



Chairperson's Corner

by Bruce D. Moore

The International Section has been very active over the past year in a number of areas. The regular ongoing activities common to all Sections continued at an impressive pace. In addition, a number of special activities unique to this Section were continued or initiated. As members of the Section, you can all make valuable contributions to these services to your fellow members, and I urge you to do so. The ongoing recurrent activities of the International Section include the following:

1. The Section newsletter, under Kevin Law's prolific leadership, was published three times in 1998, full of interesting articles in each. This is one of the most valuable

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Jamaica's Life Insurance and Financial Sector Crisis

by Janet Sharp

It is the last quarter of 1998 at the time of writing, and the story is far from over. The Jamaican financial and business sectors are reeling from a combination of high inflation, tight monetary policy, and poor risk management practices. The economy is in poor shape. Even though inflation has been tamed over the last three years, and the currency has been somewhat stable, growth has been minimal and businesses are closing every day, unable to meet their debt obligations.

In January 1997, in response to a call from the leaders of the life insurance industry, the government established the Financial Sector Adjustment Company (Finsac) to assist in the rehabilitation of the ailing financial sector. To date, Finsac has provided bailout packages to life insurance companies and commercial banks to the tune of JA\$73 billion (US\$2 billion) with estimates that the final figure may be closer to JA\$100 billion (US\$3 billion). The long-term impact of this is alarming when the cost is looked at in relation to Jamaica's Gross Domestic Product (GDP). At an estimated 66% of GDP, this compares unfavorably with the cost of bailouts in other parts of the world, the closest being that for Indonesia at 20% of Gross National Product (GNP).

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1998 New Zealand Ambassador's Report

by **Richard J. Geisler**

Ambassadors are generally to assist in:

- carrying out the Society's international policy
- identify subjects of international interest for publication or presentation
- identify special needs of members
- help the profession to grow in underdeveloped countries
- function as a resource and link between the SOA and other national actuarial organizations and clubs.

Here in New Zealand, the role for the Ambassador is most likely to be one of keeping in touch with the New Zealand Society of Actuaries and to be a point person for non-SOA members seeking information about the Society. This is not an underdeveloped country and I do not see that there are any special needs of New Zealand and SOA members.

In the past year I have written to all 22 SOA members in New Zealand, most being Associates having joined through membership in another organization. The letter introduced the Ambassador Program here in New Zealand, emphasizing my role of finding speakers and topics for SOA meetings. I outlined the Correspondence

category of membership and expressed my willingness to assist in any way practical in locating information or providing service to members.

Apart from a few inquiries relating to the profession, there has been no official Ambassador activity to report during the year. There are only two industry-related developments worthy of mention in this report.

Privatization of Workers Compensation

There is new legislation opening a significant market to private insurers. The workers' compensation scheme has been a government monopoly but will allow private insurers to offer accident cover to employers and self-employed

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INTERNATIONAL SECTION NEWS

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The Society assumes no responsibility for statements made or opinions expressed in the articles, criticisms, and discussions contained in this publication.

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Editor's Notes

by Kevin M. Law

This issue of *International Section News* is arriving later than was planned, as the original publication schedule would have resulted in the newsletter being mailed a couple of months earlier. However, on the intended date for finalizing the material and beginning the printing and newsletter production process, the quantity of available articles was much less than for prior editions. Therefore, it was decided to postpone the issue for a few weeks in order to acquire additional articles. Fortunately, we were successful in obtaining a sufficient quantity of material to permit proceeding with this edition. Thanks are due to the Section Council members for their assistance with this endeavor.

The purpose of pointing out this delay to the membership is not to offer excuses for the time elapsed since our last publication, but rather to attempt to encourage Section members to submit articles for publication. Our membership is involved in many diverse aspects of international insurance, investments, healthcare financing, employee benefits and social insurance programs. I am certain that the international experiences and knowledge of many Section members could potentially form the basis for interesting and informative articles.

It isn't more difficult, I believe, to write a newsletter article than a typical business memo or report of about four to five typewritten pages. Since in the great majority of situations the author is already quite familiar with the topic as a result of his/her work responsibilities, there is little or no additional research required.

