



# INTERNATIONAL NEWS

NEWSLETTER OF THE INTERNATIONAL SECTION

## Volunteering Offers Win-Win Opportunities

### Why Is It Important?

by Eileen Streu, CAE

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*"Through our partnership with The Actuarial Foundation, we are able to help many women take important steps towards financial security."*

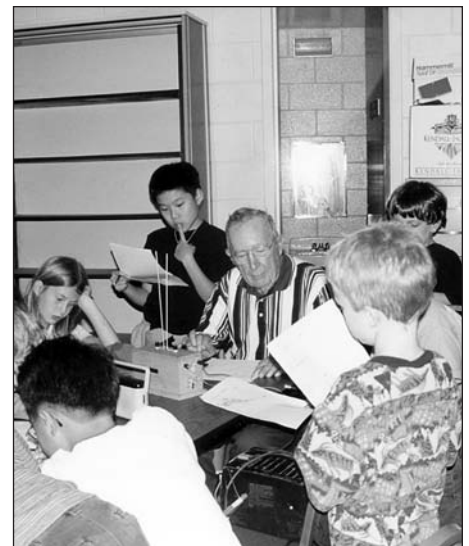
– Women's Institute for a Secure Retirement

*"I look forward to helping apply the special expertise of actuaries to the challenge of a secure financial future for an educated public."*

– Jim MacGinnitie, FSA, Foundation Trustee

*"Many of our prospering students would be going in the opposite direction without their actuarial mentors."*

– Jennifer Anderson, Technology Teacher, Prosperity Heights Elementary School



At the start, we faced this question: Everyone knows that actuaries are good in math, but can they relate to a group of 10-year olds? Happily, we found that the answer is YES! While some actuaries are natural teachers in front of a group, and others prefer the one-on-one contact of individual mentoring, either way, everyone wins and profits from the bond formed between mentor and student.

Bret Shroyer, FCAS, lead actuary for the ASA program at the Prosperity Heights Elementary School in St. Paul, MN commented:

*"I like working with kids and I'm excited about enhancing the image of the actuarial community and also about making kids think and learn that math can be fun. Mentorship is important for any*

**T**hese are just some of the comments received from various people who have participated in The Actuarial Foundation's mission. At the Foundation, we believe that actuaries have a unique opportunity to enhance the community through the use of their skills, knowledge and professional experience. Certainly, Foundation initiatives benefit adult consumers, the public and the actuarial profession, but no program touches lives in quite the same dramatic way as our Advancing Student Achievement (ASA) program. This award-winning program has attracted the involvement of more than 300 actuarial volunteers from every practice area of the profession, with another 100 actuaries currently waiting for a program to be developed in their community.

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*professional. It's important for actuaries as it gets you outside of your job and outside of what you do day-in and day-out and lets you experience new things; lets you share the knowledge that you have and lets you make a difference in the life of a child."*

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Michael P. Enright, Council Member  
H. Carl Khor, Council Member  
Jorge M. Noronha, Council Member  
Paul M. Sauve, Council Member



SOCIETY OF ACTUARIES

Van Jones, FSA, lead actuary for the ASA program at the Riley School in Milwaukee, WI states:

*"They begin to grasp the sense of invincibility that knowledge and problem-solving skills bring, and as mentors, when we see this confidence growing we leave Riley School with more personal energy than we had when we arrived. That is a win-win situation!"*

## How It Works

The ASA program requires a two-year commitment (with possible funding for a third year, if necessary). The actuaries assist the school faculty in program development, implementation and evaluation. Actuaries join with school faculty to design mathematics mentoring unique to the needs of that particular school's students. Additionally, the actuaries serve as "classroom mentors."

The ASA sites must meet several criteria that are important to the Foundation's Trustees in awarding grants. All of the current ASA projects encompass many, if not all, of the following components:

- Clear "project champions," both actuary(ies) and school representative(s)
- Open-minded school leadership
- Attractive corporate partners
- Priority for under-served schools and children
- Mentoring availability.



# Editor's Note

## "Stepping Out"

by Randy Makin

**Y**ou never know exactly where you will end up. I discovered this truism again yesterday morning as the car in front of me pulled out, not onto the entrance ramp as I expected, but only out of my peripheral line of sight. No one was hurt; there wasn't even a dent, but it was still a shock. In Tolkien's book *The Fellowship of the Ring*, the hobbit Frodo quotes his uncle Bilbo as saying, "It's a dangerous business, Frodo, going out of your door....You step into the road, and if you don't keep your feet, there is no knowing where you might be swept off to."

Shumei Kuo has put together two collections of stories, one about current International Section Council members, and one on volunteers from the section, illustrating the wonderful and varied ways in which we have become involved in the section, or in international work, or in giving back to our communities. There is also an additional pair of articles, drawn from *The Royal Gazette* of Bermuda on Mike Gabon's volunteer work. It should be noted that we could only print some

of the stories that many of you have in this regard. I encourage the reader to find a place to relax, take out this newsletter, and enjoy reading about those who have stepped out into the Road, and have been swept off into new and interesting places. Along the same theme of volunteering, Eileen Streu has provided a write-up on the Actuarial Foundation.

Other articles to round out this newsletter include Huynh Thanh Phong's work paper as our newest international ambassador in Vietnam, parts 2 and 3 of David Rosier's *Mysterious East*, and an article on a recent seminar in Kazakhstan by Valentina Isakina. Martha Sikaras has sent an international update from the Society, and there is information on the SOA Annual Meeting Sessions and the Reception at Epcot. Be sure and come to the Reception, meet your International Section representatives and share your ideas or concerns with them. They are here to serve you! And be sure to look both ways when you step out into the Road. □



Randy Makin, FSA, MAAA, is the chief pricing actuary at Generali USA Life Reassurance in Kansas City, MO. He can be reached at [rmakin@GeneralUSALifeRe.com](mailto:rmakin@GeneralUSALifeRe.com).

### Volunteering...

For the actuarial profession, these projects highlight the concern actuaries have about quality education. In each of our ASA projects, actuaries are participating as interested, committed resources who place a variety of highly-honed skills at the service of helping children learn.

For the professional educators, grants have elicited innovative thinking regarding curriculum designs, teaching methodologies and student achievement. Most importantly, students are involved in new opportunities to develop and integrate core life skills such as communication, computation, problem solving and interpersonal skills.

ASA is just one component of the Foundation's many innovative programs designed to help the actuarial profession contribute to society. Like any successful undertaking, its chief strength lies in the

committee volunteers who truly "make it happen."

Mary Anderson, president of the Actuarial Club of Indianapolis, remarked at a past SOA Annual Meeting, "Get your company involved, your actuarial club, your university and call the Foundation. There is no reason actuaries in any city or professional situation should not be part of this great program." □

*The Actuarial Foundation is a 501(c)(3) organization established in 1994 to help facilitate and broaden the actuarial profession's contribution to society. The Actuarial Foundation is funded through voluntary contributions, principally by the actuarial profession. For more information on our consumer education, and research initiatives or to sign-up as a volunteer mentor for an Advancing Student Achievement program in your area, please contact The Actuarial Foundation at 847-706-3535 or via E-mail at: [Programs@ActFnd.org](mailto:Programs@ActFnd.org).*



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# Who to Call to Volunteer for the Section

by Shumei R. Kuo

If you'd like to participate in any of the section activities, or want to share some ideas or provide comments, please contact us—the volunteers on the International Section Council (ISC).

We would like to hear from you! Please contact any of us with comments, questions, suggestions and/or offers to volunteer (!) regarding the following subjects or any other subjects of your interest:

## International Section Council Members and Volunteers

Title	Name	Telephone	E-Mail Address
Chair	Shumei Kuo	770-980-3341	Shumei.kuo@us.ing.com
Vice Chair	Yiji Starr	617-572-4377	Ystarr@jhancock.com
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Newsletter Editor	Randy Makin	816-415-3729	RMakin@generaliusalifere.com



- Sharing topics you'd like to see for meeting sessions, webcasts or seminars.
- Speaking or moderating at meeting sessions, webcasts or seminars.
- Sharing article ideas that you have for the section newsletter.
- Writing an article for the newsletter.
- Comments and ideas about the section's Web site (<http://www.soa.org/sections/interna.html>).
- Comments and ideas about the Ambassador Program Web site and country pages (<http://www.soa.org/links/amb.html>).
- Ideas regarding how to reach out to non-section members located outside of North America.

We're taking this opportunity to introduce ourselves to you. We hope you'll find the information helpful. Please do not hesitate to tell us how we can better serve your needs for professional development and networking in the international markets. For those of you who have volunteered, we thank you for your contributions. If you're interested in volunteering and working with us, we look forward to hearing from you.

**Shumei Kuo,**  
*Chair*

Being chair and vice chair of the ISC, I work with other council members and volunteers to accomplish tasks that all council members jointly set out to do. We may be very involved in some projects and simply stay informed on others. The focus of the chair and the vice chair is to coordinate and be flexible to inject ourselves as needed. We also work on special projects with the SOA. In this respect, our role is to share the information with other council members and provide the section's perspective to the SOA. For example, we provide comments to the International Strategies under development and review recommendations by the Implementation Task Force. In addition, we attend meetings of all section chairs to learn about the latest happenings of the SOA in order to provide section input and steer the council's effort.

Serving on the ISC is a lot of work and tons of fun. It's a lot of work because everyone already has plenty to take care of at a regular

job these days, but it's so much fun because, while working together, we get to know one another through sharing ideas and experiences in an open, direct and energetic fashion. We may not always agree on what to do or how to do it, but once a majority opinion is formed and a decision made, we go full speed ahead toward our goals. There is a special sense of achievement and kinship when things are done by a group of volunteers. Maybe it's because of the section work itself, which is something we *want* to do, rather than something we are obligated or told to do. We don't take one another for granted and we don't take having an opportunity to do things for the section for granted. We enjoy the ISC work and working together as a group. For that, we owe it to our companies that support our work on the council and also to our members who elected us to the council.

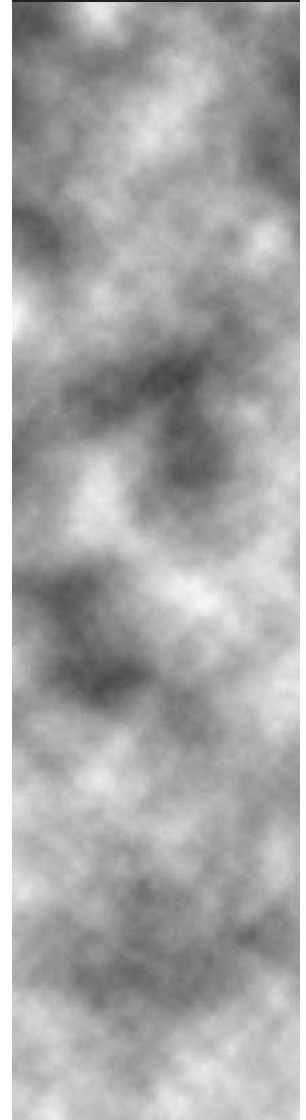
I am relatively new to the international markets. My ISC experience has made me want to continue my international work though I entered this field by accident. I practiced as a health actuary in the United States years before my husband, who was with Aetna International at the time, had an opportunity to go to Brazil for an expatriate assignment. Upon hearing that, I, a career woman and a mother of a nine-month old, had indicated that it was out of the question to even consider moving down the street. Three months later we landed in Brazil with a double expatriate package. It was quite an experience for me to work with the joint venture company on a health business of two million members, among other businesses. Yet it was equally challenging to parent a child who spoke only Portuguese. Nevertheless, my family and I had a wonderful experience knowing and working with the warm and welcoming Brazilian people during our years in Sao Paulo. Two weeks prior to our return to the States, ING acquired Aetna International. My husband and I took the opportunity to join ING's Americas office in Atlanta, Georgia. We have since been blessed for being able to continue their international experience with a global operation while living in a culture that we consider a nice mix of those in Hartford and Sao Paulo.

**Yiji Starr,**  
*Vice Chair*

I have been doing volunteer work for the SOA and other professional organizations for many years. My work with the SOA includes taking



Shumei Kuo



continued on page 6



Rejean besner



Marc Slutzky



Carl Khor & his family

part in roles such as meeting session speaker, moderator, workshop facilitator and instructor. Prior to joining the ISC, I served on the Committee on International Issues and the Valuation Actuary Symposium Planning Committee. When I lived with my family in New York City, I served one term as Secretary for the Actuarial Society of Greater New York. I am is the chief actuary of John Hancock International Holdings in Boston, Massachusetts. I cover all of my company's international markets, including China, Singapore, Malaysia, Thailand, Indonesia and Philippines. I travel to these countries on a regular basis.

