizations and the institute and faculty in supporting the growth of the Chinese profession as such, which is where we need to be working.

Mr. Cichy: Another objective of the Asia Committee is to help the local societies develop their own member services so that they won't have to be as dependent. The Society, the IFAA, and the Institute can help them develop their own services in their association.

Mr. Bugg: I know that all of the members of the Society, and particularly the International Section, will follow with interest, the developments in that area and the work that you will be doing.

Another issue or activity that we've had interest in during the last year is developments with the IFAA. As Walt says, the IFAA is an association of associations. Walt Rugland is the current chairperson. Walt, could bring us up-to-date on the most recent activities and perhaps comment a little bit on the reorganization or the reverse movement between the IFAA and the IAA? Maybe you could also comment about what that organization means to us as members of the Society and the International Section.

Mr. Walter S. Rugland: The IFAA is in its third year, and this is the year that I am chairperson of the committee. You may wonder, why do you call the governing body the committee? That's because the IFAA is a section of the IAA, and sections of the IAA are governed by committees. The IFAA committee is made up of one delegate from each accredited member of the IFAA. There are more than 40 accredited members of the IFAA, and each delegate carries a certain number of votes depending on how large the association is that he or she represents.

The actual subscription fee for each association depends on the number of fully qualified members, and it's for each association to define what fully qualified members means. For example, in the SOA, fully qualified means Fellow. For the AAA it means all the members of the Academy. You can quickly realize that the Academy has the largest bill because they only have one type of member.

The IFAA has developed quickly and with reasonably good success. The question is, would we be creating one if we hadn't created it? The answer is yes. As soon as we created it three years ago, we realized there were lots of things happening which needed to have an international actuarial interface. At the top of the list were

activities of the International Accounting Standards Committee (IASC), where efforts were underway to develop accounting standards for use by corporations that wished to list their shares on multiple stock exchanges. The IASC began to deal with some actuarial issues, with respect to pension reporting as well as financial institutions and insurance reporting. It became very apparent to us that we needed to interface actuarially with the accounting standards writers, and that has been heating up over the last year. There was discussion about that at another session, so I won't get any further into that.

We also have taken the initiative to establish relationships with a new organization, which is now in its fourth year, called the International Association of Insurance Supervisors (IAIS). Christopher Daykin and I went to their meeting in Australia in September. Chris, being an insurance supervisor, was there with his other hat on, but he had managed to put together a panel at a general session to talk about the responsibility of actuaries. I, with other regulators, described the opportunity that regulators had around the world to tap into the actuarial profession and to utilize the professional platform that actuaries were creating with the IFAA. We are on the verge of setting up an interface group with the IAIS. They have a technical committee that is charged with coming up with some guidelines for technical supervision. John Thompson is the new chairperson of the IAIS, an actuary, and a supervisor in Canada. He has indicated that he wants us to be involved in their technical committee. We've also had some discussion with the social security actuaries about having more of an interface. We are also setting up a subcommittee within IFAA to take advantage of that relationship. Chris, can you think of any other major things? Chris Daykin was my predecessor as chairperson.

Mr. Chris Daykin: I think it's important to all of us and to the SOA that we have an international professional-based actuarial association. It occurred to me when I was President of the SOA that the SOA membership, Fellows and Associates together, made up over half of the actuaries in the world. It also was apparent to me that actuarial activity and actuarial contributions around the world were growing instead of declining. There were many places in the world where people needed our skills, and, as SOA members, we were in a position to provide those skills. I expressed that the SOA needed to position itself to be an exporter of actuarial skills. That doesn't mean we all have to move to other areas, but it means we have to break down barriers so that members of the SOA can, in fact, solve the problems that need to be solved around the world where actuarial skills can be set.

So if we were going to become an exporter of actuarial skills, in my mind, it meant we had to also be ready to be an importer of actuaries. At that time, if you would have gone around and asked, "Are you ready to accept as a member an actuary from XYZ country?" the answer probably would have been, "No way. They have to go through our 10 or 30 hoops to be a member of the SOA." What was missing

was a recognition of the know-how of the profession around the world. In order to export you must be ready to import. What must you have in order to be willing to import? First, you must believe that the importee has a reasonable education and competency in actuarial skills. Second, they must come from an area where there is a professional platform, with a code of conduct. Third, they must come from an area where they can be disciplined if they misbehave with respect to that code of conduct.

The only way to deal with that was to create a worldwide association where we could rely on: (1) our code of conduct, (2) a discipline process that was effective, and (3) an educational basis that had been defined and could be articulated and relied upon. We needed to be assured that, throughout the world, people had a common educational basis, whether it was university-based or exam-based. I think that's why it's in the best interest of the members of the SOA to have this effort succeed and thrive.

