



SOCIETY OF ACTUARIES

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also talked about the principles of the proposed Actuarial Guideline VA CARVM and its reserve implications.

Tom then covered U.S. GAAP. After a preliminary discourse on the fundamentals of financial statements, he discussed the origins of U.S. GAAP and its subsequent evolution. He explained how it co-existed with U.S. statutory and U.S. tax. He talked about the many pronouncements that affect insurance companies. Tom illustrated how certain GAAP ratios (such as “k” factors and net to gross premium ratios) can be used to help manage the business as well as present financial condition. Tom commented on the effects of reinsurance and reinsurers on today’s financial statements.

Vince then discussed the SOP 03-1. SFAS 97 was first introduced in late 1980s to provide GAAP guidance for universal life type contracts and investment contracts. Due to market innovations, SOP 03-1 was adopted in 2003 to provide supplementary GAAP guidance for nontraditional long-duration contracts. Vince covered the basic principles of SOP 03-1 and highlighted the implementation issues.

After a break, Vince returned to the lectern and addressed Regulation XXX. The advances in medical science and public awareness of the benefits of a healthy lifestyle have decreased the mortality of the general population and increased the longevity of mankind for developed countries. The reduced mortality rates have led to a reduction in premiums for term insurance. Vince talked about the reserve

implications of Regulation XXX and the changes in the term insurance market before and after the adoption of Regulation XXX.

The session culminated with Maria’s presentation on International Financial Reporting Standards (IFRS) for insurance. Within one year, all companies listed in the European Union will be reporting under IFRS and some European countries may extend this requirement to non-listed companies. Maria provided the audience with an overview of current developments, the objectives of the standards and the key requirements for insurers. She covered the valuation methodologies for assets, insurance and investment contract liabilities. She also illustrated the key concepts discussed with several case studies, which highlighted the major business implications of the IFRS framework.

The instructors said that it was a challenge for the participants to follow such esoteric concepts, especially in their second language. So, as a reward for their attentiveness and comprehension, a pack of baseball cards was awarded to each participant at the end of each module.

Amongst the attendees, one person was designated to write up each session (with editing assistance from the presenters) for circulation to their peers and colleagues in Japan.

The IAJ graciously honored the presenters with a lively dinner at Rockefeller Center. The presenters, senior members of the SOA and the visiting professionals all got to know each other better through the experience. □



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## Malaysia Update

by Hassan Scott Odierno

**I**n Malaysia the major concern for actuaries right now is the issue of risk-based capital (RBC). Current solvency margin requirements originate from the old European Union standards of a percentage of statutory reserves and a percentage of the net amount at risk. New standards are expected to include asset charges, which depend on the asset class actually invested in, as well as much more detailed liability risk charges.

As a guidepost for RBC requirements, neighboring Singapore has introduced new requirements effective January 1. The other issue of concern to actuaries in Malaysia is with respect to property, casualty insurance (called general insurance here), where IBNR reserves will be required to be calculated at a 75 percent confidence level. □

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