Ms. Kuo has been amazed that, with Yiji's position and job responsibility, as well as being a mother of two young children, she has always managed her work on the ISC with such efficiency and determination. Ms. Kuo considers one of the benefits of serving on ISC is that she's been able to learn work and life management skills from people like Yiji.

**Marc Slutzky,**  
*Secretary/Treasurer*

I have been involved with the International Section Council for two years. Beginning as a volunteer to be the Web liaison, I helped to get our Web page up and running. A year later in 2002, I was elected to the Section Council. Currently I am the secretary treasurer, and my duties are what you would expect—keeping the meeting minutes, and tracking our income and expenditures.

As a consultant with Milliman USA, I have been involved in several consulting projects in Japan, including the demutualization of two Japanese Life Insurers. Other projects I've worked on are in Europe, Hong Kong, Korea and Latin America. In addition, I work on projects in the United States as well.

I like working with the section council as it provides me opportunities to interact with people working all over the world. My work on the ISC has also helped me understand and appreciate the cultural and business differences in the international markets.

For three years I lived in Tokyo, Japan while working for a different company. That was a great experience for my family and me. The experience of living in Japan helped develop my love for travel. So far in 2003, I have vacationed in Spain and Italy, and I will

visit Canada and France soon, in addition to my current plan for a trip to New Zealand.

**Rejean Besner,**  
*Meeting Session Coordinator*

I have been involved with the ISC for the past two years. It's been a wonderful experience participating and contributing to the work of a group that is always looking for ways to promote the international scope of the SOA, as well as to improve the experience of SOA members that are based outside of North America. I have been in charge of organizing the various sessions at the 2003 meetings that are sponsored by the International Section. It's been great to see the level of interest and participation in these sessions, as well as the work done by the speakers that have made (so far) the spring sessions very interesting.

I am also fortunate for the fact that, as the chief actuary of the International Reinsurance Division of Transamerica Reinsurance, my work involves interacting, on a daily basis, with clients, projects and associates that are from different cultural backgrounds. It makes my work so much more challenging but, at the same time, so much more interesting. I cannot wait to come to the office in the morning and see what challenges and opportunities have come overnight in the form of e-mails from Asia, in addition to what comes through during the day from Latin America.

My enthusiasm for different cultures carries over to my personal time. I like to use most of my vacation time to travel out of the country. Over the past 12 months, I have enjoyed vacations in Italy, France, El Salvador and Mexico. Here is a picture (left sidebar) from a recent vacation in Acapulco. And, no, I am not trying to give up my career as an actuary to sell mangoes on the beach, tempting as it might be.

**Carl Khor,**  
*Webcasts & Seminar Coordinator*

As a member of ISC, I have been involved in coordinating with other actuarial organizations in Asia about a seminar in Asia. I'm also in the process of coordinating some webcasts on various interesting topics with other sections of the SOA.

I am in the international group of the AEGON Direct Marketing Services. My job responsibility involves overseeing all financial aspects of my company's international

operations. My work takes me to the various countries in Asia and Europe. I enjoy my work very much and have a loving family—my wife and two sons—who are supportive of what I do.

One side benefit serving on the ISC is that the work reunited Ms. Kuo and me. We met while taking actuarial science classes at the University of Texas at Austin. We both were in the MBA program and worked for Dr. Sam Cox, a SOA board member, at different times. Shortly after I started my work on the ISC, I sent a copy of my school paper for a Social course I took at UT, for which Ms. Kuo was the person I interviewed on a topic about women in the SOA. We had fun refreshing the memory of our school days and the time that we were studying for actuarial exams together.

**August Chow,**  
*Education & Exam Coordinator,  
Regional Ambassador Coordinator*

Shortly after I joined the International Section Council in October 2000, I moved to Hong Kong to work for the Government as the assistant commissioner of insurance, responsible for the supervision of the long-term life insurers. With council members and volunteers living in North and South America, Australia, Europe and Asia, they cover a time zone of 19 hours. It has been a real challenge for Lois Chinnock from the SOA to arrange a time for a telephone conference call that is reasonable to every council member. After trying out a few different times including early morning and late night, the Council decided to hold all conference calls at 8 a.m. Eastern Time in the United States, which is 8 or 9 p.m. Hong Kong time for me, depending on the time of the year.

My role in the ISC has been in the education and exams. I am fortunate that I have also been on the Professional Development (PD) Committee and the China Region Committee as well. These associations enable me to work with volunteer members across various committees and the section in order to benefit students and fellows living outside of the North America. To save some money and time required in traveling to North America, students overseas can now earn up to 15 PD credits by listening to the SOA meeting tapes. I have been involved in putting together the SOA joint regional seminars, held annually in various countries in Asia. With a large number of students living in Asia, both Course 7 and APC are now offered in Asia.

My three-year term on ISC is about to expire at the end of October but my work with the section will continue. I'm staying on as a volunteer to serve the students and members in my new capacity as the regional ambassador coordinator in Asia, Australia and New Zealand.

**Paul Sauve,**  
*Regional Ambassador Coordinator*

This is now my second year of involvement on the SOA International Section Council, after several years being a section member. I have been working overseas for six years now—two years in Asia and the rest in Europe. My current position is with Manulife Reinsurance in Cologne, Germany.

The active participation in the ISC is my way to contribute something back to the SOA, the organization that gave me the credentials that facilitated a mobile international work experience. Beyond my general input to ISC and its many initiatives, I have also taken on a new role as the regional ambassador coordinator for Europe, Africa and the Middle East. In this role, I hope to expand and reinforce the SOA's network of international contacts and representatives so that the FSA and ASA designations continue to be well received around the world, which allows other SOA members to have the opportunities to explore international actuarial assignments. In addition to these more altruistic reasons, volunteering in the SOA ISC is also an opportunity to interact with people from varied cultures, companies, backgrounds, etc. Being exposed to people with views different than your own is a very important part of growing and learning ... something we should never stop doing!

**Mike Enright,**  
*Regional Ambassador Coordinator*

I've been a member of the ISC since 2001. It's been a very positive experience for me. One of the things that I've been involved with is working with the Ambassadors for Latin America. Ambassadors are SOA members who are working in a foreign country and are willing to coordinate activities between the SOA and the actuaries, both local and SOA members in that country. It's been a real pleasure working with the ambassadors and finding out about local activities in different countries.



Paul Sauve



Mike Enright

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**My work for  
AIG is primarily  
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Since AIG has  
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- Mike Enright

I've recently started coordinating a project between the SOA and the Actuarial Association in Colombia to produce a new mortality table. I'm also in the process of helping to organize a joint project between the SOA and the superintendent of insurance in Peru to produce a new annuitant mortality table.

My work for AIG is primarily in the Latin America region. Since AIG has business in most of the Latin American countries, I have the opportunity to work with a large variety of people and projects. I've always enjoyed other cultures and languages, so this is just my ideal job. Besides learning Spanish, I've also been studying Mandarin Chinese for a few years. I love being able to call Mexico or Peru, for example, during the day and deal with the local actuaries. You never know what may come up next in today's business environment.

My wife, who was born in Havana, shares my love of other languages and cultures and we spend most of our vacations visiting other countries. The photo on the previous page shows me visiting St John's Castle in Ireland where some of my ancestors might one day have stormed the walls.

**Shyamal Kumar,**  
*Web site Liaison (see article on pg. 32)*

**Randy Makin,**  
*Newsletter Editor*

Although I work for part of a large global firm, Generali, located in Trieste, Italy, my true international experience has been confined to working with the ISC Section itself. Several years ago, Kevin Law was seeking an assistant editor to the newsletter. Since my forte' is proofreading rather than scouting articles, I readily volunteered.

After a couple of issues, Kevin was pressed by other duties and invited me to succeed him as editor. After a big "gulp," I agreed. The wonderful result has been working with ISC members who have worked especially hard to produce or find articles, as well as many other international writers. Some of these relationships have grown into genuine friendships, and for that I am especially grateful.

And, by the way, I am seeking an assistant editor. □

## **International Section Reception Visit to Epcot Tuesday, October 28!!**

Experience an evening of desserts, networking and fireworks with the International Section at Epcot! On the United Kingdom terrace you will enjoy desserts, coffee, tea, lemonade and a cash bar while meeting other members of our global community. The evening will end with a spectacular show of lights and fireworks.



Buses will load at 7:30 p.m. at the Walt Disney World Dolphin Hotel for the short ride to Epcot and return at approximately 9:30 p.m.

There is a nonrefundable charge of \$25 for International Section members and \$30 for all others. Please include the additional fee with your registration. □



# Chairperson's Corner

## The Rewarding Experience of a Volunteer

by Shumei R. Kuo

**A**s you know, the section's tasks such as developing meeting sessions, publishing newsletters and expanding the Ambassador Program are initiated, coordinated and carried out by volunteers. Over the years, the volunteers, with the assistance from the SOA staff, have worked together to provide abundant continuing education and professional development opportunities, timely market information, and global networks for our section members.

For this newsletter, I invited many section volunteers to share their experience. The volunteers, such as people like you and me, have different reasons and motivations to volunteer. But we all share one thing. That is, while we start out with helping others or wanting to make a difference, we end up being rewarded personally by the experience in unexpected ways. As Emma McWilliam, one of my guest writers, says, "Giving time for what you believe in is really the cornerstone of who you are and can give you experiences that you never realized would shape your life."

The following stories offer some lighter side moments as well as valuable business and personal experiences from my guest writers' volunteer work. These are people who have worked with the section council on one or more projects, as well as served on the section council for years. Getting to know and working with them and other volunteers is my biggest reward being on the International Section Council. There is so much to learn from my fellow volunteers—not only international actuarial work and markets, but also work and life experience. With their encouragement, advice and direct contributions, projects are moving along and task result delivered. Furthermore, it is a simply wonderful experience working with people who enjoy what they do.

Have you ever wondered why you feel comfortable calling for help from another volunteer whom you met only once before? Have you felt an immediate connection with a fellow actuary at the start of a volunteer project? There's something about volunteer work that gives us the opportunity to bond like no other work. The "comradship" developed will go a long way in both our professional and personal lives. International actuaries especially benefit

from volunteer work since relationships and networks are fundamental to our work, and our professional and personal lives are oftentimes inseparable.

In addition to the "soft" benefits, there are plenty of hard and solid management skills that can be developed through volunteer work. For example, what's a better way to learn how to "influence others without authority" but by being a volunteer? Even the highest ranked among us have daily opportunities to practice this, say, with regulators, major clients, and of course, bosses. My first guest writer, Angelica Michail, shares how being a volunteer in a non-profit organization can be an excellent way for us to get prepared for the corporations of tomorrow.

I hope that reading this article will make you want to increase your volunteer participation or perhaps to volunteer for the first time. We are very lucky that many of our employers support us in volunteering in both professional and community organizations. The following stories reveal that the supporting employers actually have everything to gain by giving their employees time and opportunities to do volunteer work. Mike Gabon concludes it well at the end of this article saying, "Volunteerism is suited to the profession. To volunteer...for what, is the question." And if you wonder what to do as a volunteer, Jim Toole inspires, "If you can dream it, do it!"

Enjoy the volunteer experience from a group of your fellow actuaries. Happy volunteering!

### Angelica Michail

*Angelica is a consulting actuary with National Actuarial Network in California. She has done volunteer work in many professional and community organizations, including the Philippine Actuarial Society, Toastmasters International, East San Gabriel Coalition for the Homeless and the Presbyterian Church of USA. She is also a former chair of the International Section Council of the SOA. Through her work, Angelica learned to appreciate children, as well as fellow volunteers who have different life experiences and perspectives. Here's what Angelica has to say about her volunteer experience.*

**Have you ever wondered why you feel comfortable calling for help from another volunteer whom you met only once before?**

*- Shumei Kuo*

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Angelica helps a student



Jim Toole

A few weeks ago I attended a lecture by Peter Drucker, the well-known management guru, on “The Future of the Corporation.” We know that the corporations of today are very different from the corporations of yesterday. We, who have been in the insurance industry for the last decade or more, also know this very well on a personal level. It appears that there is no turning back to the old ways. As Drucker puts it, “The corporation of tomorrow is going to be more strategic and less operational. More corporate work is outsourced and corporations are more like confederations (*i.e.*, alliances).” When someone in the audience asked the question, “What should managers do to prepare themselves for the new corporation?”, my ears perked up when Drucker answered, “Be a volunteer in a non-profit organization.”