So, I'm asking Section members to share their experiences and thereby assist in producing future newsletter editions at more frequent intervals. Please identify an international topic within your areas of expertise, organize your thoughts on paper (actually in an electronic word processor format—Microsoft Word preferred), and e-mail

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Hong Kong Ambassador's Report

by Dominic Lee

The period of this report covers the 12 calendar months of 1998.

Designated Roles

Dual roles that I assumed during the reporting period were

- the Hong Kong Ambassador of Society of Actuaries (SOA); and
- the Chairperson of the Education Subcommittee, Greater China Committee (GCC) of SOA.

Objectives of the 1998 Activities

The primary objectives of the 1998 activities launched in China were:

- to promote the presence/image of SOA and to enhance the relationship already established in the past with related organizations
- to promote actuarial education in China

Projects Achieved

China remained the main focus of attention in 1998. This decision was made as continuous efforts are necessary to sustain the momentum and deepen the impact that has been effected in China by different SOA personnel in the past period.

An account of the various projects achieved in the year is summarized in the following paragraphs.

The First Fellow of the Society of Actuaries (FSA) in China

The most exciting event in the actuarial development in China is the attainment by Wei Ming Bo as the first FSA who obtained his designation through examination conducted in China. Bo got qualified after sitting for the spring 1998 examination in the Shanghai Examination Centre.

Bo started his SOA examinations in 1994 when he was a student of the Fudan University and the AIA-Fudan Actuarial Centre in Shanghai. After he graduated from the Fudan University,

he joined the American International Assurance Company (AIA) wherein he continued with and completed his examinations.

Subsidy on examination fees

Up to the present moment, students from the University of Science and Technology in Keji, Anhui Province, China had participated in four rounds of SOA examinations. For the first three rounds of examination, five \$200 awards and three \$100 awards were won in the Examination 100 Contest for university students. This is indeed very impressive performance. Sponsorship is provided by AIA for students taking the latter three rounds of examination, while the first round of examination was sponsored by Yuan Chang out of funds from the SOA.

Setting Up the Shanghai Actuarial Profession Committee

The Shanghai Actuarial Profession Committee, a subcommittee of the Life Insurance Institution of Shanghai, was set up in July 1998. The Committee was chaired by Professor Hanji Shang of the Fudan University. Members of the Committee came from a number of universities and also some insurance companies. Its goal is to provide a forum for exchange of views among professionals and personnel of related disciplines. Yuan Chang and the Ambassador are among the honorary advisors.

Howard Bolnick's Visit to China in September 1998

Support was provided to SOA President Howard Bolnick to materialize his goodwill and promotional visits to China in September 1998. The SOA delegation, headed by Bolnick, officiated at a book donation to the Preparatory Committee of the Actuaries

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1998 Hong Kong Ambassador's Report

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Association of China (AAC) in Beijing. A fruitful exchange of views on the indispensable role played by actuaries in the insurance business was also conducted with members of the Preparatory Committee.

Subsequently, visits were paid to the Remin University of China, Beijing, and the Nankai University, Tianjin. The main purposes of these visits were to strengthen the rapport that had already been developed and to introduce the visions of the SOA in the coming year. Positive response was received from the universities.

September 1998 Seminar

After the trips to China, Howard Bolnick came to Hong Kong to participate in the impact of Asian financial crisis on the insurance industry Seminar organized by the Asia Committee. Speakers included several actuaries practising in Southeast Asia and other professionals working in this field. Participation was most enthusiastic.

Establishment of Committees

While in Hong Kong, Howard Bolnick held a meeting with the Asia Committee. Strategies were mapped out in this forum to meet the various needs identified during the meetings with Chinese university staff. The ultimate aim was to expedite the development of actuarial education in China.

Since the setting up of the Asia Committee in 1996, there has been much deliberation on the scope of business that should and could be taken up for focused attention. Finally it was decided to split this committee into two: one being the Greater China Committee (GCC), which is to be based in Hong Kong, and the other, the Southeast Asia Committee in Kuala Lumpur, Malaysia. K.C. Chan acts as the Chair for the GCC. Its sphere of interest would include China, Hong Kong and Taiwan. (*Editor's Note: The GCC is now known as the China Region Committee*).

