



SOCIETY OF ACTUARIES

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# Malaysia Update

by Hassan Scott Odierno

Over the last year, risk-based capital (RBC) has continued to be a hot topic in Malaysia. The strategy for the future has been discussed extensively, and continues to be discussed. The current valuation basis for liabilities can be characterized as conservative, with a conservative mortality table and conservative investment return assumption, with no recognition of lapsation or bonuses (i.e., a net premium valuation method is used). The current solvency margin calculation can be characterized as one-size-fits-all with 4 percent of reserves and 0.2 percent of the sum at risk being the main components. The new basis for valuation and solvency margin is expected to be more company specific, with liabilities calculated on a best-estimate basis with pads and solvency margin based on the particular assets held, as well as the liabilities currently in force. Discussions on details of the calculation, as well as the level of actuarial judgment the appointed actuary will have, are ongoing.

Another issue affecting actuaries in Malaysia is the decision by Bank Negara (our regulators) to issue four new Takaful licenses. Takaful insurance, or Islamic insurance, works similar to conventional insurance, but has some inherent differences. All Takaful products are designed with profit sharing for the policyholder, and certain investments are not allowed. The structure of the products is slightly different in order to adhere to certain core principles. Also, all aspects of the insurers' operations and products must be approved by their Shariah council (religious council). Actuaries have been involved with developing an initial set of products that are both actuarially sound and accepted by Islam. They have also been busy with the development of cash-flow projections for the new Takaful company and explanation of the products and pricing to the Shariah council. □



With a height of 1,453 feet, one of the world's tallest buildings rise above the skyline of Kuala Lumpur. They are called the Petronas Towers, and, inevitably, they have become the symbols for the astounding growth that has taken place in Malaysia over the last two decades.



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