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Genghui Wu, FSA, CFA, MAAA, FRM, is senior investment vice president at Prudential Financial, in Newark, N.J. He can be reached at [Genghui.Wu@Prudential.com](mailto:Genghui.Wu@Prudential.com).

## Risk and Opportunity: China Variable Annuities Seminar

By Genghui Wu

On August 25, 2011, the Society of Actuaries (SOA) International Section, Investment Section, and China Regional Committee co-sponsored a new, special one-day seminar in Shanghai, China, specialized in Variable Annuity (VA) in China. This educational seminar was the result of a timely response to local regulatory changes and addressing local member needs to fulfill their CPD requirements.

In 2010, CIRC led the pilot project of VA development in China. The first pilot VA product was introduced in May 2011, coupled with the release of the very first VA guideline by CIRC. The opening up of the VA market in China has provided a tremendous opportunity and a brand new sales channel for insurance companies.

Due to the ever-increasing complexity associated with risk managing VAs, it has become challenging for current and potential VA writers to manage a mix of capital market risk exposures and policyholder behavior risks. It is vital for local VA developers to learn the lessons and experience from mature foreign VA markets, as well as understand the issues and risks inherited in VA development in local markets.

Conducted by seasoned practitioners from business and industry, this special one-day seminar shared unbiased global VA experience, local knowledge and practical VA implementation, with the objective of shortening the learning curve for both existing and potential local VA writers in this opportunistic and also risky business, promoting a healthy and competitive market environment for a long-term retirement



funding solution in China. The seminar provided in-depth coverage of the following:

- The evolution of VAs, lessons learned from VA markets in North America and other countries in Asia, and how the VA business behaved through multiple economic cycles
- Current VA pricing and valuation framework in China, and its implication of reserving challenges and capital requirements to company's financials
- Understand the VA market targeting and planning, product positioning and value proposition

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- Product development and practical implication using CPPI either as a standalone or as an investment portfolio for managing VA risk
- Quantification of VA risk exposures; Realization of risk management tools, techniques and best practices
- Current state of China local VA market development and concerns

With well over 90 local actuarial professionals attending, the entire seminar was very interactive and productive. The feedback was very positive, stating that well prepared content and effective communication provided meaningful insights to the members and seminar participants, prospects and local actuarial communities with respect to VA global experience, practical tools & implication, and advanced risk management. A couple of constructive criticisms also gave us valuable input for future im-

provements, including the format of handouts, and the length of the seminar.

I want to take this opportunity to extend my great appreciation to all the presenters and moderator for their volunteering support and numerous hours of efforts in preparing and presenting the material. These presenters are: Rikiya Ino from Milliman, Leon Cai from Huatai Life China, Daniel Lin and Jimmy Liang from MetLife China, KC Chan from Sun Life Assurance Company of Canada, and Tony Ho and Eric Yau from APAC with Barrie & Hibbert.

I also want to thank the SOA and the China Regional Committee (CRC) staff members who provided tremendous support in organizing the seminar: Pat Kum, Martha Sikaras, Colleen Fiore, Wilbur Lo, August Chow, and Sharon Huang. □