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Chairperson's Corner

by Michelle Chong Tai-Bell

The pace of globalization is accelerating. At the recent Summit of the Americas held in Chile, leaders of 34 nations affirmed their commitment to the establishment of a single, free-trade area by the year 2005. As the economic and political barriers fall, our companies must contend with the challenges of megamergers, global acquisitions by previously national players, and competition from global financial services groups.

Are we equipped with the global mindset to provide our employers with insightful advice as they attempt to craft solutions to the competitive and risk-management challenges of the new millennium? Have we begun to develop an informal network of international contacts? The International Section will sponsor nine sessions at the two 1998 Spring Meetings in Hawaii with just this in mind. For the first meeting the sessions are:

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Israel's Life Insurance Industry

by Akiva Zohar

Israel has an active and rapidly growing life insurance industry that has been favorably influenced by attractive tax incentives given to savings through life insurance. Insurance revenue places Israel on a par with many of the Western European nations.

Background

Before pursuing an actuarial career, I lived in Israel for six years. Three years ago, I had an opportunity to return and work as an actuary for Gabbay and Company. Gabbay and Company is the auditor for approximately 60% of the insurers in Israel. My family and I lived in Tel Aviv for that summer. Since returning to the U.S., I have kept in regular contact with Israeli actuaries and other professionals in the insurance industry.

This article attempts to introduce actuaries to the Israeli life insurance

industry and is an outgrowth of my working notes from that period and updates thereafter. Benjamin Gabbay has helped me a great deal in obtaining background information and clarifying various concepts.

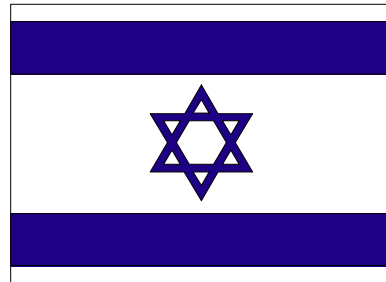
Israel had a socialist economy until the late 1970s. With the first non-

Labor government, a dismantling of socialist systems began and is continuing today. These changes have had a considerable impact on all sectors of the economy, including insurance.

Inflation, as always, has a major influence on the insurance industry.

While inflation has been below 15% per annum for the last five years, there have been periods that experienced more than that rate per month.

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Chairperson's Corner*continued from page 1***Monday, June 15, 1998****1:00-2:30 p.m.****19IF IT'S A SMALL, SMALL WORLD**

Brian Reid moderates this session on the use of technology by insurance companies to assist their domestic and international operations. Areas discussed are actuarial/financial models, Internet strategies for the consumer and corporate marketplaces, data-mining, and technology platforms.

This session includes two guest speakers who will discuss their experiences in taking insurance companies to the next levels of technology: Ira Feinberg (technology platforms, Y2K, and data mining) and Jim Barnes (Internet strategies).

This is your chance to have your technology questions answered.

3:00-4:30 p.m.**29CS SUCCESS IN BANCASSURANCE: A COIN TOSS?**

This session looks at a few successful models used for bancassurance. Ian Robinson is making the trek from Australia to present his experience with the models used successfully there.

Tuesday, June 16, 1998**10:00-11:30 a.m.****57PD PROFITING FROM FINANCIAL TURMOIL IN ASIAN INSURANCE MARKETS**

Steve Conwill, Dale Kelly, Jeff Newman, and Clark Ramsey present the economic situation in Asia, its impact on insurance companies, and how insurers can profit. Steve, Dale, and Jeff reside in Japan, Singapore, and Indonesia, respectively. We look forward to hearing the speakers' experiences in Asia.

Wednesday, June 17, 1998**8:00-9:30 a.m.****78IF FORUM FOR THOSE WITH PACIFIC RIM RESPONSIBILITY**

The moderator is John Taylor, Executive Vice President and Chief Financial Officer, Prudential Life Insurance Co. of Korea. Participants have the opportunity to share experiences and concerns in doing business in the Pacific Rim region. Examples of topics include regulatory systems, accounting standards, solvency considerations, product design, and distribution methods. Attendance is limited to people who are based in the region or have responsibility for activities in the region.

For the second meeting on June 22-24, six sessions are also scheduled.

Monday, June 22, 1998**10:00-11:30 a.m.****4PD SOCIAL SECURITY: IS AN EQUITABLE DESIGN POSSIBLE?**

In this session, the speakers discuss the issue of defining equity in social security systems and how well the U.S. and Canadian systems have achieved equity. The panel consists of Rob Brown, Bob Katz, and David Knox from Australia, who will present concepts from his research paper in this area. Sessions 18 and 41 cover aspects of Social Security as well.