The establishment of the GCC opens up an even closer relationship with China at large and in particular with the Nankai University in Tianjin. The GCC has been asked to oversee the Nankai actuarial education program—a project initiated and involving the SOA for more than 10 years.

The following issues were also considered in the meeting with Howard Bolnick:

- Subsidy for examination materials and fees for students in developing countries
- Subsidy for teachers delivering actuarial courses in universities of these countries

the book contents. Comments were subsequently conveyed to the Preparatory Committee of the AAC in an actuarial conference held in Kunming, Yunnan, in December 1998. On that same occasion, views on the draft of the logistics of the Chinese actuarial examination system and other issues were also put forward for consideration. Overall reaction was encouraging.

November 1998 Visits to Beijing

In November 1998, visits were paid to the Central University of Finance and Economics and the Peking University. The purposes of these visits were to



Participation in Setting Up of the Chinese Actuarial Examination System

China has decided to set up as early as possible its own actuarial examination system to churn out actuaries locally. As a first step, a syllabus modeled on the SOA ASA examination requirements was drawn up, and six books were written in Chinese for examination purposes. A number of members of the GCC were invited on a personal capacity in September 1998 to work as consultants. They were requested to give comments on the drafts of the code of ethics of actuaries, the bylaws of the AAC and the contents of the examination catalogue; and to review the authenticity and the appropriateness of

introduce the SOA and to identify areas where the SOA could assist in the development of actuarial education in the universities concerned. The universities' staffs were responsive and the common need for internship program was identified. Details would be followed up by the GCC.

Teaching at Nankai and Remin Universities

At the requests of the Nankai University and the Remin University of China, a two-day lecture was delivered at each of the universities in October and December 1998 respectively. The subject taught at the Nankai University was related to the operational aspects of the actuarial profession in South East Asian

countries. The one delivered at the Remin University of China was about the practical aspects of establishing actuarial reserves in life insurance business.

In late November, 1998, Danny Chung, another committee member of the GCC, also delivered lectures to students of Nankai University on topics of pricing and asset/liability matching.

Internship for University Lecturers

While university personnel that internship in an insurance company will help greatly towards the teaching of the 200 series SOA examinations, it is difficult, if not impossible, to muster adequate support from the insurance companies in Hong Kong for this type of program. However, AIA, where the Ambassador is working, is supportive of such a need. Internship has been in place for Yuenian Yu, a lecturer from the Fudan University who has set a record in the SOA by passing 200 credits in the 100 series examinations in one sitting. A similar arrangement is already in place for Xiufang Li, an ASA and a teacher of the Nankai University. Through GCC's efforts, more internships might be offered to other universities in the future.

Concluding Remarks

On looking back, 1998 could be described as a busy and rewarding year. It is obvious that the availability of resources, both manpower and financial, is the key to achievements. The GCC will need resources to spearhead its ventures in China. SOA is hence requested to give staunch support in this area. The Ambassador of Hong Kong will strive to further promote the causes of the SOA.

Dominic Lee, FSA, AIA, is Senior Vice President & Chief Actuary at American International Assurance Company, Ltd, in Hong Kong.

Poland Ambassador Report

by Henryk S. Walerys

In 1995 a licensing system was established through the introduction of changes to the Insurance Act of 1990. Candidates write four exams entirely based on SOA's exams: 110, 120, 140, 150, 151. The examination system is administered by the Ministry of Finance. Actuarial licenses are issued by the State Insurance Supervisory Office (PUNU).

Only a Polish licensed actuary may calculate mathematical reserves. In reality, he/she signs off on quarterly financial statements that are submitted to PUNU, as well as annual financial statements. Currently there are approximately 55 licensed actuaries.

The Polish Society of Actuaries was established in 1990. There are approximately 100 members, including both licensed and non-licensed actuaries. Meetings of the Society are very infrequent, mainly due to the very busy schedules of the actuaries working in the fast growing Polish insurance market.

