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Seminars in Asia Mark a First

by Shirley Hwei-Chung Shao

It all started during lunch in a sunny restaurant at the SOA Annual Meeting in Orlando in October 1996 when Bill Carroll came up with the idea of presenting seminars in Asia.

That very afternoon, I went to my first Financial Reporting Section Council meeting where the members discussed plans for 1997. "Great opportunity," I thought to myself as I mimicked Bill's idea. After some wisecracks, I was asked to develop a proposal outlining the purposes, topics, cities, speakers, and, of course, budgets. The proposal had to justify running seminars 10,000 miles away.

Searching for the top 10 reasons why we should sponsor seminars overseas, I was surprised to discover that neither the International Section nor the SOA had a one- or more-than-one day seminar anywhere outside the United States. It seemed that we were missing a tremendous opportunity to exchange knowledge and serve our members.

In the spring of 1997, the Financial Reporting Section Council approved sponsoring full-day seminars in Tokyo, Taipei, Hong Kong, and Jakarta. It was also decided to seek partnership with the International Section and International Practice Area. These partners turned out to be a great resource in planning, coordinating, recruiting, and so on, because they already have the inroads to those markets. In fact, two of the planners and panelists are very much



The Banner in Jakarta. Can you read the topic and time of the seminar?

related to the International Section: Bill Bugg, who was the Chairperson, and Bruce Moore, the current Vice Chairperson. After many months of planning and a binder full of faxed correspondence, the seminars took place in November 1997.

The topic of the seminar was asset adequacy/capital adequacy analysis. When we selected this topic at the beginning of 1997, we could not have imagined the challenging times that were ahead in Asia later in the year. In some sense, the interest in our seminars was heightened because of this turmoil. The overwhelming feedback we received proved the timeliness of these seminars. In each city, about 75 to 95 actuaries and other financial professionals attended the seminar.

The actuarial profession in Asia, both in regulatory and industry fields, found

itself needing to respond to the crisis as well as reevaluating business fundamentals. More focus is being placed on the need for a closer review of assets and liabilities together and the resulting surplus.

The seminars were developed to help actuaries and other financial professionals understand the current regulatory environment in Canada and the United States, including reserve adequacy and related solvency issues, how the current environment evolved, and what has been experienced. At a higher level, these seminars were intended to illustrate how actuaries have responded to the changing environment in North America and have become the leading profession in the broader area of the assessment and management of financial risks.

Bill Bugg (AFLAC), Mo Chambers (London Life), Yves Guerard and Bruce Moore (Ernst & Young), and I (Prudential), two from Canada and three from the United States, traveled to these cities to be the panelists. We were joined by local speakers: Junzo Tanaka and Steve Conwill in Tokyo, Won-How Lo in Taipei, Paul Heady in Hong Kong, and Kasir Iskandar in Jakarta. The seminars were very informative, both for attendees and speakers, because of the wealth of knowledge from this diverse group of panelists.

The seminars first gave the perspective of what happened in the financial and insurance markets in the 1970s and 1980s versus the previous era in



Panelists in Tokyo (the first seminar). From left to right, Junzo Tanaka, Steve Conwill, Mo Chambers, Shirley Shao, Bruce Moore, and Bill Bugg.

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Canada and United States. There was a great deal of interest in this historical perspective because Asian markets are facing some very similar issues today: economic instability, financial weakening of the industry, heightened competition, changing needs of customers, and so on. We then discussed the various responses to these issues, including asset adequacy and capital adequacy analysis.

The Asian markets are dominated by relatively traditional products, with a small amount of variable products in a couple of cities we visited. The audience was interested in seeing the statistics and descriptions of how and why the markets, products, and distribution methods in North America have changed over the last two decades.

The underlying risk drivers for assets and liabilities were reviewed in detail to facilitate the presentations on the actuarial tools and techniques for combating them. This was an eye-opening experience for me to see just how much interest there is in getting a better handle on the risks. As a consultant 10 years ago, I could not get

much attention or interest in the region on risks that arise from asset concentration, asset defaults, or asset liability mismatching. Now, I find myself trying to answer questions relating to two-factor interest rate models.