1:00-2:30 p.m.**18PD TECHNICAL CONCERNS: INCREASING LONGEVITY IN NORTH AMERICA**

The moderator is Michael Sze. Speakers include Bernard Dussault, Stephen Goss, and Anna Rappaport, who discuss the research project on increasing longevity in North America. The SOA is taking a lead role in this project. These fundamental changes will have a great impact on future costs and payment levels in public- and private-benefits plans.

3:00-4:30 p.m.**41WS PENSION NEEDS IN THE 21ST CENTURY: BIG CHANGES ARE IN STORE, CAN YOU BUY THEM?**

The chairperson is Michael Sze. Several experts in the public and private sectors will also be there to participate. This session addresses the impact of changes in Social Security and mortality on private-pension needs in Canada, the U.S., and Mexico in the next century. Attendance at Sessions 4PD and 18PD is a prerequisite.

Tuesday, June 23, 1998**8:00-9:30 a.m.****49PD HEALTH-CARE REFORM AROUND THE WORLD**

The moderator is Dr. Chiu-Cheng Chang, a professor at Chang Gung University in Taiwan. Together with Dr. Chang, Josh Bank will provide an overview of main reform ideas and programs around the world to improve access to health-care providers, contain costs, and improve the quality of health care. They then will discuss the reform programs in Taiwan, South America, and Hawaii in more detail.

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Wednesday, June 24, 1998

8:00-9:30 a.m.

87TS HEALTH-CARE FINANCING AROUND THE WORLD
 The leader of this session is Dr. Chiu-Cheng Chang, who covers various characteristics of healthcare financing and alternative financing systems around the world. Several countries are featured to illustrate each alternative system.

10:00-11:30 a.m.

105IF FORUM FOR THOSE WITH PACIFIC RIM RESPONSIBILITY
 The moderator is Hassan Kamil, Senior Vice President, Aetna Universal Insurance Company in Malaysia. Participants have the opportunity to share experiences and concerns in doing business in the Pacific Rim region. Examples of topics include regulatory systems, accounting standards, solvency

considerations, product design, and distribution methods. Attendance is limited to people who are based in the region or have responsibility for activities in the region.

If you have already registered for one or both of the meetings, we look forward to seeing you at our sessions. If not, information and registration forms are available on the SOA's web site (www.soa.org) under Continuing Education or you can contact Sue Berg of the SOA Continuing Education Department (phone: 847-706-3545; fax: 847-706-3599; e-mail: sberg@soa.org).

Many thanks to Mike Gabon and Bob Lyle, our Program Committee Representatives, for their tireless service to the International Section in putting together these sessions.

Michelle Chong Tai-Bell, FSA, is Executive Director, Individual Insurance, Maritime Life (Caribbean) Ltd., in Trinidad and Chairperson of the International Section Council.

Actuarial Volunteer Consulting and Training Experiences: Part 2. Samara, Russia

by Arthur C. Cragoe

Editor's Note: *In the April 1996 issue of International Section News, the author described his experiences consulting with a medium-sized life insurance company in Sri Lanka. He served as a volunteer with the International Executive Service Corp, a nonprofit organization that sends approximately 1,000 (mostly retired) Americans each year to developing countries. In Part 2, he continues with an assignment in Samara, Russia.*

* * *

In 1994 I had a quite different experience in Russia. I was advising a very new company in Samara, a city of 1.3 million on the beautiful Volga River about 600 miles from Moscow. Although it had many cultural and other attractions, it had been closed to all foreigners until 1992 because of its many defense and space industries. Two Peace Corps workers and perhaps one or two other Americans were the only U.S. nationals in the city during

my stay. I spent almost 100% of my time with Russians, few of whom spoke English. Because they host few visitors, there were no satisfactory hotels at that time. My wife did not accompany me, and I stayed in the one-bedroom apartment of a company doctor who moved in with her daughter.

Russia has always had an insurance industry—a fairly good-sized one, actually—run by the government with most home office functions and decisions made in Moscow. This industry is still in place, but soon after “Perestroika,” significant capital became available to form new insurance companies in Moscow and St. Petersburg. Experts were hired from the government company and companies were formed in many large cities of the new Russia, often affiliated with one large company. There are two large, well-staffed, and very aggressive life companies—one in Moscow and one in St. Petersburg. I visited each in 1992 during the People-to-People organization's first trip for U.S. insurance professionals.

In Samara, however, there was only a small amount of capital, no true insurance expertise, and few true salespersons. However, several fledgling insurance companies were vying for existence. I believe they thought insurance companies accumulated and controlled large amounts of assets. That was the objective.

During my Saturday-morning strategic planning sessions with the client and his chief financial officer, I had a difficult time getting them to think beyond next week. In their defense, it is difficult to plan in an economy where inflation causes interest rates to run at 15% to 18% a month (this was 1994). TV ads from Moscow showed banks and (now failed) financial institutions offering 350% to 550% interest a year. For Samara Insurance Company, a one-month endowment was a popular plan; it was a way to reduce company taxes.

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