Actuarial Education

The Summer Actuarial School has existed since 1990. The educational program consists of intensive actuarial courses for five weeks each summer during a period of three years. Most basic actuarial material is covered. The faculty is partially Polish and partially foreign actuaries from life companies and universities. Most of the guest faculty is European.

Some universities have started to offer basic actuarial courses. The most advanced is the University of Warsaw, where the actuarial faculty teaches at the Summer Actuarial School. The other actuarial centers are Warsaw Politechnical Institute, Warsaw University of Commerce, and the University of Gdansk. There has been some interest in the CD-ROM on the product development process sponsored by the Product Development Section. As a result, I would like to request three copies of this CD-ROM.

Changes in Legislation

On April 1999, new social security legislation takes effect. Three tiers of the system will be introduced:

1. Reformed pay-as-you-go system
2. Defined contribution universal pension funds as in Chile and Argentina. Premiums are deductible from both income and social security taxes. Benefits are taxable.
3. Additional group arrangements including life insurance based on the variable life concept. Premiums are not income tax-deductible but social security tax-deductible up to 7% of gross income. Benefits are tax-free and disbursed after the age of 60.

On January 1999, the amendments to the Insurance Act were effective, which allow foreign (OECD) insurance companies to sell insurance products in Poland through branches. The requirements to set up a branch in Poland are similar to those for establishing a fully licenced insurance company. However, the capital requirements to cover the solvency margin are lower (50%) due to a more thorough screening of the parent company in the country of domicile. The licensing process is said to take much longer, as it is currently expected to require from six to twelve months.

Henryk S. Walerys, ASA, is with Alte Leipziger Histia in Sopot, Poland.

1998 New Zealand Ambassador's Report

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persons starting July 1, 1999. This is a huge market for New Zealand amounting to over \$1 billion in annual premiums. Several companies both here and in Australia are making the commitment to provide the statutory benefits.

There are several differences to workers' comp in other countries. New Zealand's workers' comp is provided by statute with limited recourse to common law. The right to sue for benefits is very limited. Also, all persons in New Zealand are covered by the 24-hour no-fault accident benefit. Workers' comp is the only piece of the scheme being privatized at present but more will follow.

Consolidation of Insurers

Mergers and takeovers are running at a feverish pitch as companies try to attain critical mass. There are some 30 companies operating in what is a small market by world standards and consolidation of companies is inevitable. In the past year or so, NZI Life was purchased by Prudential which, in turn, was recently purchased by Colonial Life. Tower Life is demutualizing while fending off a takeover bid by Guinness Peat Group (Tyndall Life). Guardian Life was purchased by Royal and Sun Alliance while Sovereign Assurance has had a friendly purchase of 90% of its outstanding stock by ASB Bank. Rumors are rampant and some may even be true.

Richard J. Geisler, FSA, is Manager and Marketing Actuarial at National Mutual Life Association in Wellington, New Zealand, and a member of the International Section Council.

Management Changes to Improve SOA International Structure

by *Celle Brody*

Last fall the SOA Board approved a new management structure for the SOA international area in order to assure accountability for global initiatives and to assure that volunteer resources are being used productively and efficiently.

The changes include the creation of three new committees. These committees and their charges are outlined below.

International Policy Committee

This committee's purpose is to encourage the development of actuarial science throughout the world, to facilitate the global communication of actuarial ideas by formulating and recommending global policy for the SOA, to discuss policy issues of new and existing global initiatives, and to oversee all SOA international activity under the direction of the Board. The committee facilitates good relations between the SOA and actuarial organizations located outside the United States and Canada.

International Actuarial Association (IAA) Committee

This committee consists of the SOA delegate to the IAA Council, a vice chair who will be in line to become the next delegate, the alternate delegate who is a presidential officer and each SOA IAA committee representative. Under the direction of the Board, the committee coordinates and manages SOA activities within the IAA, seeking input on IAA issues and representing SOA interests accordingly.

