



SOCIETY OF ACTUARIES

Article from:

International Section News

February 1999 – Issue No. 18

Editor's Notes

by Kevin M. Law

This issue of *International Section News* is arriving later than was planned, as the original publication schedule would have resulted in the newsletter being mailed a couple of months earlier. However, on the intended date for finalizing the material and beginning the printing and newsletter production process, the quantity of available articles was much less than for prior editions. Therefore, it was decided to postpone the issue for a few weeks in order to acquire additional articles. Fortunately, we were successful in obtaining a sufficient quantity of material to permit proceeding with this edition. Thanks are due to the Section Council members for their assistance with this endeavor.

The purpose of pointing out this delay to the membership is not to offer excuses for the time elapsed since our last publication, but rather to attempt to encourage Section members to submit articles for publication. Our membership is involved in many diverse aspects of international insurance, investments, healthcare financing, employee benefits and social insurance programs. I am certain that the international experiences and knowledge of many Section members could potentially form the basis for interesting and informative articles.

It isn't more difficult, I believe, to write a newsletter article than a typical business memo or report of about four to five typewritten pages. Since in the great majority of situations the author is already quite familiar with the topic as a result of his/her work responsibilities, there is little or no additional research required.

So, I'm asking Section members to share their experiences and thereby assist in producing future newsletter editions at more frequent intervals. Please identify an international topic within your areas of expertise, organize your thoughts on paper (actually in an electronic word processor format—Microsoft Word preferred), and e-mail

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Hong Kong Ambassador's Report

by Dominic Lee

The period of this report covers the 12 calendar months of 1998.

Designated Roles

Dual roles that I assumed during the reporting period were

- the Hong Kong Ambassador of Society of Actuaries (SOA); and
- the Chairperson of the Education Subcommittee, Greater China Committee (GCC) of SOA.

Objectives of the 1998 Activities

The primary objectives of the 1998 activities launched in China were:

- to promote the presence/image of SOA and to enhance the relationship already established in the past with related organizations
- to promote actuarial education in China

Projects Achieved

China remained the main focus of attention in 1998. This decision was made as continuous efforts are necessary to sustain the momentum and deepen the impact that has been effected in China by different SOA personnel in the past period.

An account of the various projects achieved in the year is summarized in the following paragraphs.

The First Fellow of the Society of Actuaries (FSA) in China

The most exciting event in the actuarial development in China is the attainment by Wei Ming Bo as the first FSA who obtained his designation through examination conducted in China. Bo got qualified after sitting for the spring 1998 examination in the Shanghai Examination Centre.

Bo started his SOA examinations in 1994 when he was a student of the Fudan University and the AIA-Fudan Actuarial Centre in Shanghai. After he graduated from the Fudan University,

he joined the American International Assurance Company (AIA) wherein he continued with and completed his examinations.

Subsidy on examination fees

Up to the present moment, students from the University of Science and Technology in Keji, Anhui Province, China had participated in four rounds of SOA examinations. For the first three rounds of examination, five \$200 awards and three \$100 awards were won in the Examination 100 Contest for university students. This is indeed very impressive performance. Sponsorship is provided by AIA for students taking the latter three rounds of examination, while the first round of examination was sponsored by Yuan Chang out of funds from the SOA.

Setting Up the Shanghai Actuarial Profession Committee

The Shanghai Actuarial Profession Committee, a subcommittee of the Life Insurance Institution of Shanghai, was set up in July 1998. The Committee was chaired by Professor Hanji Shang of the Fudan University. Members of the Committee came from a number of universities and also some insurance companies. Its goal is to provide a forum for exchange of views among professionals and personnel of related disciplines. Yuan Chang and the Ambassador are among the honorary advisors.

Howard Bolnick's Visit to China in September 1998

Support was provided to SOA President Howard Bolnick to materialize his goodwill and promotional visits to China in September 1998. The SOA delegation, headed by Bolnick, officiated at a book donation to the Preparatory Committee of the Actuaries

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Association of China (AAC) in Beijing. A fruitful exchange of views on the indispensable role played by actuaries in the insurance business was also conducted with members of the Preparatory Committee.

Subsequently, visits were paid to the Remin University of China, Beijing, and the Nankai University, Tianjin. The main purposes of these visits were to strengthen the rapport that had already been developed and to introduce the visions of the SOA in the coming year. Positive response was received from the universities.

September 1998 Seminar

After the trips to China, Howard Bolnick came to Hong Kong to participate in the impact of Asian financial crisis on the insurance industry Seminar organized by the Asia Committee. Speakers included several actuaries practising in Southeast Asia and other professionals working in this field. Participation was most enthusiastic.

Establishment of Committees

While in Hong Kong, Howard Bolnick held a meeting with the Asia Committee. Strategies were mapped out in this forum to meet the various needs identified during the meetings with Chinese university staff. The ultimate aim was to expedite the development of actuarial education in China.

Since the setting up of the Asia Committee in 1996, there has been much deliberation on the scope of business that should and could be taken up for focused attention. Finally it was decided to split this committee into two: one being the Greater China Committee (GCC), which is to be based in Hong Kong, and the other, the Southeast Asia Committee in Kuala Lumpur, Malaysia. K.C. Chan acts as the Chair for the GCC. Its sphere of interest would include China, Hong Kong and Taiwan. (*Editor's Note: The GCC is now known as the China Region Committee*).