Paul McCrossan was the major driver of this effort. It's interesting to me that when we started to propose it and work on it, there were many organizations around the world that were small club-like organizations that essentially didn't have codes of conduct. They had congresses or meetings where they gathered together and talked about topics. One by one, with the Japanese leading the way, they converted themselves into professional organizations. We need to really keep in mind that, for the Japanese, this was a major undertaking. In Japan, in order to have a code of professional conduct for an association, it must be approved by the government. The association in Japan did that. In order to get the discipline process in place, they had to go back to the government and have them approve it again. They did it once, and we didn't think it was good enough. They missed a couple of points. They took it back and got it fixed, and as that example gets discussed around the world, organizations are moving from being a technical association to a professional association.

At the IAA meeting three or four years ago, when the IFAA concept (the association of associations) was first discussed, I think Malcolm Murray, the President of the Faculty of Actuaries at that time said, "We've got it wrong. We really need to change the IAA from being an association of 6,000 actuaries to an association of actuarial associations, which can be the basis of this professional platform." He was really ahead of his time. That was noted, but then we proceeded to establish the IFAA as a section of the International Association. One of the issues that the IFAA brought up was the location of the secretariat. Where should the IFAA have its office? It would have to have a paid staff to manage the communications and basically manage the agenda of the IFAA. The IAA secretariat was essentially a volunteer organization in Brussels, so it was determined that the IAA needed to really think about where its secretariat should be for the 21st century. When the decision on the IAA secretariat is made, we will put the two secretariats together.

In September 1996, a committee came back to the IAA council and said that the secretariat should be in Ottawa, so it was determined at that time that the secretariat for the IAA and the IFAA would be in Ottawa beginning in September of 1997. That same committee said we really need to rethink what Malcolm Murray said. We need to think about whether the IAA and the IFAA are positioned correctly or whether they should be the other way around. The council said, "Think about it some more and come forward with a proposal on the idea of whether there is to be any change." Any change would be enacted at the International Congress of Actuaries in Birmingham in June 1998. That's not too far from now.

At the meeting in Brussels of the IAA council last month this committee reported back that it agreed that the relationship between the IAA and the IFAA should be reversed. It enunciated some proposals as to how that should happen. The discussion of the actual documents is still ongoing. There has been agreement that the IAA as it would be structured after June of 1998 would essentially look like the IFAA. The characteristic that I see in the IFAA as it is today is that it is unlike any other actuarial association that we belong to. It is an association of associations, and as chairperson of the Governing Committee of the IFAA, my job is completely different from what my job was as President of the SOA. When I was President of the SOA, I set an agenda, I kept track of things, I was a spokesperson, and I was responsible to members. Everybody asked about my agenda for the Society and I had one. My role as chairperson of the Governing Committee of the IFAA is to basically facilitate, to make sure that the associations are, in fact, governing the IFAA and there are no hidden agendas. There cannot be a little club somewhere working on things. There must be an open process. We must retain the fact that every association can have a delegate on any working committee, and associations must have time to approve or to examine actions to be taken. The delegates to the committee are, in fact, delegates who are instructed on how to vote; therefore, we have a completely different orientation of how this association of associations works relative to any one of our own associations. That's the structure that needs to be preserved in the new IAA if it takes over the responsibilities of the IFAA. Some of those rough edges are still being discussed and still being worked out.

It may or may not emerge in Birmingham as a proposal. My hope is that it can emerge as a proposal and be acted on and accepted because I think the profession is ready to have an international, global association that's governed by its own associations around the world. We have the only professional global association that exists with a common code of conduct throughout the world. We need to leverage off that. It's the only way we can deal in the global economy. Because we are so small, we must be together. We must be unified, and we must rely on a professional base above all else. That's my personal mission and why I think this is so important. I would encourage you to do whatever you can—especially if you're

overseas from North America—to get your local organizations interested and to understand what the IFAA is all about.

To join the IFAA as an accredited member, an association must have a code of conduct in place that is consistent with the code of the Groupe Consultatif in Europe or the uniform code in North America. It's easier to understand the concepts from the Consultatif Groupe code in Europe, but we have a table that says what all should be there, and any organization can adopt the code. Also, to be a fully accredited member you must have a discipline process in place. The discipline process must be written. There must be a way for a member or a user of actuarial services to make a complaint. The actuary who has been complained against must be able to defend himself or herself. There must be an appeal process. And, there must be a set of penalties on a sliding scale that would be appropriate for the different transgressions.

The last big item for an association that wants to become an accredited member is that if the association promulgates standards of practice, that promulgation practice must be open to exposure, discussion, and publication.