SE Asia Committee

This committee represents SOA interests in Malaysia, Singapore, Indonesia, Thailand and the Philippines.

These three new committees join the Committee on International Issues, the China Region Committee (formerly the Greater China Committee or the Asia Committee), and the International Section in meeting the needs of SOA members who practice internationally and in promoting actuarial practice worldwide.



The full charges and membership of all international committees can be found in the 1999 SOA Yearbook.

Mo Chambers is the Operations Committee member who is charged with management of the SOA international area, as Director of International Activities and Chair of the International Policy Committee.

Celle Brody is Manager of SOA International Issues.

Editor's Notes*continued from page 3*

the resulting article to me at: kmlaw@palic.com.

Changing the subject to the content of these pages, this issue not only contains an article by Jim Toole on page 20 about the continually developing and expanding Ambassador Program, which is managed by the International Section, but also a significant amount of material contributed by SOA Ambassadors in various countries. Our lead article by Janet Sharp, the SOA Ambassador in Jamaica, is one such example. Janet describes the series of conditions that developed during the early-to-middle 1990s that caused a serious crisis in the life insurance and financial services sectors of Jamaica's economy, and the rehabilitation steps that are being taken to restore soundness and solvency to the industry.

Ronald L. Poon-Affat, our Ambassador in Brazil, has contributed material on his host country for the third consecutive issue of this publication. In this edition, Ronald reports on the anticipated opening of the reinsurance market in Brazil. This market has been closed for almost 60 years due to legislation that has permitted the transaction of reinsur-

ance business only with a monopolistic state company.

A trio of authors, Yves Guerard, Shu Yen Liu, and Bruce Moore, collaborated to contribute an interesting and timely description of major changes that are in the process of being implemented in the provision of pension benefits in China.

The increasing importance of international actuarial issues to the Society of Actuaries is highlighted by two articles that cover recent SOA Board decisions. Chelle Brody of the SOA staff describes the Board action in the fall of 1998 that created three new committees charged with specific international responsibilities. Mo Chambers, the Chair of one of these new committees (International Policy Committee), documents the January Board decisions that resulted in the establishment of two development funds to support and promote the actuarial profession in China and Southeast Asia.

The International Section has historically attempted to provide a series of sessions at each SOA meeting dealing with global issues. This year's spring meetings are no exception, as there are

six Atlanta and four Seattle meeting sessions of this nature. Michael Gabon provides an overview of these sessions in the article below.

On the subject once again of contributions from SOA Ambassadors, Dominic Lee (Hong Kong) has written two pieces: a description of his recent teaching experiences at China's Nankai University, plus a report covering events of interest during 1998 in Hong Kong. Two additional Ambassadors have also submitted reports that have been included in this edition: Richard Geisler (New Zealand) and Henryk Slawomir Walerys (Poland).

One final item: feedback and comments in the form of a "letter to the editor" are welcome. We would like to hear from you!

Kevin M. Law, FSA, is Vice President Group Actuary at Pan-American Life Insurance Company in New Orleans, LA, a former chairperson of the International Section Council, and editor of International Section News.

Spring SOA Meeting Sessions with Significant International Content

by **Michael Gabon**

Following are summaries of sessions planned for the Atlanta and Seattle spring SOA meetings, respectively, which will be of interest to actuaries practicing in the international field. Plan to join us for these interesting and informative sessions.

Atlanta Meeting May 24-25, 1999

FOREIGN INSURER REORGANIZATIONS

*Session 9 Interactive Forum, Monday,
May 24, 10:30 am - 12:00 noon*

Several U.S. and Canadian insurers have announced their intention to reorganize, within permitted regulations, primarily to access capital and further company growth.

Are foreign-based insurers undergoing reorganizations? What forms of reorganization are permitted? What perspectives do regulators have? These questions are answered as the issues faced by foreign insurers considering a reorganization are discussed.

OPPORTUNITIES FOR THE INTERNATIONAL ACTUARY

*Session 23 Panel Discussion, Monday,
May 24, 1:30 pm - 3 pm*

Have you thought what it would be like to live and work in a foreign country? As domestic employers seek growth, crises occur in some foreign financial services sectors, retirement programs of some foreign countries are privatized, more of our members are working and living outside their home countries. We may see ourselves as citizens of the world rather than citizens of our own countries.