We talked about modeling details such as the interest rate models and the various data, assumptions, and methods. We also gave some examples to show how changes in risk profiles may affect a company financially and how that can be captured by using actuarial tools. In particular, we demonstrated the cash-flow-testing model and the dynamic financial analysis model. Anticipating that this level of technical detail may put most actuaries to sleep during the long day of a seminar, I was pleasantly surprised at the responses and related questions.

The local actuarial speaker shared what types of risks pertain to their environment and how some of them are addressed. It was a terrific way for me, and I am sure for the other North American speakers as well, to learn the unique situation and risks to which the actuarial profession in each city will need to respond.

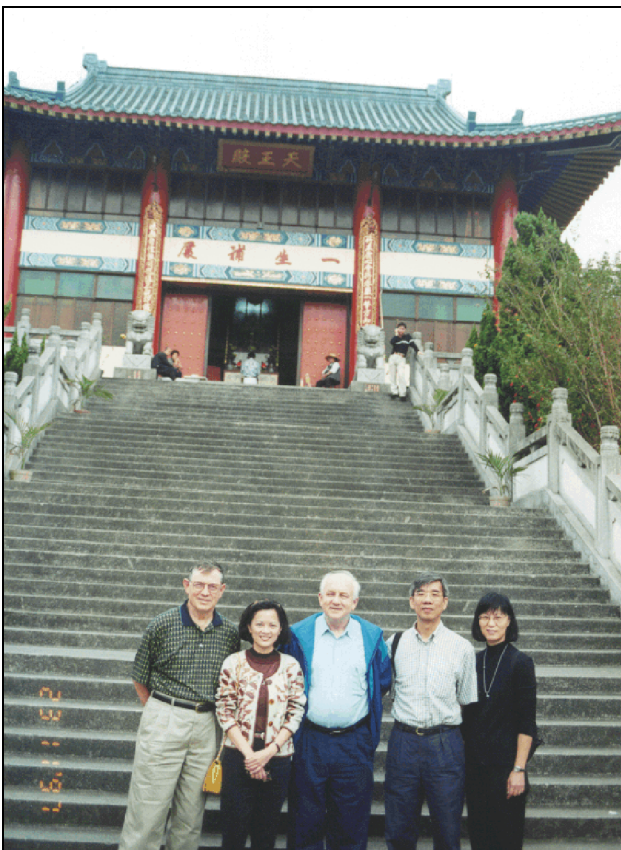
I was somewhat amazed by the level of interest in how the public is served by actuaries in North America. At the seminar, we discussed the various roles served by the actuarial profession that arise from regulatory requirements and from professional bodies. We

also reviewed how these roles have evolved over the years. To tie into the topic of our seminars, we then focused on the role of the appointed actuary in Canada, compared with that in the United States. I thought this would have been a fairly boring subject, but we received many questions on how actuaries strike a balance between working for the industry and fulfilling their professional obligations, especially if the two are in conflict. The attendees were also very interested in understanding what motivates actuaries in North America to volunteer for activities benefiting the profession and the public. In particular, many were curious about why speakers from North America were willing to devote our time and financial resources to conducting these seminars and why the SOA and employers are supportive of this type of activity.

At the end of each seminar, we opened the floor for questions, comments, and discussion for about one hour. Frankly, this segment worried me the most—I was afraid that we would not get any questions. As it turned out, we were bombarded with



Welcome sign in Taipei. From left to right: Bill Bugg, Yves Guerard, Mo Chambers, and Shirley Shao.



Temple in Hong Kong. From left to right: Bill Bugg, Shirley Shao, Mo Chambers and two local actuaries.

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questions. The speakers had to continue answering questions during the reception after the seminars. The questions and comments really reflected the fact that actuaries in each city are wrestling with somewhat different issues.