I am a volunteer in my community, church and professional organizations. My initial motivation is to help others. However, I learned that by helping others, I actually help myself in so many unexpected and rewarding ways. I don’t always know the impact of my volunteer efforts but I believe in volunteerism and I keep trying. These days my volunteer hours are spent teaching young children public speaking and leadership skills, helping churches deal with diversity issues and assisting homeless families gain the resources and skills to gain access to permanent housing. In prior years, I was very active in the SOA and served as a member and chair of the International Section Council.

What do I gain as a volunteer? It is not fortune since I usually contribute financially when I get involved. It is not fame since my work is mostly behind the scenes. What I gain is much more valuable than fortune or fame. Through volunteer work, I made wonderful friends who share my dreams and values. I have good mental health, as there are a lot of positive vibes around volunteers and those who are being served. I developed many people skills as I became very aware of other people’s needs and viewpoints—not only those being served, but also those who are serving with me. The people skills made me feel more comfortable in management and leadership roles and enabled me to say “yes” when asked to be the chair of the International Section Council.

In the management lecture given by Drucker, he gave two reasons for the “being a volunteer” response. First, volunteer organizations provide opportunities to work with

diverse groups—people with different personalities, abilities, ethnic backgrounds, economic levels, educational levels and values. Secondly, volunteers join and leave the organizations at their free will. Those volunteers who can lead, manage and retain other volunteers will most likely be able to lead and manage tomorrow’s corporations. This may yet be the best management tip for an aspired manager in the corporation of the future, What a great reward for volunteering!

### Jim Toole

*Jim is the managing director of life and health at MBA Actuaries in Winston-Salem, North Carolina. Jim started working internationally five years ago and has since lived and worked in Mexico, Brazil, Australia and various other sunny locales. Jim started volunteering in professional activities 10 years ago in the formative Computer Science Section Council. He is currently active in the Latin America Committee, the Strategic Planning Committee, and the Course 8 Finance exam, as well as editing a textbook on acquisitions and the role of the actuary. Jim feels volunteering is the most effective way to implement change—if you can dream it, do it!*

I started volunteering when I was a kid. My mother used to make a point of taking me to work with her on her projects. These were not “charities”; these were organizations with which she had a deep commitment. Sometimes, it seemed as though you could almost touch the bonds she forged between people.

We did a lot of different volunteer activities together, from fund raising to outreach to environmentalism, but the work that made the single biggest impact on me was the soup kitchen. It was a real team effort from start to finish to get those meals up and over. Doing the table service for the guests really drove home how important it was to be involved in the community, and how little it really takes to start making a difference.

Once I left my hometown, it became more difficult finding the time and, more importantly, organizations that resonated with me. I was fortunate in New York to come across the East Harlem Tutorial Program, which provided educational assistance and role models to children in East Harlem. I never would have hooked up with them if it had not been for my employer, Met Life, who maintained a list of pre-screened charitable

organizations that it shared with its employees upon request.

After volunteering with them for about a year, I had an idea which became my first exercise in grant writing. They had a space out back with a concrete floor and a tree bursting through it that was completely underutilized. I saw a garden and, with the support of the organization and the skills of its various volunteers, we put together a proposal, which Met Life approved, and put in a garden that is there to this day. It is not big and I am sure it has changed a lot in the last 10 years, but at least it is a safe place for a kid to come and put their hands in the dirt.

That was to be my last satisfying volunteer stint for a long time. As my professional career became more complicated, my hours became less predictable. Shuffling around from continent to continent, I found I had less ability to find organizations I connected with and much less time to volunteer. However, I did start playing chess, and I found it to be both a satisfying outlet and a good way to get to know other people while on the road for extended periods.

After a decade and a half, I have come back full circle to my hometown of Winston-Salem, North Carolina. I quickly found the local chess organizations and became involved with the Winston-Salem Scholastic Chess Association. This group has brought chess to the area schools, going from zero to over 350 program participants in just a year and a half. I was fortunate that my father taught me how to play chess when I was a kid but, if you are not exposed to it at a young age, it is likely that you will not pick it up. Studies have shown playing chess has many positive effects on children, and I am very pleased to be involved in an organization bringing this experience to local youth.

One of our longer-term capital projects is installing fixed chessboards in a downtown park. The goal of the project is to use chess and art to fashion bridges linking Winston-Salem's diverse community to its urban center while bringing vitality to a beautiful and well positioned downtown park.

Outdoor chess venues can be found in major metropolitan areas throughout the world. Fixed boards draw life to them and serve as a gathering place for people who might never otherwise have come together. Some come to play; some come to talk, but all come to enjoy.

For travelers, outdoor venues are a great way of getting introduced to the city's inhabitants and tasting a local slice of life. For locals it is a draw of players and observers alike, one that never fails to give pause to passers by for five minutes, a lunch hour or an afternoon.

As part of the effort, we are involving the Downtown Arts District Association (DADA), and we will be presenting competing designs to public vote at a "gallery crawl." Winston-Salem is a diverse community, but we are fragmented; too often we look at each other over fences instead of across bridges. The chess board is by its very nature democratic; neither the game nor its aficionados make distinctions based on age, race or economic status. And although chess is not strictly actuarial, I'll sneak it in there somehow...

### Dan Spafford

*Dan is vice president and chief actuary with Allmerica Financial Services in Worcester, Massachusetts. He has been involved in a variety of SOA volunteer activities over his 30-year career with Prudential, New York Life, AXA and Allmerica. His involvement with International Section activities is more recent—including a project to survey a number of section members about the joys and pitfalls of the international insurance business.*

After "retiring" from AXA at the end of 2001, I considered what next to do in my actuarial career. I began to read the International Section's newsletter more closely and noted the results of a section survey that had been conducted that year. A number of members commented that they would like to know more about what duties, responsibilities and commitments were involved in international actuarial work. I was interested in that too, so I decided to interview a cross-section of international actuaries and write an article about my findings. That started a fascinating process of information gathering that led to an article in the June 2002 International Section newsletter and a panel discussion at the SOA's annual meeting in October. The distinguished panel that I moderated consisted of Rejean Besner, Emma McWilliam, Ronald Poon-Affat and Jim Trimble, who shared their insights with about 30 attendees.



Jim & Jimmy planting



Dan Spafford visits Paris

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Emma McWilliam

In all, I interviewed about 40 actuaries for 45 to 90 minutes apiece and heard many fascinating stories. Some had handled their international duties primarily from their desks in the United States while others had spent years abroad in a variety of locations and jobs, often with several different companies. One theme that emerged was the assumption of large responsibilities early in careers. An example was a recently-minted FSA who was sent down to a large U.S. insurance company's Mexican operation to "help out." Two years later she had been placed in charge of 25 actuaries and other staff as chief actuary. Another theme was the bridging of wide cultural differences. The chief actuary of a U.S. company's Spanish operation mentioned that his staff would not mind being asked to work until 10 or 11 p.m. but would rebel if they had to give up their siestas. That was not because they wanted a mid-day snooze, but because the siesta was their primary family time. I was also a bit surprised to learn that the dangers of travel, including robbery and kidnapping in this post 9/11 world, while certainly acknowledged, were universally "shrugged off" by the respondents.

All in all, the project was a fascinating experience, and I gained a unique insight into the psyche of the international actuary and the opportunities for actuaries abroad.

### Emma McWilliam

*Emma is a senior manager at Ernst & Young LLP and is currently on secondment\* to their New York office from London (which she calls home). She has worked in many territories since early on in her career, including Australia, France, Germany, Netherlands and Singapore.*

One of my most memorable experiences was volunteering to join an international business society known as AIESEC (formerly a French acronym for Association Internationale des Etudiants en Sciences Economiques et Commerciales). The SOA seeks to encourage students to gain international exposure in the work place and share cultural experiences globally.

I was elected president of AIESEC at the University of Bristol. My main responsibilities there were raising jobs locally in the United Kingdom for international students to pursue and motivating Bristol students to participate in the international business program. To this

end, my team and I had the challenging task of finding jobs not for ourselves, but for others. Interviewing with a future employer to recruit someone from, say India, for three months can seem even more difficult than interviewing for yourself. It was an amazing feeling when the major multi-national IT consulting firm said "Yes!" The work didn't end there. It also included organizing the annual career fair (for students to gain access to major multi-nationals) and arranging multi-cultural events to provide students with exposure to other cultures.

Giving time for what you believe in is really the cornerstone of who you are and can give you experiences that you never realized would shape your life.

*This international flavor continues in Emma's career where she fulfills her passion to combine international concepts and business. She now leads Ernst and Young's global actuarial team for International Accounting Standards (IAS) and is a member of the Global Actuarial Leadership Team, which requires involving actuarial professionals around the world to leverage the experiences of everyone.*

### Hubert Mueller

*Hubert, a principal with Tillinghast-Towers Perrin in Hartford, Connecticut, has been involved in a number of volunteer activities in both Europe and North America over his 17-year career with the company. Born and educated in Germany, Hubert moved to the United States in the mid-80s, then returned to work in Europe for most of the 1990s. Most recently, his volunteer activities have included being on the International Section Council from 2000 to 2002, and being a current member of the SOA's Risk Management Task Force.*

I have enjoyed "every minute of it," as this allowed me to meet with many different people in a variety of cultures and in many different markets.

My memorable activities include:

- Stepping directly off a plane in Munich onto a speaking platform for an actuarial society meeting in Munich, and not being able to



Hubert Mueller

\*Shumei's note: Secondment means the detachment of a person from his or her regular organization for a temporary assignment elsewhere, per [www.rhyme.lycos.com](http://www.rhyme.lycos.com).



speak any full sentence in German without adding in English words.

- Working as a volunteer with the newly established insurance regulatory body in Sofia (Bulgaria) in the mid-90s and teaching them the basics of insurance mathematics and investment management in a one-week course (along with a group of other German volunteers). The afternoon sessions always seemed to go a lot smoother than the morning sessions, which I attribute to the insurance regulators consuming large amounts of vodka for lunch...
- Acting out the Boston Tea Party at the Old South Meeting House in Boston last fall as a member of the International Section Council.

### Hans Wagner

*Hans is the corporate actuary for AXA in Paris, working on financial reporting matters for the group's consolidated reporting. After getting his FSA in 1992, but before moving abroad in 1998, Hans was active in the Education & Exam process, serving first as an exam grader and then later on the curriculum design. He also spoke at meetings, contributed to articles and was on the organizing committee for the Valuation Actuaries Symposium. Because of the timing of the Education & Exam changes, Hans continued providing examination support for a year from Melbourne Australia, where he joined AXA. Ric Geisler, the SOA Ambassador to New Zealand, first convinced Hans to run for the International Section Council. While working on the Council, Hans's main initiative was to support education about the new E&E process through the Ambassadors.*

A few of my favorite volunteer memories include:

- While serving as the regional ambassador coordinator for Asia on the section council, I had lovely meetings with the SOA Ambassadors in Hong Kong and Singapore. I only wished that my schedule could have allowed me to visit more of the region.
- I did a lot of side-trips, from E&E committee meetings. From Reno he went cross-country skiing up above Lake Tahoe—the best skiing I've ever had. From Albuquerque I visited

northern New Mexico during 110°F heat; and from Phoenix I did one drive including Monument Valley and other sites in north-eastern Arizona. On another trip I hiked to the bottom of the Grand Canyon and stayed overnight.

- While based in Australia I was asked to speak at the International Association of Insurance Supervisors conference in San Francisco one December. Meeting insurance regulators and other interested parties from around the world was a fascinating experience, as there was a great mix of cultures and also of market “maturities” and practices. Also, being in the Northern Hemisphere gave me the Christmas holiday spirit much more than I could ever get in Melbourne with its long, warm December days!
- My favorite experience was seeing three overseas students, whom I assisted with the professional development component, achieve their FSA qualifications and continue with interesting careers.
- The nicest hotel room I ever stayed in was in Keystone, Colorado, while attending an examination committee meeting. I was given a suite with separate living and bedroom, a sunken tub that could accommodate a relay team and a huge picture window view over the Rockies. Unfortunately, I had visited with a friend near Denver the day before the meeting and, since it was such a great visit, I didn't arrive in Keystone until 3 a.m. Having to be up at 7 a.m. for the meeting and fly out that night, this terrific room was totally wasted. Incidentally, I was able to stay awake and productive for the meeting with the help of a lot of coffee.

