



SOCIETY OF ACTUARIES

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# RE: Kazakhstan Trip

by Norm Crowder

This is a brief report on the trip that three SOA members, Bruce Schobel, Jim Wiseman and I, made to Almaty, Kazakhstan during the week of September 1, 2003.

We were invited by the Actuarial Society of Kazakhstan (ASK) to conduct several seminars for their members and various government officials. This trip was financed by USAID through a grant to the Arizona-Kazakhstan Foundation. The topics of the seminars were pension/social security reform, role of the actuary in an economy, annuity pricing/ reserving and professionalism.

The ASK was started just over three years ago, with the active encouragement of the chief financial services regulator, the National Bank of Kazakhstan. Two SOA members, Mike Sze and Charles McLeod, helped them construct six examinations on basic actuarial topics over the last three years. Initially, the courses were taught by Mike, Charles and several others. Now, the teaching is being assumed by the local actuaries. There are currently 43 members of the ASK, of whom only two are fully qualified. Several members are considering the SOA exam process. There are currently 33 insurance companies operating in Kazakhstan, two are life and the rest are property casualty. The latter write a full range of personal lines and commercial property/liability coverages. There are also about one dozen pension funds licensed in Kazakhstan, including the required DC pension program, which is their current social security scheme. Almost all these insurers and funds are based in Almaty. This market is rapidly emerging as financial services take hold in Kazakhstan.

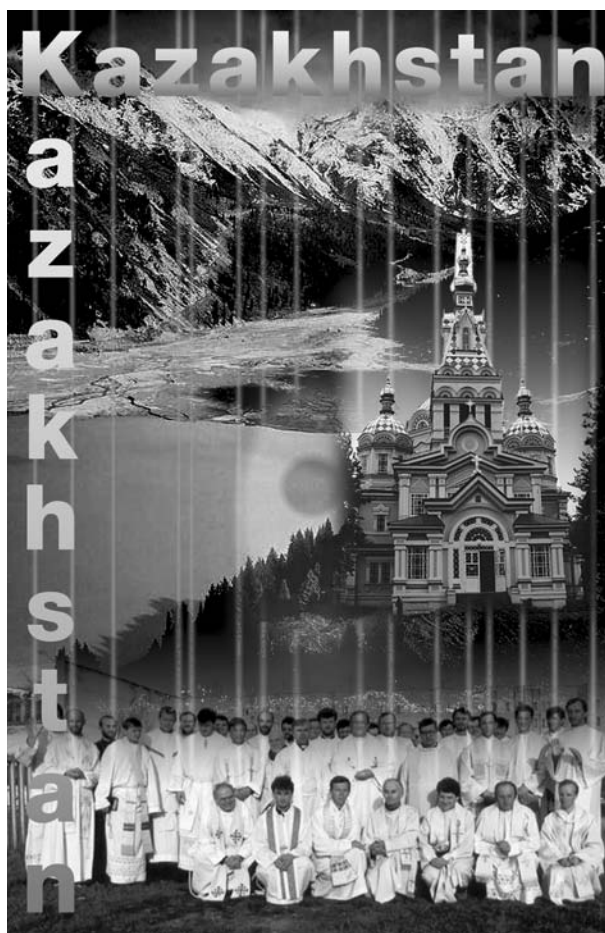
Almaty is a city of about 1.2 million people, a mix of Russian ethnics, Kazakhs and many other Central Asian people. It is seven hours flying time east of Frankfurt, near the border of China. We found the people and living

conditions friendly and warm. The ASK is eager and grateful for our expertise and input on how to grow their markets.

We expect that the cooperation with the Kazakhstani actuaries will continue. They have full access to the CAS and SOA Web sites, research and educational materials. The next mission to Almaty will probably be to conduct seminars on property/casualty pricing, reserving and related practices. In addition, we will be establishing Web site contacts on life, casualty, health and pension matters so that Kazakhstani actuaries can have access to North American advice and expertise. In addition, several ASK members will be coming to America for three-month internships funded by the Department of Commerce over the next year or two.



*Norm Crowder EA, FCA, FSA, HONFIA, MAAA. He can be reached at [nrmcrowder@aol.com](mailto:nrmcrowder@aol.com)*



2.5 times the level of average income per capita. Vietnam's results, seen in this light, are exceptional.

Other ways to look at the achievements of the life companies include their impacts on other industries and on the general economy. On the human resource (HR) side, Prudential is now the single largest non-state employer in the country with 40,000 agents and 2,300 employees. Prudential is actually shaping the local behavior for the entire financial service sector by importing international standards for HR practices and compensation. The impact on the capital market is equally dramatic. Prior to last year, the longest government bond available was five years. Prudential, through its large premium income, plays the leading role in creating a market for longer government bonds and currently accounts for almost 80 percent of all long bonds issued. Vietnam now has seven-, 10- and 15-year bonds. For the first time in its history, the country has a yield curve.

For my part, I would not trade my experience at Prudential—building a start up

without any country expertise into a large organization serving 1.5 million customers—or anything in the world. Vietnam has been a wonderful secret and for those fortunate enough to be part of it, it has been an extremely rewarding and fulfilling experience. There are not many opportunities in the world where an actuary can play a significant role in the opening up of an entirely new market, can work closely with the regulators to draft the insurance laws and regulations, can spread the insurance knowledge far and wide within an embryonic industry, can claim some credit for the creation of a yield curve, can create thousands of much-needed well-paid jobs in a developing country, can direct millions of corporate dollar to support worthwhile social and charitable activities and can play the role of a mentor to numerous bright young professionals aspiring to become the first batch of actuaries for the country. Vietnam is still the exotic travel destination of Asia but also is the home of the most dynamic life insurance market in Asia at this moment. □

## International News - Actuaries Meet in the Philippines

On the occasion of the 75th anniversary of the Actuarial Society of the Philippines, the East Asian Actuarial Conference (EAAC) was held in Manila on October 6-9, 2003.

The EAAC brings together actuaries from across the Asia Pacific region every two years. The regions included in the EAAC are Korea, Japan, Hong Kong, Taiwan, Philippines, Malaysia, Singapore, Thailand and Indonesia. In 2004, India will also join the EAAC.

The theme for this year's conference was "good governance." The opening plenary session focused on this topic with speakers representing regulatory, business and actuarial viewpoints. To give you a flavor of the conference, some of the other sessions were:

- Dynamic Solvency Testing for General Insurers
- Role of Embedded Value in a Balanced Scorecard for Insurers
- Coping with Low Interest Rates and

Shrinking Margins in a Volatile Environment

- Developing Bancassurance in Asia
- Innovations in Insurer Risk Management
- Epidemics and Insurer Risk Management
- The Need for Long Term Care Protection
- International Accounting Standards: Progress and Issues
- Corporate Governance and the Sarbanes-Oxley Bill in the United States
- Enterprise-wide Risk Management
- Insurer Solvency Assessment – Towards a Global Framework

I presented on the last topic mentioned as a result of my involvement with the IAA Working Party on this topic (SOA members Dave Sandberg, Harry Panjer and Allan Brender are also members of this Working Party). While certain topics presented during the conference appealed directly to the Asian markets, a great many of the topics were of international appeal.

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*Stuart Wason, FSA, is managing director Mercer Risk and Finance, a consultant in Toronto and chair of the IAA Supranational Relations Committee. He can be reached at swason@mow.com*