The example I always use is that you can't have a bunch of actuarial leaders get together in a corner of the country and suddenly promulgate a standard of practice that would cause half of the actuaries to be in violation and, therefore, need discipline. That's not unrealistic. That could happen in some places, but it's not professional to do that. The other thing is that the association must embrace the study that's ongoing with respect to actuarial education. We're trying very hard within the IFAA to define guidelines for actuarial education that could be articulated in terms of a syllabus (whether it's applied in a university setting or in an examination setting) and to seriously pursue that with the IFAA to participate and to basically take those guidelines seriously with respect to the future education and qualification of members of each organization.

Mr. Bugg: This past August, the Australian Society had their centennial meeting, and we sent a representative, Bob Katz.

Mr. Robert L. Katz: We had hoped that Trevor Matthews, who's the President of the Institute of Actuaries of Australia, was going to be here, but he may be recovering from what, to me, was the highlight of the meeting. At an outdoor dinner, Trevor was unceremoniously dumped in the swimming pool. The meeting was, shall we say, about as different from an SOA meeting as you could imagine. There were two black-tie dinners, which is certainly very different from the Society meetings.

Also, the meeting style was quite formal. All of the topics had papers that were written in advance and distributed to the meeting attendees. You were expected to have read the papers before you attended the session, and at the various sessions

there would be speakers. If you wanted to make comments, you had to sign up in advance. You would be recognized in the order in which you signed up. There was a little bit of opportunity for some discussion. For the most part, it was much more formal. They told me that every other meeting is formal. The interim meetings are less formal.

Another difference is they had very strict time limits on speaking, and the chair of each session had a little gong. When the speaking limit for one of the main presenters or someone from the floor was up, the chair would literally strike the gong to stop the discussion. I can speak from experience on that, although I must say I did get one interesting opportunity to comment from the floor regarding the World Bank.

The World Bank is not one country, one vote, by the way. We do happen to have representation by share ownership of the member nations. The United Nations' general assembly is one country, one vote.

There was a session on modeling, and the presenters who had done some extensive modeling were talking about the building of models and how they worked. One of the people in the audience decided to say that modeling was fine, but it didn't always work. She proceeded to debunk the World Bank's work by saying that they used models, and all their projects had failed. I felt rather obligated to get up and suggest that the World Bank had done a little bit of good. I think the members in attendance probably appreciated that.

The Australian actuarial profession is relatively small, at least in absolute numbers, compared to the U.S. actuarial profession. About half their membership was represented at this annual meeting which I thought was very impressive, but some members of the older generation of actuaries told me that the profession had really grown so much that they didn't know everyone anymore. A few years before, every single member of the profession knew one another by first name and what they did. Almost everyone went to their meetings. It was a really interesting experience. Those of you who perhaps haven't had the opportunity to attend a meeting of another organization, I would certainly suggest that you do so because I found it to be a fascinating experience.

Mr. Bugg: Next year will be, as I understand it, a very special year for the British Institute of Actuaries. Duncan, I wonder if you'd be willing to step forward and tell us a little bit about the significance of 1998 and some of your plans.

Mr. Duncan G. Ferguson: The Institute of Actuaries was founded on July 8, 1848. We are now in our 150th year. We'll be celebrating throughout 1998 and, in particular, on July 8. The Institute has always been an international body. We're

based in the U.K., but at the moment 30% of our members live and work overseas, and that's pretty typical. It's been that way for most of this century and much of the last century; it's true of students, active working members, and retired members. It first happened when British insurance companies started working abroad. Institute members followed them and worked overseas. Then, as countries had a large enough actuarial population, they formed their own local associations. I'd like to think they always formed with our help, encouragement, and support. Then students studied with the local associations and separated from the Institute.

In recent years we've been actively supporting a number of the developing countries, particularly in Eastern Europe. We also have our program in China. We are helping other countries to form their own actuarial associations. We provide assistance with their education programs and welcome students from developing countries as members of the Institute. As such, we're a very international body.

For our 150th year, the emphasis will be on promotion and publicity and raising the profile of the actuarial profession. We have a slogan: "Actuaries make financial sense of the future," (for those of you who don't have a nice, snappy answer to the question, what do you do?). If you read *The Actuary*, you know that Dave Holland has picked that up as an idea in response to his request for suggestions on how we can summarize what we do.

There are a lot of activities planned for our 150th anniversary. There is the congress in Birmingham, and we are publishing a book. There's an exhibition that will be displayed at a number of events around the country as we raise the profile of the profession. It's the 150th anniversary of the profession that we're promoting, rather than the 150th anniversary of the Institute. The highlight will be the International Congress in Birmingham. I'm sure it's going to be a successful congress. Why Birmingham? There is no conference center in London that is large enough and has all the facilities for running a big international congress with lots of breakout sessions and so on. Birmingham does have that facility. We have 1,200 people provisionally registered for it at the moment. I couldn't help noting that Walt said North America has half the world's population of actuaries. Only about 10% of the provisional registrants for the congress are from the U.S. I do hope that number is going to increase between now and 1998. When I talk about America, I mean the U.S., Canada, Latin America, and, of course, the Caribbean.