### Mike Gabon

*Over his 17-year actuarial career, Mike has lived in Bermuda, Grand Cayman, the United States, Gloucester, England and Canada, and has worked on projects and assignments of these as well as other countries in Western Europe, Asia and South America. Mike has managed to volunteer his time in each country in which he has lived, either for the local community or the SOA community. This*

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Mike Gabon

# Calling Gifted Youngsters...

by the Royal Gazette | submitted by Mike Gabon

*Editor's Note: the following article is reprinted with permission. It last ran in the March 21, 2003 issue of The Royal Gazette. It can be found on their Web site at [www.theroyalgazette.com](http://www.theroyalgazette.com).*

**T**he Institute for Talented Students (ITS) is this weekend going to be searching for gifted youngsters in need of some additional tutoring are provided for students who are accepted.

The out-of-school program was launched for the first time last year, but now the institute is looking for more students for its second year and is appealing for all children in both private and public schools to take notice.

The institute aims to stretch the minds of creative and intelligent students by providing them with extra lessons in English and math. It prides itself on being available for children of all walks of life, backgrounds, religions and schools. The only thing that it asks is that the students are talented and have a willingness to learn and work hard.

Coordinator of the school Riquette Bonne-Smith said the search would be held on Sunday, when children aged between 10 and 14 will be academically tested at Bermuda College between 2 p.m. and 5 p.m.

"Mathematics courses, including individually paced programs, including geometry and algebra, and creative writing courses with journalism, to engage the students in active and in-depth enquiry," (are provided for students who are accepted, said Ms. Bonne-Smith.

"The students respond to the challenge and unfailingly seek further demands on their abilities. A recent survey indicated a high degree of satisfaction with the course content and the methodology of delivery, while, most excitingly, the students were insisting on an even greater challenge."

Ms. Bonne-Smith said students were pushing the boundaries of their grade levels in courses designed to complement and supplement their regular school work. And she said college lecturers, who are also instructors at the institute, found their classes sometimes exceeded the insight of college students. Last year's class consisted of equal numbers of students from the public and private sector,

which Ms. Bonne-Smith said had purely been down their academic achievement. But she said it proved that a lot of talented students were in the Government education system.

She said students already in the institute last year would be eligible to join classes this year, and would not need to re-sit the tests.

However, she said as the first term was coming to a close this year, students needed to re-register for the next one, starting in April. This weekend, however, will also be a time for instructors to be re-trained by the Institute for Talented Students' affiliated centre, Johns Hopkins University Centre for Talented Youth in Baltimore. Qualified and experienced maths and English experts will be on the Island to talk to lecturers about teaching talented students in the next few days. She added: "Plans are underway for September 2003 to restructure the after-school program to allow students to study more subjects, as courses in science, humanities and art are introduced.

"But Sundays have become an important feature of the ITS program, allowing a partnership with actuarials in Bermuda to inform the students of the insurance industry and its vital importance to the Island. Actuaries also work with math classes through the week to add a real life dimension to the theory of mathematics.

Ms. Bonne-Smith thanked the many sponsors of the program and said the school hoped to soon be able to offer scholarships to some students.

All talented students are encouraged to turn up at Bermuda College on Sunday for the test—the fee is \$40. For more information, teachers and parents can call the institute on 296-5676. □

**The institute aims to stretch the minds of creative and intelligent students by providing them with extra lessons in English and math. It prides itself on being available for children of all walks of life...**

*includes being one of the fund-raisers in organizing and developing an initiative for the betterment of a nation's youths' exposure to math applications.*

*In earlier days, Mike's enthusiastic attitude and willingness to try anything had earned him the names "Jalapeno Mike" and "Crazy Canuck" by fellowship admission course colleagues. There is also a serious and dedicated side to his volunteerism. Mike's post-fellowship efforts started with spring and fall finance exam committees. Following that in 1997, he started serving on the International Section Council and also as an SOA Ambassador. His work on the council included developing meeting sessions, coordinating opportunities for members to meet at international cultural and historical venues, such as the United Nations, the Cultural Center of Chicago and the Old South Meeting House in Boston. He also participated in the worldwide Table Manager update while on the council.*

It is a combination of several factors that makes the volunteer experience rewarding, observed Mike. Within the profession, it's the camaraderie of peers, a sense of giving back to the community, as well as the opportunity to see a project through for the advancement and enhancement of the profession. It's also about the ability to be involved in interesting areas and issues not available in the workplace and developing or keeping fresh on technical and management skill sets. Other factors include sharing of knowledge, being able to work with people you might otherwise never meet—including those located in other parts of the globe as well as exposure to various cultures. Those same factors apply, pretty much, to the local community.

Some of my notable section volunteer moments include:

- Reenactment of the loyalist-patriot Tea Tax debate in Boston as Samuel Adams (while appropriately drinking the beer with the same name).
- Meeting other volunteers in their countries, such as:
  - Iceland, especially the assistance surrounding the 9/11 attacks.

- While traveling in Argentina, seeing several "a la venta" or "for sale" signs on the front lawn of the home of the third President installed in as many weeks.
- Discussing the Danish "wine versus beer" mortality study (a.k.a. the tastes great vs. less filling vs. improves mortality debate).

In 2002, I was elected to the Reinsurance Section Council and am involved in a major literature review and liaison with the ACLI Reinsurance committee on globalization issues. Year 2003 marks my 7th year on the spring and annual program committees, with team members nominating me most valued planning and development contributor on several occasions.

I am currently the vice-chair of the 2003 Annual Meeting, a member of the Reinsurance Section Council, the Board Advisory Group on Continuing Education, Project Oversight Group for Managing Retirement Assets for Longevity and Other Risks, as well as the SOA Ambassador to Bermuda.

*Mike's giving of his time has extended beyond the actuarial society to charities and local communities. Raising funds and participation in the local community are ingrained in Mike—from an early age he has raised funds for the Jerry Lewis telethon, local sports teams and schools and for the Terry Rox Foundation's "Run for a Kid Who Can't." His entry, as a kid, for a local police motto "Man Helping Man" sums things up and was chosen over all age groups. Among his more unusual activities, he has played basketball in a company president's office to raise money for the United Way, assisted in England's scouting program (along the way, enduring the conditions of the Cotswold marathon) and augmenting the Johns Hopkins' Center for Talented Youth curriculum with math applications.*

"Volunteerism is suited to the profession. To volunteer...for what, is the question! □



*Shumei R. Kuo, FSA, MAAA, is an actuary of ING Americas in Atlanta, GA. She can be reached at shumei.kuo@us.ing.com.*



# Development of the Actuarial Profession in Vietnam

by Huynh Thanh Phong

Since the concept of life insurance is relatively new in Vietnam, the general public's knowledge of the related subject is still very limited.

## 1. Background Insurance Industry Information

The Vietnam life insurance industry is still in its infancy. The first life company, Bao Viet Life, was set up by the government of Vietnam in 1996 and foreign insurers were allowed to enter the market in 1999. Three 100 percent foreign-owned subsidiaries and one joint-venture life insurers, namely Manulife, Prudential (United Kingdom), AIA and Bao Minh-CMG, started operating in 2000. The insurance laws were promulgated by the National Assembly in April 2001 forming the legal basis for the industry.

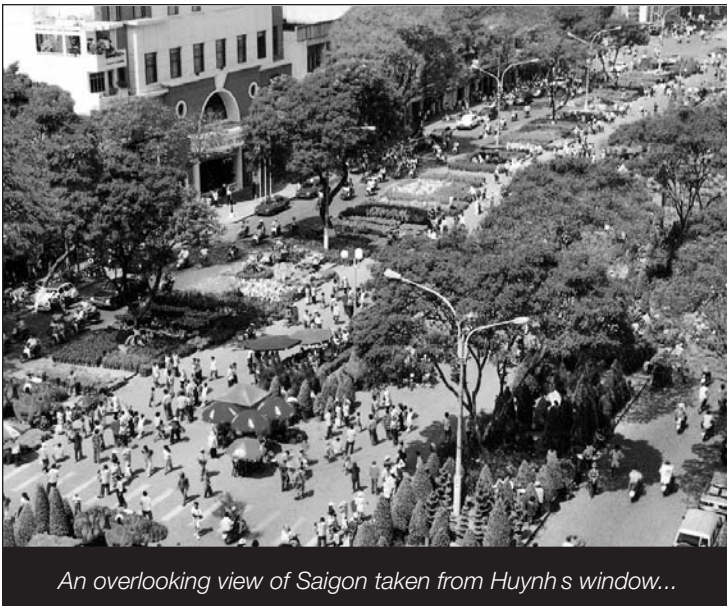
Since the liberalization, the industry has grown rapidly in all relevant measures. As of the end of 2002, the number of life policies in force has exceeded three million lives with total annual premium exceeding \$300 million USD. While this is a small, absolute figure, it represents almost 1 percent of Vietnam's GDP, a remarkable achievement for a short period. The number of people employed by the industry has now reached almost 70,000 countrywide. Most importantly, the assets invested by the life insurers are making significant impact on the development of the country's nascent capital market. The life companies are solely responsi-

market, and for the first time, Vietnam actually has a yield curve serving as a benchmark for other financial activities.

While the industry has quickly developed in the past three years, the process for human resource development has been lagging behind. Vietnam, with only rudimental departments of insurance study in two universities countrywide, had practically no insurance professionals in 1999. The efforts by the multi-national life insurance companies in the past three years helped develop a small but inadequate number of professionals. The situation is the bleakest for the actuarial field. There are less than a dozen students pursuing an actuarial career, most with only a few exams or less, and none has obtained the necessary exposure to prepare themselves for a long-term actuarial career.

The fast pace of development for the industry has not been matched with parallel development of the regulatory system. Vietnam currently only has a Division of Insurance within the Ministry of Finance. It is expected that this division will be upgraded to a Department of Insurance within the next few months. While this is encouraging news, the general level of power, and more importantly, the level technical expertise is low. The Vietnamese government needs a lot more assistance from companies and professional associations in order to learn to regulate the industry. At the moment, the government only has the promulgated the Insurance Laws and a few Decree & Circulars to help regulate the operation of life insurers. Many areas are left uncovered.

Since the concept of life insurance is relatively new in Vietnam, the general public's knowledge of the related subject is still very limited. There still is not an appropriate translation for the terms "actuarial science" and "actuary" in the Vietnamese language, let alone most other more technical terminologies. This low level of awareness also results in a lack of knowledge about the insurance industry in general and about actuarial science in particular amongst the Vietnamese students.



*An overlooking view of Saigon taken from Huynh's window...*



## 2. Proposed Focus for Ambassador projects in Vietnam

Given the current conditions of the life insurance industry in Vietnam, the SOA's focus should initially cover the important areas of:

- (i) Information dissemination
- (ii) Actuarial education encouragement
- (iii) Regulatory assistance
- (iv) Social activities coordination

There are many other areas where the SOA could also be active and of benefit to the country. However, given the small number of actuaries present in Vietnam and the limited resources, the initial activities and programs of the first two years should be well-focused and restricted to the above areas.

## 3. Proposed Work Plan for the Society of Actuaries Ambassador in Vietnam

Over the next 12 to 18 months, the proposed work plans for the different focused areas are as follows:

### 3.1 Information Dissemination

- a. Set up a Vietnam Country Web page for the SOA. Even though Internet usage is still low for the general population, the younger generations are sufficiently web-savvy and should be targeted to ensure an increase in the awareness for the actuarial profession and for the SOA.
- b. Cooperate with the major newspapers to publish articles promoting the actuarial profession and the SOA.
- c. Lecture the faculties of business management, science, statistics and mathematics of the various universities on the significance of the actuarial profession in the sound development of the insurance industry.
- d. Give actuarial publications to students in targeted faculties in selected universities in order to increase the level of awareness of the actuarial profession amongst the university students.

## 3.2 Actuarial Education Encouragement

- a. Establish a permanent examination center in Ho Chi Minh City to facilitate the existing students' effort to participate in the examination process.
- b. Cooperate with selected local universities to encourage the setting up of an actuarial curriculum based on a recommended approach by the SOA.
- c. Grant actuarial textbooks to the libraries of selected universities to provide students with better access to actuarial and research materials.
- d. Coordinate actuarial study group to assist local students to successfully write the SOA examinations.