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Jamaica's Life Insurance and Financial Sector Crisis

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The Problem

For the most part, it was the age-old problem of asset/liability mismatch. Administrative and marketing expense overruns, inadequate capitalization, ineffective regulatory supervision and imprudent boardroom decisions contributed the rest.

How Did We Get There?

The stage began to be set in the early 1990s when the foreign exchange market was deregulated. The currency depreciated 156% in one year and inflation jumped to 80%. To stem the currency speculation, a tight monetary policy was employed and interest rates rose dramatically. As the central bank increased the cash reserve ratio on banks, loan rates mushroomed to over 50%. With penalty rates as high as 100%, the seeds of nonperforming loans were sown. In a traditionally high inflation environment (averaging 20.6% per annum over the past 26 years, 29.2% over the last 9 years), with little variety of investment vehicles and a small stock market, real estate was the preferred hedge. Whether the real estate was linked to life company marketing profile or to interests in tourism, the timing of these investments in the early 1990s was unfortunate. With currency depreciation, the levels of capital invested were too high, and the resulting cash flows too low. With the consumer market in a frenzy over high interest rates, competition for the investment dollar intensified between life companies and banks. Consumers wanted investment policies with liberal withdrawal options and competitive returns. At the same time, inflationary pressures to grant large wage increases pushed administrative expenses out of line; competitive pressures for product support pushed the installation of state-of-the-art computer systems at a high cost of capital; competitive pressure for market share allowed 12 month projected commissions, high first-year commissions, and high bonuses as standard agent compensation. Additionally, com-

panies aggressively pursued strategies to capitalize existing banks or other life operations and acquire new entities. The end result is companies had to borrow substantial amounts at a high cost to finance their operations.

The economy worsened, and loan rates remained high over many years. In 1993 the stock market plummeted and unit-linked policyholders withdrew massive amounts of funds. Disposable income declined, policyholders exercised withdrawal options or surrendered their policies, lapse rates rose, interest costs rose, wage demands increased, interest credits to interest sensitive policies remained high to prevent disintermediation, and investment losses increased.

Yet, due to the transfer into earnings of unrealized capital appreciation on real estate, companies continued to report profits and pay dividends, and so in 1993 the government increased the taxes on the industry. By the middle 1990s, the real estate market began to decline. No longer could companies



adjust book values upwards; in fact, property values began to fall. Finally, they recognized the threat to dynamic solvency and most started to restructure.

Although efforts to reduce administrative expenses and, to a lesser extent, marketing acquisition expenses were successful, the disposition of unsuitable assets, in particular real estate, was close to impossible. The decline in the economy had left a soft real estate market and a great deal of vacant office space. The decline in rental returns and investment income reduced portfolio returns below interest credited to policyholders funds. Policyholders continued to withdraw funds with increasing regularity and companies had to keep borrowing. As the banking crises began to emerge, subsidiary losses due to non-performing loans further weakened company surplus levels. New banking regulations placed additional capital strain on parent life companies that were obliged to recapitalize their ailing subsidiaries. By 1996 many life companies were barely solvent if at all, hence the industry leaders' appeal to the government and the resulting formation of Finsac in 1997.

Finsac

A total of JAS\$12.4 billion was channeled to four companies in the life insurance sector for the main purpose of repaying high-cost, short-term debt. Stock life companies gave 26.5% equity ownership to Finsac with the rest of the funding in five-to-seven year cumulative redeemable preference shares at a rate of 12.5%. A total of seven companies (out of 13) are either fully or partially owned by Finsac.

Finsac's mandate is to operate in three phases—intervention, rehabilitation and divestment. It is expected that through Finsac the financial sector will see a number of mergers/acquisitions. In addition, Finsac has adopted a temporary regulatory role as it helps to reorganize and retool the Office of the Superintendent of Insurance, which lacks the human and technical resources to effectively monitor the industry. Tech-nocrats at Finsac are also reviewing and making recommendations to update the Insurance Act, the law under

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which the general and life insurance companies are governed.