This is natural considering that market conditions are unique in each country and that each country has suffered from the Asian financial crisis in varying degrees. In Tokyo, our presentation was taped so that it could be transcribed and distributed to the attendees as well as to those who did not attend. In Jakarta, we were asked to go back for a sequel on financial modeling.

Yes, we also followed the good old U.S. tradition of hosting a reception after the seminar. The receptions were an excellent opportunity for discussing ideas, for meeting people, for sampling local food and drink, and for exchanging business cards. I ran out of my 50 or so business cards part way through the visit to the third city.

The actuarial institutes in each city actively worked with the SOA on the logistics of these seminars, which was no small task. We had strong support from the leadership of each institute and a group of excellent coordinators: Hikaru Sugawara in Tokyo; Jung-Hui Huang in Taipei; Michael Ross in Hong Kong; and Kasir Iskandar in Jakarta. The local actuarial institutes committed substantial financial resources essential to making these seminars possible. Funding was also provided by a joint effort within the SOA (International Section, Financial Reporting Section, and International Practice Area).

The speakers witnessed the SOA Ambassador program under the International Section at work and were the direct beneficiaries of this program. For example, Dominic Lee (the Ambassador in Hong Kong) and his better half went above and beyond in showing speakers a great time in Hong Kong over the weekend.

I am very proud to have been a part of this first series of SOA seminars abroad. I would like to take this opportunity to express my deep appreciation to the many people involved (it took me several months to finish writing thank-you letters). It was their belief in this cause that made these seminars a success. The model developed for this series of seminars will be expanded to elsewhere in the world: June 1998 in Buenos Aires; possibly December 1998 in the Caribbean; and spring 1999 in Eastern Europe.

Overall, it was a very successful journey, especially considering I only lost (and found) my luggage twice in all the stops I made.

Shirley Hwei-Chung Shao, FSA, is Vice President and Assistant Actuary at the Prudential Insurance Company in Newark, New Jersey, Vice-Chairperson of the Financial Reporting Section Council, and organizer of the Asian Seminars.

Reforming Taiwan's NHI with Managed Competition

by Chiu-Cheng Chang

ABSTRACT

NOTE: *This article evaluates the performance of Taiwan's NHI program against its objectives and offers a managed competition model to reform the program. The model is expected to improve efficiency, quality, and innovation in health care within the constraint of equitable access but may not contain costs. In such a case, I argue for letting the market determine the optimal level and allocation of health care spending. If government intervenes the market by putting an upper limit on health care expenditures, I argue for the exclusion of cost-ineffective care from the compulsory health insurance system. This creates a new concept of equity and a two-tier health care system.*



Taiwan's National Health Insurance (NHI) program was implemented in March 1995. It is a compulsory, single-payer health insurance scheme incorporating 13 pre-existing public health insurance plans in Taiwan. It covers more than 96% of the population and provides comprehensive health care services to its insureds. These include hospital and surgical inpatient care, outpatient care, dental care, preventive care, pharmaceuticals, traditional Chinese medicine, and so on.

The objectives of the NHI program were as follows:

- To provide equal access to health care for all Taiwanese citizens
- To ensure both quality and efficiency in delivering health care services
- To control health care cost so that the total expenditures fall within an acceptable range.

The source of NHI's revenue is payroll-related premiums contributed by employees, employers, and the government. The contribution rates vary among six categories of employment, with the insureds contributing the most in total, followed by the government and then closely by the employers. In addition, the insureds are required to co-pay for health care services provided. For ambulatory and inpatient care, user fees are also charged to the patients. Under NHI, the payment system is mainly on the fee-for-service basis, supplemented by case payment, payment for disposable medical devices and materials, and a long list of prescription drugs.

After more than two years' operation, Taiwan's NHI experience has gradually emerged. There are many discussions and debates over whether the NHI program is succeeding in achieving its goals and whether there should be