## 3.3 Regulatory Assistance

- a. Create the actuarial sub-group for the Vietnam Insurance Association. This sub-group will act as the main conduit for the industry to provide technical assistance to the government.
- b. Invite members of the board of the SOA to visit the country and to conduct seminars covering subjects interested in by the authorities. These visits by the board members will create tremendous opportunities for the branding and educational efforts.

## 3.4 Social Activities Coordination

- a. Create an actuarial club of Ho Chi Minh City to provide a social forum for existing members and potential actuarial students to meet and exchange information. This forum will also provide the SOA with the platform to perform meaningful charitable and social activities.
- b. Coordinate regular social get-togethers and events for the small but growing actuarial community of Ho Chi Minh City.
- c. Publish a fun letter to inform members of the important and not so important developments in the country and the industry. □



*Huynh Thanh Phong, FSA, FCIA, is CEO of Prudential Vietnam Assurance in Ho Chi Minh. He can be reached at [ht.phong@prudential.com.vn](mailto:ht.phong@prudential.com.vn).*

# The Mysterious East, Part II – A Review Of Asian Life Insurance Markets — Issues & Challenges

by David Rosier

*Editor's Note: the following article is reprinted with permission. It last ran in Vol. 19, No. 1 (2003) in On The Risk. Part I of "The Mysterious East" appeared in the December 2002 issue of On The Risk.*

**Executive Summary:** Asian insurance markets generally possess enormous growth potential, and insurers from around the world are continuously being tempted to enter the region. From a risk management perspective, much misconception exists concerning the nature of the markets, the approach to risk evaluation and management, and the issues and challenges that are being encountered.

This multi-part article attempts to dispel some of the "myths" around the perceived unique nature of Asian markets. Part I addressed the nature of the markets, the business drivers and the issues and challenges being encountered. Part II takes a risk management perspective.

The current situation is reviewed, including issues concerning the future development of appropriate skills to tackle the inevitable rapid growth in customers under management, and the anticipated diversification in terms of product coverage and distribution approaches. The world continues to "shrink" and our customers will become increasingly more mobile. Appreciation of international markets will be a key requirement for risk managers in the future.

## Operational Risk Management in Asia

### Introduction

I believe the information contained within Part I is vital in terms of understanding the dynamics of the region and in being able to appreciate the challenges associated with effective risk evaluation and management.

All the aspects covered in Part I impact, in some form, upon the risk management function, and failure to appreciate and understand market realities must inevitably lead to inappropriate risk solutions. As a general comment, which is not unique to Asia, I would suggest that far too few underwriters and claim assessors have ambitions to make it to the higher levels of management, and so all too often senior management teams lack the appropriate

guidance as to core risks associated with mortality and morbidity risk that they seek to accept so readily.

Whilst underwriting is clearly viewed as a necessity, often the defining of process and requirements are carried out once the product concept has been created and approved. All too frequently, underwriters do not have the opportunity to participate in the process of creating "innovative" products as they are not seen as an area that can contribute positively to a product concept. I know of no company which seeks to position risk management expertise as a marketing strength. Part of the blame lies with the "profession" itself who have the tendency to get overly sidetracked on highly technical issues whilst inadvertently alienating themselves from the overall management strategy—or they simply do not see as part of their responsibilities a need to influence and shape the business model.

Before we consider today and tomorrow, let's briefly consider yesterday. Firstly, let me dispel one of the apparent major misconceptions about Asian markets—the nature of the risks (generally) and the principles by which they are evaluated are *essentially no different* than the established markets of North America and Europe.

Whilst local circumstances related to availability of information, access to records, quality of medical screening facilities, etc., may vary widely, the fundamental approach is the same. Additionally, there are relatively few "unique" risk scenarios linked to medical impairments—prevalence may differ (and often we simply have no statistical data), but the process of determining a level of extra mortality is essentially the same as anywhere else. In my years in Asia, this has proved a constant frustration as the "we are different" barriers are often created and used to block progress either by "local" representatives or those in regional or corporate headquarters. An underlying aversion to change that so many of us have is as strong in Asia (some would argue stronger) as it is in the rest of the world.

So we start with essential practices and principles that represent global accepted practice—classic publications such as Brackenridge—are the cornerstone of underwriting as are the leading international reinsurance manuals. Whilst some reinsurers make adaptations for

Appreciation of international markets will be a key requirement for risk managers in the future.

Asia (i.e., height and weight tables) most recognize these do not represent a major deviation from the core approach.

With our senior underwriters trained in the best that is available from North America and Europe (with some influence out of Australia) it is logical therefore to assume that the core capabilities are sound and professional.

Differences emerge in the application of practices due to market limitations, particularly concerning access to information. Quality of that information is also often a factor dependent upon location.

It is in the adaptation of these global “best practices” where the real challenge exists. Limited experience and/or lack of seniority in an organization can often combine to result in significant levels of inertia in the evolution of risk selection and management techniques.

This has generally resulted in sound but rather conservative, often expensive, risk evaluation. The appropriate senior personnel must be able and willing to challenge the traditional approach—embrace, having understood, the business strategy and deliver appropriate market, product, distribution and customer related solutions where risk evaluation and management are concerned.

All too often, our risk technicians are passive and driven by competitor approaches presented in an environment of confrontation

by marketing and distribution management. Whilst senior management often needs to change its views as to the full value of risk specialists, the actual underwriters and claims personnel must also take the initiative to force themselves into business strategy management. To me, this is one of the greatest challenges this area of the business faces in the next few years.

So we start with generally a sound foundation in terms of process and principles, delivered through generally competent personnel. The problem is that the pool of talent is woefully inadequate and companies are generally failing to invest enough resource into the development of additional new expertise, enhancement of existing skills and the effective retention of these specialists.

All too often, the debate centers on “show me the adverse claim experience and we will take preventive action”—as we all know, this is a naive statement borne of a time perhaps when margins were “fat” and assumptions regarding expected claims were so conservative that actual claims never came close to causing a loss (at least for life products as opposed to medical riders). With intensified competition across a broader and more complex set of risks, it will be trend analysis

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## Actuaries to Help Students With Sums

by the Royal Gazette | submitted by Mike Gabon

*Editor's Note: the following article is reprinted with permission. It last ran in the January 23, 2003 issue of The Royal Gazette. It can be found on their Web site at [www.theroyalgazette.com](http://www.theroyalgazette.com).*

**I**n one of the first programs for the new Institute for Talented Students, locally based actuaries from some of the world's leading insurance companies have volunteered to provide maths tuition.

Riquette Bonne-Smith, founder and executive director of the institute says:

“I think it's a great opportunity for businesses to come to the classroom at an early stage and teach children to enjoy and appreciate mathematics. If we can develop interest within that group of academically talented students, it may motivate them to pursue further studies within the field of mathematics.”

Recognising that Bermuda has the highest percentage of actuaries per capita in the world, Ms. Bonne-Smith decided to tap into this unique pool of talent.

As mathematics experts, actuaries are ideally qualified to teach the select group of students aged 10-14 about maths. The students will also be given the unique opportunity, to learn about maths as applied in an insurance context.

One of the chief actuaries at Scottish Annuity and Life, Mike Gabon, has co-ordinated the group of actuaries which includes, Ted Dew of Chubb Re, Patrick Lesage of Everest Re, Jim McNichols of XL Capital, Dale Mensik of Hampton Re and Dianna Williams of XL Financial Assurance.

Also participating, but not pictured, are Greg Haft of Chubb Re, Arie Haziza of Ernst & Young and David Whiting of Swiss Re. □



Back row, left to right, Ted Dew, Patrick Lesage, Jim McNichols, Dale Mensik.

Front row, left to right, Sonia Whayman, Dianna Williams, Mike Gabon, Riquette Bonne-Smith.

(and appropriate responses) which must become the most critical claim management tool, but which will also undoubtedly identify on occasions growth opportunities.

So the challenge for the future is creating a new generation of risk managers who are competent technicians yet excel in developing strategies to support the business objectives. They must be risk takers and opportunity seekers based on sound business acumen, rather than simply regarded as “guardians of profitability.”

The remaining sections of this article cover some of the main issues and challenges associated with risk management in Asia.

## Critical Business Development Issues

### *Product Diversification*

Risk assessment has generally been a somewhat generic model designed to fit all product scenarios. Clearly, this becomes increasingly inappropriate as diversity and complexity of product coverages advance.

There is a continuous need for companies to adapt their risk rules to match the nature of risks written. I see only limited evidence of this in many of the Asian markets. Inevitably, some risk evaluation approaches being applied are inappropriate and certainly cannot be sustained in the assumptions in the premium for acquisition costs. Further time needs to be invested so all those involved in managing risks have a sound understanding of the risk environment and the risk tolerance of the company linked to the underlying financial structure of the product.

### *Competitive Pressures*

Intense competition impacts not just price and product features, but places pressure on the risk selection process. Too often, approaches are being adopted simply by fact that the market “leader” or, more commonly, latest entrant has decided on this approach. There is often only limited review and validation of approach prior to implementation because the pressure to be competitive is intense and experience is low.

Differentiation is often overlooked and an assumption is taken that you have to improve on the existing to compete, not move to a different position.

As a general observation, risk specialists have failed to secure a central role in product development strategies and process. Far too often, they have to react to decisions taken and products designed rather than influencing the creation. This is regrettable, unhealthy and often wastes the talent companies have at

their disposal. This problem will be compounded if reinsurers retreat, as they probably will, from their traditional role of purveyors of extensive free value added services. If the traditional “role” of the reinsurer changes, then companies must either look more internally for the required expertise or outsource to risk consultants.

### *Pricing Impact*

In competitive environments, even if companies are not competing on price, margins will shrink as insurers respond to market realities.

The spotlight continues to fall on risk management as an area which is arguably more controllable than some other aspects in terms of the expenses generated.

Risk managers need a better understanding of the pricing assumptions of a product. Risk rules should never be developed without understanding these financial dynamics of the product. All too often, however, they appear to be ignored or a generic model imported from a friendly reinsurer is seen as the answer.

Matching evidence and risk assessment to product, distribution and target consumer/customer base will become a key requirement and challenge for senior risk personnel.

As mentioned earlier, the assumptions of expected claim levels are only informed estimates. As risk managers, we are responsible for tracking emerging trends and predicting future outcome plus the proposal of any measure to avoid or mitigate possible adverse experience. I see only limited evidence of this or even that this is fully appreciated as a responsibility that extends beyond the actuarial review of overall mortality and morbidity experience plus input from the treaty reinsurer.

### *Volume Driven Risk Assessment*

We all, to a degree, fear change—certainly risk managers in Asia are no different. The revolution in automated application screening has caused much consternation amongst the underwriting community with, to a degree, a resultant resistance to such developments.

This is inherently wrong—the underwriters should and will own and control the rule base. Dedication to high volume manual tasks to justify resource levels is a redundant strategy—adopting to the new environment is vital. The focus will shift to sound/consistent/ efficient initial screening and relevant/ cost-effective/ consumer-friendly individual risk evaluation process for non-standard applicants.

**Risk managers need a better understanding of the pricing assumptions of a product.**



### Distribution

This is a constant “theme” throughout this article as it will be a major driving force for risk management approaches and outcome.

Given the predominance of tied agency forces, the prime focus has to be to support this sales capability as effectively and efficiently as possible. Success is very dependent upon open and regular dialogue on relevant issues and not just change instigated as a result of complaints from the field force.

Risk management occurs far too often in a “vacuum” with inadequate explanation to the field force or appropriate training, not just at the initial level, but ongoing as agents develop their customer base.

Perceptions have to change and constructive regular dialogue should be central to this.

Looking further ahead, a new challenge will emerge as new forms of distribution are adopted which will require new risk models. Underwriters must take the initiative to adapt the generic tied agency model with regard to risk management.

### Customer Relationship Management

Whilst companies start to embrace the concepts of seeking to know customers better,

serve them more effectively and increase the retention and profitability of the customer relationship, there is little evidence this has filtered through to risk management activities.

Ultimately, this must change as risk and claim evaluation deals with two of the most critical and sensitive points in a customer relationship. How these activities are handled will speak volumes about the character of the organization.

Customer-handling skills must become a critical element of risk management training and development programs. In this new era, companies must be able to justify to the outside world what they do and why—underwriting and claims will certainly move further into the media and consumer “spotlight.”