There's a lot of publicity for the congress that has gone out in detail. It's going to be an active working congress with a lot of breakout sessions and very few plenary sessions. We've already had 250 papers written or promised, and there's going to be an active social program as well. It's going to be a good congress, and I do hope that you will all come.

Our home is at Staple Inn, which is in London. It's quite an old building. It goes back to the beginning of the 17th century. There has been a building on that site

dating back to the 12th century. It has been our home since we were formed and got our royal charter, but I noticed that the Actuarial Society of America was founded in 1889, and that is the year that we moved into Staple Inn. It has been our home since then. We're absolutely delighted to know that the SOA is giving us a stained glass window to go in Staple Inn, and we're having a little gift-giving ceremony. That window will be unveiled at Staple Inn just before the congress.

Mr. Bugg: I'd like to give Chris Daykin a chance to say a few words to our group.

Mr. Daykin: Bill said to me, "Perhaps after all the other people have spoken, you could come up and deal with all the countries that haven't been mentioned."

Walt has already done a great job on talking about the IFAA. One other aspect I would mention about the IFAA and the IAA is the role in assisting new associations. We have an Advice and Assistance Committee that has been quite active in responding to requests from associations that want to convert themselves into professional bodies and from actuaries in countries where they don't even have an association yet, but they would like to begin.

In conjunction with the IAA fund, which was established by the IAA to assist with the development of the actuarial profession in other countries and is directed by Max Lacroix, in conjunction with Jim MacGinnitie and me, all from the American associations, we've had three international meetings to assist in the development of the profession, particularly in Central Eastern Europe and in East Asia. Two of the meetings took place in Central Eastern Europe and one in the country of Belarus in the city of Minsk. We're planning another of those meetings in Riga in January of 1998 because the Central Eastern European region is perhaps one of the fastest-growing regions for professional bodies. In the last five years there have been new actuarial associations established in Hungary, the Czech Republic, Slovakia, Poland, Bulgaria, Croatia, Latvia, Lithuania, Russia, Belarus, and the Ukraine. There are probably some others that I've missed. Those bodies are making rapid progress. Poland is among the leaders because it was one of the first to be established. Hungary has also made very good progress. A joint meeting is taking place between the IAA Fund and the IFAA in January. We're planning to have a similar meeting in China as well, which will be the follow-up to a previous meeting in Asia that was held in Singapore a couple of years ago.

I think the IFAA is particularly keen to encourage all of these new associations in their development. There's not time now to say more about those opportunities, but I would encourage any of you who are involved in the actuarial profession or industry development in any of those countries to support the local associations' development. I think that's the note on which I would like to end. I think it's encouraging that the Society has members in so many different countries, and that

there's an International Section that is so active. I would encourage you to play your role as facilitators of the national associations in all of these countries and to encourage the growth of professional bodies in each of the countries around the world so that the actuarial profession will be established and will grow and will be able to play its role in all of those countries.

Mr. Bugg: Chuck Bentzin is in our group, and he noted earlier that he had the privilege of leading a group of actuaries to China in October of 1996. Can you tell us a little bit about what you did on that trip?

Mr. Charles G. Bentzin: It was a very interesting trip. We had a group of 15 actuaries and 5 others who accompanied them. The actuaries were from a number of different countries, including Canada, Greece, and the U.S. They had various interests. We had two people from a major U.S. life insurance company that had already established a representative office in China. As those of you who are attempting to get into China know, you're supposed to have a lot of good works there before they allow you to come in. We put on a reception and did some other good works. We had some actuaries from the U.S. who were originally born in Singapore, Taiwan, and mainland China. I believe they were going back to see what was going on in the Chinese area, and they were of immense help, particularly in translating the technical language. While we had translators there, they weren't very good at technical words like entry age, normal cost, level premium funding, and so forth.

Everyone had a very interesting time. We were able to meet with the regulators. We went to three cities, Shanghai, Tianjin, and Beijing. We also met with the university people in Tianjin. We found out that in Tianjin, particularly at Ping An Insurance Company which had an operation there, the actuaries were as anxious to hear from us as we were to hear from them. We ended up with an extra afternoon, so we set up a special consulting session with them where they asked a whole series of questions, which we answered as best we could.

We also met with the regulators at the People's Bank of China in Beijing. We found that a couple of them were ASAs, graduates of the Tianjin program, and very interested people. They took very careful notes on what we were doing. We were uniformly impressed with the very high quality of the actuarial students. All six of the cash prizes that year had gone to mainland Chinese students. I sort of joked with them that they ought to take it easy on us Americans who aren't able to write exams as well as they can.

If you ever have an opportunity to go to China, I encourage you to go because it's a real opportunity to talk with industry and government leaders who you simply wouldn't have an opportunity to talk with otherwise.