The establishment of the GCC opens up an even closer relationship with China at large and in particular with the Nankai University in Tianjin. The GCC has been asked to oversee the Nankai actuarial education program—a project initiated and involving the SOA for more than 10 years.

The following issues were also considered in the meeting with Howard Bolnick:

- Subsidy for examination materials and fees for students in developing countries
- Subsidy for teachers delivering actuarial courses in universities of these countries

the book contents. Comments were subsequently conveyed to the Preparatory Committee of the AAC in an actuarial conference held in Kunming, Yunnan, in December 1998. On that same occasion, views on the draft of the logistics of the Chinese actuarial examination system and other issues were also put forward for consideration. Overall reaction was encouraging.

November 1998 Visits to Beijing

In November 1998, visits were paid to the Central University of Finance and Economics and the Peking University. The purposes of these visits were to



Participation in Setting Up of the Chinese Actuarial Examination System

China has decided to set up as early as possible its own actuarial examination system to churn out actuaries locally. As a first step, a syllabus modeled on the SOA ASA examination requirements was drawn up, and six books were written in Chinese for examination purposes. A number of members of the GCC were invited on a personal capacity in September 1998 to work as consultants. They were requested to give comments on the drafts of the code of ethics of actuaries, the bylaws of the AAC and the contents of the examination catalogue; and to review the authenticity and the appropriateness of

introduce the SOA and to identify areas where the SOA could assist in the development of actuarial education in the universities concerned. The universities' staffs were responsive and the common need for internship program was identified. Details would be followed up by the GCC.

Teaching at Nankai and Remin Universities

At the requests of the Nankai University and the Remin University of China, a two-day lecture was delivered at each of the universities in October and December 1998 respectively. The subject taught at the Nankai University was related to the operational aspects of the actuarial profession in South East Asian

countries. The one delivered at the Remin University of China was about the practical aspects of establishing actuarial reserves in life insurance business.

In late November, 1998, Danny Chung, another committee member of the GCC, also delivered lectures to students of Nankai University on topics of pricing and asset/liability matching.

Internship for University Lecturers

While university personnel that internship in an insurance company will help greatly towards the teaching of the 200 series SOA examinations, it is difficult, if not impossible, to muster adequate support from the insurance companies in Hong Kong for this type of program. However, AIA, where the Ambassador is working, is supportive of such a need. Internship has been in place for Yuenian Yu, a lecturer from the Fudan University who has set a record in the SOA by passing 200 credits in the 100 series examinations in one sitting. A similar arrangement is already in place for Xiufang Li, an ASA and a teacher of the Nankai University. Through GCC's efforts, more internships might be offered to other universities in the future.

Concluding Remarks

On looking back, 1998 could be described as a busy and rewarding year. It is obvious that the availability of resources, both manpower and financial, is the key to achievements. The GCC will need resources to spearhead its ventures in China. SOA is hence requested to give staunch support in this area. The Ambassador of Hong Kong will strive to further promote the causes of the SOA.

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Poland Ambassador Report

by Henryk S. Walerys

In 1995 a licensing system was established through the introduction of changes to the Insurance Act of 1990. Candidates write four exams entirely based on SOA's exams: 110, 120, 140, 150, 151. The examination system is administered by the Ministry of Finance. Actuarial licenses are issued by the State Insurance Supervisory Office (PUNU).

Only a Polish licensed actuary may calculate mathematical reserves. In reality, he/she signs off on quarterly financial statements that are submitted to PUNU, as well as annual financial statements. Currently there are approximately 55 licensed actuaries.

The Polish Society of Actuaries was established in 1990. There are approximately 100 members, including both licensed and non-licensed actuaries. Meetings of the Society are very infrequent, mainly due to the very busy schedules of the actuaries working in the fast growing Polish insurance market.

Actuarial Education

The Summer Actuarial School has existed since 1990. The educational program consists of intensive actuarial courses for five weeks each summer during a period of three years. Most basic actuarial material is covered. The faculty is partially Polish and partially foreign actuaries from life companies and universities. Most of the guest faculty is European.

Some universities have started to offer basic actuarial courses. The most advanced is the University of Warsaw, where the actuarial faculty teaches at the Summer Actuarial School. The other actuarial centers are Warsaw Politechnical Institute, Warsaw University of Commerce, and the University of Gdansk. There has been some interest in the CD-ROM on the product development process sponsored by the Product Development Section. As a result, I would like to request three copies of this CD-ROM.

Changes in Legislation

On April 1999, new social security legislation takes effect. Three tiers of the system will be introduced:

1. Reformed pay-as-you-go system
2. Defined contribution universal pension funds as in Chile and Argentina. Premiums are deductible from both income and social security taxes. Benefits are taxable.
3. Additional group arrangements including life insurance based on the variable life concept. Premiums are not income tax-deductible but social security tax-deductible up to 7% of gross income. Benefits are tax-free and disbursed after the age of 60.

On January 1999, the amendments to the Insurance Act were effective, which allow foreign (OECD) insurance companies to sell insurance products in Poland through branches. The requirements to set up a branch in Poland are similar to those for establishing a fully licenced insurance company. However, the capital requirements to cover the solvency margin are lower (50%) due to a more thorough screening of the parent company in the country of domicile. The licensing process is said to take much longer, as it is currently expected to require from six to twelve months.

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