Customers will demand explanations and alternatives and will need increased direct contact with “experts” in the area of risk management.

Beyond serving customer expectations and demands, companies will mount campaigns specifically to sell targeted products to segments of the customer base. This strategy will demand appropriate risk evaluation approaches which recognize the existing

**Success is very dependent upon open and regular dialogue on relevant issues...**

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## International Experience Study

by William R. Horbatt

**T**he SOA is launching an international experience study that intends to measure individual life insurance key performance indicators such as mortality and persistency on a country-by-country basis. While traditionally the SOA has published similar experience studies of life insurance sold in the United States, the focus of the study is individual life insurance experience of policies sold internationally. It is anticipated that international actuaries will use study results for pricing purposes, business planning purposes and performance benchmarking.

A pilot study is currently being conducted with four companies contributing 2000–2002 experience data for three countries (Mexico, South Korea and Taiwan). The results of the pilot study will be released soon and will include persistency and actual to expected mortality rates. When available, results can be

found on the SOA website at <http://www.soa.org/research/index.asp>.

The pilot study results should also encourage more company interest in contributing data for an expanded study involving additional parameters and countries. Planning has already begun for this comprehensive study. Among the additional key performance indicators being considered are agent productivity and company expenses.

As one of the co-chairs of the SOA’s international experience study, I invite you and your company to participate in this groundbreaking endeavor. For more information about the study, please contact myself ([WHorbatt@aol.com](mailto:WHorbatt@aol.com)) or Mike Gabon ([mike.gabon@scottishannuity.com](mailto:mike.gabon@scottishannuity.com)), co-chairs of the SOA’s international experience study committee or Jack Luff ([jluff@soa.org](mailto:jluff@soa.org)) or Ronora Stryker ([rstryker@soa.org](mailto:rstryker@soa.org)) of the SOA. □

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customer data and the nature of the relationship with the company.

In concluding this section, it can be seen that virtually all the current market dynamics impact upon risk evaluation and management. No market in Asia is excluded from such realities. Unfortunately, the underwriting and claims fraternity has, to date, been slow to respond and remain often isolated from where strategy is defined. This has to change and requires risk specialists to be far more confident in the value of their contribution and proactive in positioning issues and opportunities with management.



## **Technical Skills and Business Acumen**

### *Skill Distribution*

It is very difficult to comment in specific terms without dealing with individual markets. Obviously, a market such as Vietnam, which effectively opened only three years ago, will not have a deep pool of experience to draw upon. This creates major challenges for new entrants who have sought and experienced rapid growth, but have struggled to have their risk management expertise keep pace in an, as yet, unproven environment. China has presented similar challenges since AIG reentered in 1992 and others eventually followed. Whilst Shanghai and Guangzhou-based operations compete for the limited skills that exist as other cities open up, there will have to be migration of “experts” and/or rapid development programs. Logic might have dictated products offered should reflect to a degree the limitations in risk evaluation capabilities. Competitive pressures have tended to override this wisdom.

Elsewhere, according to my colleagues, the issue is one of moderate to chronic shortage of skills caused by market immaturity and/or intense competition for this scarce resource.

Virtually no market has real strength in depth, and much development has been delegated to international reinsurers—a situation that is not likely to be sustainable. The focus has been on creating the key role of “chief underwriter” but there has been a lack of focus in creating strength in depth, leaving companies too vulnerable to the migration of senior personnel and the temptation, or necessity, of promoting the best of the remainder. Much needs to be done to create meaningful career paths with linkage to a relevant examination process plus ongoing development facilities. Companies and markets need to combine efforts to achieve this in the belief that everyone will gain. Only the largest of multinationals can afford in-house development resources. Reinsurers, however, will probably focus more attention on major clients, so leaving a significant “gap” in the market.

Local insurance federations should seek to fill that void and link across the region, perhaps via the auspices of the International Underwriting Congress which is now under the management of LOMA.

One very positive feature—for insurers if not for the community in general—is that, in many countries, doctors and nurses are relatively inexpensive to recruit and working for a multinational is often very appealing.

Many companies have qualified doctors and nurses employed as underwriters and claim assessors. Clearly, there is an advantage as core anatomy and physiology are already mastered as is an understanding of major impairments. The mistake is to assume that the medical knowledge will ensure that these individuals can and will master the techniques of risk assessment and understand the commercial environment. This does not simply happen and so whilst the “raw material” is high quality, the recruits still have to be trained and molded into skilled risk managers.

Arguably, increasing automation challenges the level of focus on skill development. This, however, is not logical as automation of the routine actually supports the development of specialists. Companies should be seeking to develop specialist units of underwriters and claim assessors who operate across the full product range.

The role of underwriter and claim specialist should mean exactly that and companies need to get away from the proliferation of job titles

which suggest risk management responsibilities, but are, in fact, administration roles. A desire to retain staff drove companies to develop misleading job titles which appealed to individual egos.

The challenges are to create meaningful career paths and status for both administrators and risk technicians and to recognize the importance of both in the organization.

*Depth and Breadth of Expertise*

Generally speaking, virtually all markets, relevant to their stage of development, have highly competent senior underwriters operating in the large local companies or with multinationals.

Whilst recognising the lack of strength in depth, the actual technical knowledge of the senior risk assessors often rivals anywhere in the world. There is a strong foundation on which to build.

Medical knowledge is generally excellent as is the insight into the fundamentals of risk management. My concern is that this often does not translate into a “leadership” role where product opportunities are identified, processes and practices are constantly evolving, and risk scenarios recognized and exploited to the full.

All too few risk specialists gravitate to the higher echelon of management or even leadership of operational areas. In discussing this with colleagues, there seems an unfortunate resignation that this will not change. As long as that feeling prevails, then this will certainly be a self-fulfilling prophecy!

I believe most “observers” regard underwriting practices and approaches in Asia to be generally conservative but based on global “best practice.” Arguably, this leads to a volume of cases being “lost” due to the rigid underwriting approach. Compounding this perception is the issue of over-ordering of medical requirements as natural caution drives underwriters to seek absolute answers.

Change will occur when the skills and experience of the senior underwriters can be imparted to more junior technicians and decisions are made with a full insight into the nature of the risk and the actuarial assumptions as to overall underlying risk.

There is no easy answer as this requires mentoring of underwriters with exposure to ever increasing complexity of risk. These skills cannot be created in the classroom and it is only practical experience that will create these skills. The time and effort required by the senior underwriter must be recognized—time created—rewards given for a task successfully progressed.

The ultimate goal is decision makers and risk takers rather than technical “wizards.” This remains a major challenge in Asia.

Compounding the skill shortage is the issue of retention. A fear pervades many markets that if you succeed in developing good risk managers they will inevitably be recruited away. Companies will never be irradiated of that risk but, equally, fear of “poaching” should never be an excuse to not develop people.

Whilst remuneration is critical, it is not the only driver of retention—recognition is vital as is access to regional and international meetings where a person can represent his or her company at a senior level. Activity in local insurance associations raises the individual’s profile and helps to develop communication skills. None of these should be under-estimated as retention measures but they need active management support.

*Training & Development*

This is the cornerstone of a credible risk management community and my impression of Asia is that we have become far too dependent upon our reinsurers to tell us what we need to know and be concerned about.

Generally, this “service” has not catered for the basic training needs and regular ongoing development via exposure to current issues and approaches. Whilst having concerns as to the future of “value added” services provided by reinsurers, I have to pay tribute to a reinsurance program that originated in Asia and has been exported to other parts of the world. The GeneralCologne Re Comet program combines modularized training for junior underwriters and then conversion to an ongoing development program via aspects such as case studies and journal review services. An excellent program which represents tremendous value for insurers.

Reinsurers have tended to determine topics of interest and bring seminars and publications of a fairly generic nature to these markets. One has to recognize that these companies do so with a vested interest to promote potential reinsurance products and so certain relevant topics could and do get neglected.

The solution should be with local associations that will determine areas of focus and interest and seek expert input. These groups can operate within life associations or as an independent specialist group. Sadly, there are all too few of such groups and my colleagues regularly cite this as a major shortcoming in most markets. The Philippines has a very active local underwriting association and is a model to

I believe most “observers” regard underwriting practices and approaches in Asia to be generally conservative but based on global “best practice.”

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others in what can be achieved. Unfortunately, these initiatives do not suddenly happen—they need volunteers and much hard work plus a level of company endorsement sponsorship.

The Academy of Insurance Medicine—Asia is a relative newcomer but already has established itself as a leader in the field of dealing with topical risk issues via its biannual regional conference. We desperately need such an organization to survive and thrive and, dare I suggest it, to broaden its membership and mandate to involve the lay underwriting and claim communities.

Whilst international events run by LOMA (i.e., the International Underwriting Congress) and the International Congress of Life Insurance Medicine periodically come to Asia, this is not enough and discussions planned for late 2002/2003 into a possible Asia-Pacific Underwriting/Claims Association and some form of examination/qualification process specific to these markets are to be encouraged. All of this activity requires senior underwriters to see and accept training and development as a core responsibility at a market and company level.



### Specific Risk Management Challenges

Whilst I have stressed that most of the challenges faced in Asia are not unique in nature, there are a few risk aspects which present somewhat unique aspects and I want to touch briefly on some of these.

#### *HIV/AIDS*

This could warrant a separate article in itself but safe to say the region presents—certainly in the Thailand situation—an arguably unique set of risk characteristics in terms of the prevalence of the disease and the risk profiles.

The challenge faced concerns how unique is the Thailand experience and could the HIV

problem be rapidly developing in some other emerging insurance markets such as China and Vietnam and how could this threaten the longer term viability of such markets?

The answer is unknown but the experience gained in Thailand from risk screening linked to underlying prevalence rates, risk group characteristics and random testing provides companies with a very sound model as a reference point.

#### *Hepatitis B-C—and Beyond*

It is probably true to say that whenever anyone is asked to identify a particular risk synonymous with Asia, the majority would cite Hepatitis—specifically type B and C. Clearly, there are unique features in terms of disease distribution and, in some cases, the endemic nature of the infection.

Given the known prevalence rates, the constant challenge is one of evaluating those who present with marginally abnormal liver function tests. Opinions differ considerably as to screening approaches and the handling of those who are asymptomatic and yet present abnormalities of liver function. It is certainly exceptional that the approach adopted in “Western” markets is not appropriate (i.e., too harsh) in Asia but we are far from having a clear structure for a generally accepted approach.

#### *Medical Evidence—Quality & Quantity*

Rather than dwell on specific diseases and disorders, I believe it is appropriate to comment in more general terms regarding the challenges of establishing an applicant’s medical history. Clearly, there are considerable differences between developed markets and emerging countries in terms of quality, availability of medical evidence and health records.

The general rule is that to a large extent companies are dependent primarily on disclosures by the applicant supported by current medical data. To the uninitiated, this could appear at times to lead to over ordering of requirements but this often reflects the difficulty in accessing comprehensive medical records/histories.

The attending physicians report is generally difficult to get, expensive and of questionable value. In most countries, there is no centralized system of medical record collection. The concept of a family doctor/personal physician is relatively new. This creates considerable challenges around determining the medical history and enhances the opportunities to successfully non-disclose a relevant history. Underwriters are, therefore, naturally cautious.



In countries where state-run hospitals exist, there remains problems of access and quality of storage and accuracy of records. Often financial relationships have to be established with hospital administrators rather than dealing directly with the specific doctor.

It's a very challenging environment in which to evaluate a disclosed medical history (and to evaluate the validity of a suspicious claim).

Turning to the quality and availability of medical screening facilities, the situation varies dramatically according to country.

Companies generally create approved medical examiner panels and try to exert some basic quality controls but normally only minimal training in the concepts of life insurance medicine. Only the largest of companies have in-house, full-time doctors for medical screening although many companies in China, Vietnam, Indonesia and Thailand employ doctors (and nurses) as full time underwriters and claim assessors.

The real challenge comes where more complex tests are required—accessibility, quality and cost are all issues. As business develops and geographical boundaries are pushed back, finding access to quality medical screening capabilities continues to be a logistical problem.

The major labs continue to evaluate the potential of establishing in Asia but struggle to locate a base which would be cost-effective (given perceived volumes) and offer quality facility and staff. In reality, decisions often have to be made on the best of what is available which would not always be acceptable in a developed market and, as a result, the final decision may look overly conservative.

#### *Financial Risk Evaluation*

Possibly one of the most problematical aspects of underwriting in Asia concerns the evaluation of the financial status of an applicant and justification for cover levels.

The fundamental issues of access to quality information are global in nature but appear compounded in Asia, particularly in the Chinese community, where financial structures are often complex in order to minimize tax. Additionally, there is often a pathological fear of producing data regarding income, assets and liabilities let alone justification for levels of coverage proposed.

There are even issues of sales being made based purely on ensuring the coverage is bigger than a personal or business rival. Ego and “face” can be a major driving force.

Sources of income—which appear unusually large—in markets where the nature of the

occupation would not generate such levels is also an issue. An example would be local government officials applying for large coverages in markets such as China.

Applicants who are entrepreneurs and taking advantage of economies that are liberalizing and have stimulated a culture of free enterprise create issues as to nature and sustainability of their income. Generally, products offered have proved popular and, in most markets, average sums insured are increasing as are maximum issue limits. Coupled with ever-increasing complexity of products and packaging of coverage, this makes ensuring the justification process more complex. Often, case law does not exist, and the insurance law remains vague concerning concepts such as insurable interest.

Normally, the “solution” is based upon taking a pragmatic approach to the gathering and evaluation of evidence. Often circumstantial evidence of an applicant's financial substance and business activities has to be the basis of the decision. Knowledge and trust in the introducing agent are also critical factors.

Whilst the direct writer may feel, on balance, the risk is valid problems often exist in convincing reinsurers who are unfamiliar with the territory and have retrocessionnaires who are very cautious in taking large Asian risks. Constant dialogue, with specific examples, involving all interest parties is the best solution.

#### **Non-Disclosure and Fraud**

When one discusses developing/emerging markets, inevitably it will be suggested that there must be rampant dishonesty driven by an underlying culture of corruption and much business is therefore written with fraudulent intent.

In all my years in Asia, I have not seen that to the extent imagined—the majority of our policyholders are basically honest, and if they understand our needs in terms of information, they generally will provide full and honest answers. As with other markets, there are always exceptions, and unscrupulous agents and dishonest applicants will exploit weaknesses in risk processes and/or deliberately non-disclose.

As markets develop so does the sophistication of the frauds perpetuated. Awareness and understanding of the business will always lead to exploitation of opportunity to defraud by a limited few. It is critical that companies, when they discover such abuses, take a very public stance to punish the perpetrators. All too often, there is a reluctance to act because of fear of

**There are even issues of sales being made based purely on ensuring the coverage is bigger than a personal or business rival.**

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### About the Author

David Rosier has had a career in life and health insurance covering in excess of 30 years and which commenced in the United Kingdom. An underwriter by background, David has had senior management roles in the United Kingdom covering underwriting, claims and operational management.

David has been involved in Asia for more than 15 years and for the past 11 years has lived in Hong Kong. He has held senior management positions for both leading insurance and reinsurance companies in the region and is currently vice president for risk management, Asia, for Manulife Financial.

David has written extensively on risk management issues and spoken at numerous industry conferences globally on risk evaluation, reinsurance and business development strategies. He is a previous OTR contributing editor for Asia. □

damaging public perception. This is a mistake—positive action taken early in the history of a market sets the foundations for a secure future.

There remains a responsibility of insurers to educate the buying public—unintentional non-disclosure is often a major issue in very young markets. Insurers have a vested interest to educate the media and public around what constitutes a material fact and the implications of material non-disclosure.

Random screening is commonly performed (medicals on one to two percent of clean applications) to ascertain a level of non-disclosure. This is valuable in terms of not only giving an indication as to overall quality but as a deterrent to those who might deliberately non-disclose.

Generally, there are reasonable levels of honesty but the public (and agents) must be educated and continually reminded of the duties of disclosure. The assessment of claims occurring in remote locations, early into the contract with minimal evidence to support the event, is a common challenge for companies as it has been for any market writing business on clients of different nationalities.

### *Regulators and Government-Related Organizations*

I will finish this section by touching on an issue which I think we as an industry constantly under-estimate in its potential impact. Regulators draw much from the mature and arguably "over-regulated" markets.

The mandate now stretches far beyond financial viability of the insurer. This requires an increasingly in-depth understanding of the mechanics of insurance. The solution has to be a more open and regular dialogue around critical issues and market responses. So who takes on that responsibility?

Clearly, the life insurance associations have those implied responsibilities but have often proved unsuccessful in engaging regulators, government, media and consumer groups in an "educational" dialogue. All too often, communication takes place when the industry has to defend its position—why do we never learn that we gain, on occasions, by being proactive?

In Asia, I believe the issues linked to genetic testing are a golden opportunity for the industry to be proactive, but indications are only a few agree and others will wait until we inevitably come under attack.

This leads me to the issue of consumer groups, often linked with government, who now consider the very important issues of discrimination and privacy, but who, all too frequently, come to challenge the fundamental "Right to Underwrite."

These issues are already impacting markets in Hong Kong and Singapore. Why must we wait until challenged?

Experiences from Australia and United Kingdom will show how bad a mistake that would be.

In Part III, we will consider what the future might hold. □

### Congratulations!

The following are the newly-elected members of the International Section Council. Each will serve a three-year term beginning in October, 2003.

**William R. Horbatt**  
Short Hills, NJ

**Thomas E. Leonard**  
*Milliman Brasil*  
Sao Paulo, Brazil

**Anna Louie**  
*General Cologne Re*  
Wanchai, Hong Kong

**Ronald L. Poon-Affat**  
*General Cologne Re*  
Sao Paulo, Brazil

### THANK YOU!

#### Ongoing council members:

**Shumei R. Kuo,**  
2002-2003 Section  
Chairperson  
*ING Americas*  
Atlanta Georgia

**August C. Chow**  
*Office of the Commissioner  
of Insurance*  
Hong Kong

**Jorge Manuel Noronha**  
*ING Latin America*  
Atlanta, GA

# What's New in the SOA's International Arena?

by Martha Sikaras

## International Strategy

The Board Level Advisory Group on International Issues, chaired by Stuart Wason, continues work on its White Paper on International Strategy and Initiatives. The group is focused on addressing four strategic questions:

1. *What do we know about our members' needs, wants and preferences that is relevant?* Here, the group will examine information on our current member and candidate demographics and related trends; information on the needs of both of these groups and the identification of other international constituents such as emerging actuarial organizations, academic programs and government entities.
2. *What do we know about the current realities and evolving dynamics of the SOA's environment that is relevant?* There are an almost overwhelming number of environmental factors that influence international strategy decisions. For example, the impact of globalization; the emergence of international standards; the convergence of financial services firms and a host of regionally specific issues.
3. *What do we know about the "capacity" and "strategic position" of our organization that is relevant?* No picture is complete without a thorough examination of finances and organizational capacity. The SOA is currently involved in the support of many efforts; some directed by its staff while others are done in cooperation with other organizations such as the International

Actuarial Association and our Hong Kong joint office.

4. *What are the ethical implications of our choices?* The SOA is one of the largest actuarial organizations. As such, we must take a responsible look at the consequences of our decisions and actions.

A final paper is due to the Board of Governors for consideration at their October meeting.

You are invited to provide comments on any of these topics by contacting Martha Sikaras at [msikaras@soa.org](mailto:msikaras@soa.org).

## New Ambassadors

The SOA is pleased to welcome Phong Thanh Huynh, F.S.A., F.C.I.A., (Vietnam) and Julian D.Gribble, F.S.A., F.C.I.A., (Australia) as its newest ambassadors. Both ambassadors will be working to promote the actuarial profession within their countries as well as acting a local resource for SOA members and candidates. Congratulations!

## Joint Groupe Consultatif/IAA Education Seminar

The International Actuarial Association (IAA) and the Groupe Consultatif will co-sponsor an International Education Conference on "Educating Actuaries with a Business Orientation." The seminar will be held at the Hotel Maritim proArte in Berlin on November 26-27, 2003. □

Additional details are available at [http://www.gcactuaries.org/documents/berlin\\_regdetails.pdf](http://www.gcactuaries.org/documents/berlin_regdetails.pdf)

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## Don't Miss the International Section Sessions at the SOA Meeting in Orlando!!

### Monday, October 27

10:30 a.m.-12:00 p.m. SESSION 5 PD  
*Specialty Track: International/Nontraditional Marketing*  
TRENDS IN DISTRIBUTION IN INTERNATIONAL MARKETS

### Tuesday, October 28

10:30 a.m.-12:00 p.m. SESSION 69 PD  
*Specialty Track: International/Management and Personal Development*  
MANAGEMENT OF INTERNATIONAL OPERATIONS

### Wednesday, October 29

10:30 a.m.-12:00 p.m. SESSION 117 OF/D  
*Specialty Track: Financial Reporting/International*  
INTERNATIONAL ACCOUNTING STANDARDS DEBATE

### Wednesday, October 29

2:00 p.m.-3:30 p.m. SESSION 127 PD  
*Specialty Track: Health/International*  
INTERNATIONAL SOLUTIONS TO FINANCING HEALTHCARE

### Wednesday, October 29

2:00 p.m.-3:30 p.m. SESSION 128 PD  
*Specialty Track: International*  
IT'S THURSDAY MORNING, I MUST BE IN SEOUL

# The Mysterious East, Part III - Future Market Opportunities & Challenges

by David Rosier

*Editor's Note: the following article is reprinted with permission. It last ran in Vol. 19, No. 2 (2003) in On The Risk. Part I of "The Mysterious East" appeared in the March 2002 issue of On The Risk.*

**Executive Summary:** Asian insurance markets generally possess enormous growth potential, and insurers from around the world are continuously being tempted to enter the region.

From a risk management perspective, much misconception exists concerning the nature of the markets, the approach to risk evaluation and management, and the issues and challenges that are being encountered.

This multi-part article attempts to dispel some of the "myths" around the perceived unique nature of Asian markets. Part I addressed the nature of the markets, the business drivers and the issues and challenges being encountered. Part II took a risk management perspective, reviewing the current situation, including product diversification, competitive pressures, pricing issues, volume drivers, distribution, customer relations, technical skills development and special risks like AIDS, Hepatitis B and C and more. Part III discusses the future opportunities for market growth, appropriate risk models and challenges from claims management.

The world continues to "shrink" and our

customers will become increasingly more mobile. Appreciation of international markets will be a key requirement for risk managers in the future.

## Opportunities

If you glean nothing else from this article, I hope you come away with the appreciation that Asia represents an area of vast growth potential.

Consumers generally want and value our products. They are motivated by a desire to save and then appreciate the value of packaging protection against death and disability.

The "emerging middle class" will sustain and grow most markets despite economic volatility.

Companies will bring products, operational expertise, marketing skills and technology to Asia in pursuit of growth and profit. Asia will have access to the "best of the best" so long as it can deliver steady profitable growth and allows companies to operate in a commercial environment that demands professionalism but recognizes the need to manage risk in an appropriate manner which protects ALL policyholders.

Customers will become more knowledgeable and whilst more demanding in terms of value and service they will have greater appreciation of the products and overall persistency should improve.

Alternative forms of distribution will ultimately enhance profitability as companies pursue the objective of delivering the "right product, at the right time and at the right price."

## Challenges

### Market Growth

Overall, I see the largest threat to the industry and particularly risk management as the unrealistic "returns" that companies may set for their operations in Asia.

Unrealistic plans regarding market share, growth of new business and cost efficiency can drive companies to a strategy of short-term growth at all cost whilst potentially sacrificing long-term profitability.

Risk management will be regarded as a hindrance rather than a "gate keeper" of profitability. Companies may seek to not only economise on risk evaluation but highly incentivise new (and inappropriate) products





through minimization of selection criteria. There are already signs of this in certain markets.

#### *Skill Development*

We must create more relevant skills and also increase the breadth and depth of those skills.

We need national Organizations who will drive up the professionalism of its risk managers whilst ensuring a sound educational base. Reinsurers should not have to shoulder all of that burden.

Companies should invest in development programs which impart knowledge and create skills. Skills should be regularly evaluated and linked to a meaningful career path and adequate and appropriate reward and recognition.

There is so much still to be done in this area.

#### *Relevant Risk Models*

For far too long, we have all been dependent upon the “wisdom of the West.”

As we face up to the defense of the “Right to Underwrite,” this may not be enough as we will be challenged to substantiate that conclusions based on statistical data from other areas of the world are valid in Asia.

Countries should organize study groups—work with actuarial associations and seek help from, but not pass responsibility to, reinsurers.

We need and should have underwriting tools which truly reflect the dynamics of writing business in Asia.

#### *Claim “Ignorance”*

High assumptions on expected claim levels (and therefore high premiums)—with resulting “low” actual claim levels cannot be the only measure of effective risk management.

As competition intensifies, these fat margins will be eroded—as risk managers, it is our duty to monitor and identify claim trends and propose—PROACTIVELY—measures that control future risk.

The attitude of waiting until there is a problem with claim levels has to change, but it takes companies who want to be true market leaders to have the courage to do this. Sadly, there are too few companies that see this as their role. The action we take gives a clear message to our distributors, the buying public and government that we know our business and it is not “sales at any cost.” Surely, we all have a vested interest to take positive action to minimize unacceptable selection against the insurer.

#### **Conclusion**

Whilst there are so many issues impacting the development of risk management skills and

processes, I trust this article has at least provided an insight, at a high level, of the issues and challenges of this area of the world.

There exists a strong foundation to build upon. Issues, and often solutions, are global in nature and so “best practice” models can and should be exported to Asia and adapted locally. Growth potential is considerable in the medium to long term, but profitability and critical mass will take time, patience and investment to create. This area of the world is not for those with a short-term perspective—durability and realism will characterize those that will succeed long-term. Whilst a few unique challenges exist at a country level, and to a lesser extent in the whole region, generally our colleagues around the world can assist in what are predominately common issues and problems.

There should ideally be a network to permit and encourage sharing of expertise. The IUC coming to Singapore in November 2003 is a major step toward that goal if this gathering can spur an international group willing and able to create this global forum.

I hope this article sets the scene for those who are unfamiliar with Asian markets and who will be in Singapore in November 2003. For others, I hope this may have stimulated an interest in Asian markets with a realization we share so much in terms of approach, issues and challenges.

As the world “shrinks” and international “barriers” collapse, it is vital we understand the environment in which we live and work. For risk management, we must all develop a basic understanding of global markets given the increasing mobility of products, processes and customers. □

#### **Acknowledgements:**

My sincere thanks to the following for sharing their thoughts and wisdom regarding Asian markets:

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**China:** Cindy Zhang

# Actuaries in Kazakhstan— Profession Without Frontiers

by Valentina A. Isakina

**W**hen my plane landed in Almaty, it was about 3 a.m. on Monday, April 28, 2003. By the time all the necessary customs and passport controls were behind me and I checked into the Regent Almaty, the clock was approaching 6 a.m. In just a couple of hours I was due in a classroom to meet a group of actuaries who came from various parts of Kazakhstan, some traveling across the country, to participate in the course I was about to teach. I left home over 30 hours ago and the 12-hour time difference with Chicago was certainly affecting me. But the excitement of meeting this group of people, about whom I had heard so much before my trip, was so strong, I could hardly wait until these hours passed.

The opportunity for this trip came knocking last December at the SOA headquarters in Schaumburg, Illinois. As part of their trip to the United States and before they proceeded to Washington D.C. to meet with the Academy representatives, a group of actuaries from Kazakhstan was to visit the SOA office. The trip included a separate meeting with the SOA staff actuaries, during which I surprised the visitors with my knowledge of Russian, stepping in to help with translation, when the interpreter retained for the delegation was not able to follow our notoriously “confusing-to-outsiders” actuarial jargon.

I was very excited to meet the actuaries who spoke my first language and, during our conversations, I learned they were preparing to administer the sixth and final actuarial course on finance and investment topics. Culminating in a final exam, this two-week course was going to complete the first full series of actuarial educational requirements in Kazakhstan. A Russian tutor was needed for this course, and I, as the Finance Practice Area actuary at the SOA, who happened to be Russian, was invited to fill this role.

I immediately received a “thumbs up” from the SOA for this international actuarial initiative, but getting the approval and securing the travel funding from the U.S. Agency for International Development (USAID), who was sponsoring this course, took some time. Finally, with the help of the Kazakhstan actuaries and Mike Sze, the main instructor for the upcoming course and a member of the International Academy of Actuaries’ task force “Actuaries Without Frontiers,” my trip was set.

Arriving into Almaty, I did not know what to expect from this two-week seminar. I spent months before the trip translating lecture notes and, having received my higher and graduate education in the United States, was aware of the upcoming translation challenges. Much of Russian financial and insurance terminology, almost nonexistent during the Soviet era when I was growing up, is still being developed, and I was hoping to draw on the English knowledge of the students to help with my task.

Immediately, it became clear that the challenges were much greater than Mike and I had anticipated. The study materials, which were supposed to have been delivered to the students months before the course were missing, many students were not fluent in English, and, as a result, hardly anyone had prepared adequately for the course, which was supposed to be only a high-level review of the material in economics, finance and investments roughly equivalent to the Chartered Financial Analyst (CFA) Level 1 exam. I also learned that, not being able to get study time so common for the actuarial programs in the United States, many of the students had to take vacation to attend the seminar, and some were even required to report back to the office after the regular classes to work nights.

It took several days for the confusion to subside. The study materials were found somewhere in the offices of the sponsoring organization and the students organized into study groups, trying to study between the regular class hours and going back to the office. Mike and I also had our own after-hours routines—after lecturing in the morning, administering daily tests after lunch, and giving a tutorial and review of the previous day’s test in the afternoon, we prepared for the next day’s lecture and graded that day’s tests until 1 or 2 a.m. Mike’s wife, Elsie, and my mother Zoya—a retired teacher, who still lives in Russia and came to visit me in Kazakhstan for a few days—both were selflessly helping us grade the test papers.

Since many students could not follow English, translating daily tests, the midterm and the final exams into Russian also became a task on its own. We were fortunate to be able to draw on the translating resources of the sponsoring organization Pragma, who represents the USAID in Kazakhstan. However, the process

Since many students could not follow English, translating daily tests, the midterm and the final exams into Russian also became a task on its own.

was not as simple as it sounds. Since the exam covered many topics, multiple interpreters specializing in various disciplines such as accounting, finance, insurance, economics and statistics had to be involved in this process. With this group, I spent hours brainstorming about which terms to use in what circumstances to make sure that all the appropriate nuances were reflected in the English and Russian versions of the examinations identically.

The immense amount of effort put into this work was soon showing in the pale, exhausted faces and red eyes of both the students and teachers. With only one day of break during the entire two weeks of the seminar, the final examination day approached too fast. The students did their very best but they realized that, given the circumstances, passing this course presented a great challenge. Thirty-two students enrolled in the seminar with the hope of successful completion of final exam, but, in the end, only three were able to achieve a passing result. Notwithstanding the low passing rate, however, the event was a tremendous success.

The seminar was a success because many people and organizations contributed their enthusiasm, knowledge and hearts to the development of the actuarial profession in Kazakhstan. It was a success, because it drew together a group of students who became friends during the first actuarial course three years ago and now are building the future of their young country. Many of these actuarial students are now key leaders of the country's economy—ranging from the CFO of the biggest life insurance company to the director of the national pension fund of Kazakhstan. They decided to join the actuarial profession several years ago in order to learn from the best the world has to offer, and they never regretted it since. Above all, however, this event was a success, because it is contributing to the growth of our profession, spreading that special actuarial trait we possess of being able

to establish an immediate connection, a bond, an understanding and a sense of commonality with any other actuary, even if that person practices halfway around the world.

I first heard about the establishment of the actuarial profession in Kazakhstan a couple of years ago via the articles in the International Section News. The articles left me wondering how this country, given so many other financial and economic issues it had to deal with, was able to make such gigantic steps in advancing the actuarial profession in such a short time. Of course, there is always much to be done, and many countries of the former Soviet bloc are now also on their way to discovering the profession, but the progress of Kazakhstan, in my opinion, is simply unprecedented. This country of beautiful and rich natural resources is rich in another, much more important resource—its people. These wonderful individuals, with their love, devotion and pride for their country are the key ingredient to the success of Kazakhstan.

To understand the personal qualities possessed by the incredible group of actuaries I met in Kazakhstan, you need to know them. I was very impressed with how much dedication and work the students were able to put into these two weeks, given the difficulties they faced. When the low pass rate was announced, the reaction to the news from the students simply overwhelmed me—they apologized! They did not look for excuses and reasons to complain about their failure—they felt guilty for not being able to reach a passing mark, and promised to ace the course next year.

In the best of actuarial student traditions, a celebration party was held after the final exam. There, one toast was announced that truly touched my heart—"Becoming an actuary was the best thing we ever did." I feel honored and proud to have participated in this rewarding experience. These actuaries are now my friends. □



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## 2004 Membership Directory

Work has already begun on the print edition of the 2004 Directory of Actuarial Memberships. Please update your SOA membership information so that it is reflected accurately in the upcoming edition. You can do so by logging in at:

<http://directory.soa.org/CGI-BIN/LANSAWEB?PRCOFUN+mdweb3+mdx000+prd>

All information must be updated by October 17, 2003 to be included in the 2004 print edition. □

# What Are the Probabilities of Couples Having Twins?

by Shyamal Kumar

**H**ere's a picture of me with my new born twins—two of the faces here are those that, I wish, will always be smiling beautifully: Divya, which means “Divine,” and Ananth, which means “Endless” or “Infinite,” the names of the 175-day old fraternal twins, with me as their undeservingly lucky and proud father.

Very early in the gestation, my wife and I found out that they had their own amniotic sacs; we came to know that this alone did not indicate fraternal twins. This is because identical twins, depending on the date of their separation, could also be in separate sacs. An interesting statistic is, given separate sacs, the odds are 3:1 in favor of fraternal twins. Assuming the odds being equal for either gender, the “products,” as the gynecologist and radiologist insensitively called them at the time, could be one of the following, with the associated probabilities (see table below).

The mode was our preferred due to the sheer symmetry by gender; hence we just wanted not to be lucky. Being humans, despite our education, we feel lucky.

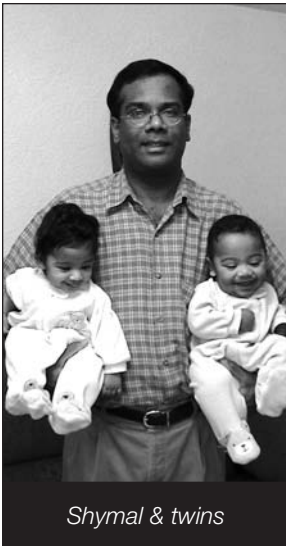
Continuing with my calculations: my blood type is O+ and my wife's, B+. Assuming 50 percent chance that my wife was a pure B+, this would imply that with fraternal twins, there would be a 75 percent chance for them to have the same blood type. In the case of the same gender twins, the odds would be 17:3, in favor of having the same blood type. And given the same gender and the same blood type, the odd would be 18:16 in favor of non-identical twins. We were curious about the latter, given the same gender and blood type, for we would have had to wait quite a few months to confirm

or negate their genetic similarity (we were against subjecting our newborns to genetic testing). Fortunately, these latter workings turned out to be in vain.

Regressions from <http://www.medal.org/> helped me estimate the fetal vital statistics. Using the IISO web server and ASPÖ, my home page published the estimated vital statistics—everyday we eagerly waited. The fetal vital was important to monitor, as a difference of 500g or more in the weights of the fetuses would cause problems during child-birth. As it turns out, the fetuses were 530g apart and arrived without complications (the twins would definitely appreciate that six is a passing score—should they choose to take actuarial exams later on).

The above and other tidbits I had learned—from the books of my medic wife and endlessly questioning many people including my wife, our gynecologist, radiologist and my gynecologist sister-in-law, plus tirelessly browsing the Internet—cost me my Course 8 exam last fall. This year I have the smiles, naughty pranks and fights to replace dabble for an excuse, much to the chagrin of my employer and my wife. Oops! I forgot to mention that I am the web liaison for the International Section, the ambassador in Mexico for the SOA and ISC, besides being an associate professor of Actuarial Science at ITAM, Mexico City, Mexico. □

*Editor's Note: Such a loving account full of suspense was unexpected when I asked each person on the ISC to write something for this collection. However, one would understand where it's coming from simply by looking at the picture of Shyamal with his twins!*



Identical (I) or Fraternal	Sex Combination	Probability
I	M & M	12.5%
I	F & F	12.5%
F	M & F	37.5%
F	F & F	18.75%
F	M & M	18.75%