The Life Insurance Sector Now

None of the Finsac-supported companies continues to have an interest in commercial banking, although many are still dogged by real estate. Options of demutualization and merger have been discussed with four of the companies, but no definite decisions have been made. One of the Finsac-supported companies has reported profits.



In the meantime, at least one new life insurance company, owned by one of the larger banks, has opened its doors. With its captive client base and well-capitalized parent, the new company may pose a considerable competitive challenge.

The new face of the life insurance industry is still emerging. One thing is sure, it will never look the same again.

Janet Sharp, FSA, is Assistant Vice President for Island Life Insurance Company, Ltd. in Kingston, Jamaica, and the SOA Ambassador in Jamaica.

Chairperson's Corner

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contributions of the Section to its members. I urge all of you to contribute articles, or to recruit authors, when you become aware of something that you believe would be of interest to the Section membership.

2. The Section has sponsored or co-sponsored over a dozen programs at Society meetings. Under Mike Gabon's and Bob Lyle's leadership, the Section sponsored and recruited for several concurrent sessions, with active participation by section members as speakers. In addition, at the Annual Meeting in New York we hosted a reception and an International Section breakfast.
3. The Section web page is maintained, providing easy access to International Section newsletters. We are investigating the possibility of adding hotlinks to websites that would be of interest to other internationally active actuaries.
4. The SOA Ambassador Program continues to operate under the direction of the International Section Council. Josh Bank has provided great leadership there, with strong support from the Society staff. The Section Council continues to recruit new and replacement Ambassadors, and to provide direction and support for their activities. The Society staff plays a strong role in this as well.

In addition to these recurring activities, a number of special activities have been undertaken by the council in the past year or are planned for the following year. A summary of these follows:

1. The Product Development CD-ROM was distributed to SOA Ambassadors, a project jointly sponsored with the Product

Development Section. The intended use is to help spread knowledge about U.S. approaches to product development and the actuary's role in the process.

2. We have co-sponsored with the Financial Reporting Section seminars outside the United States on financial reporting topics. The first of these was in Asia, and subsequent sessions have taken place in Latin America and the Caribbean. Future sessions are planned for Eastern Europe. Section members have played an active role in these, in addition to the financial support provided.
3. This year the Section will investigate whether to sponsor a special seminar to serve its members in the United States. One potential topic would be financial management of multi-national life insurance operations. We would appreciate your feedback on what type of topics you believe should be covered in such a seminar. Angelica Michail is coordinating this, and you can send your suggestions to her.
4. In October, the Society of Actuaries reorganized and strengthened its committee structure dealing with international issues. The International Section will work to accommodate that new organization and to make sure we work together smoothly.
5. We are investigating ways to more widely distribute the Section newsletter. Section Council member Ronald Poon-Affat is looking into the financial viability of having it translated into Portuguese and distributed to the Brazilian actuarial community. Once that is done, we will explore other markets.

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Spring SOA Meeting with Significant International Content

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Our panel of international life actuaries describes their experiences living and working outside their home country and discusses opportunities that lie ahead for global actuarial services.

EUROPEAN INSURANCE MARKET UPDATE

Session 40 Open Forum, Monday, May 24, 3:30 pm - 5 pm

Attend this session and learn about recent developments in the life market of this region covering items such as products and distribution, and including the effects of the European Union Directives, the introduction of the Euro, and financial crises occurring in foreign markets.

FORTHCOMING INTERNATIONAL ACCOUNTING STANDARDS

Session 43 Teaching Session, Monday, May 24, 3:30 pm - 5 pm

This teaching session describes the progress of "uniformization" of accounting standards worldwide with respect to the life insurance industry. The newness of the subject matter suggests a lecture format, and the participants are advised to take notes accordingly. Attending this session will give insight of potential application to one's own company environment and provide some advance warning on the rapidity with which these standards will be upon us.

UNDERWRITING ISSUES/ PROCESSES IN FOREIGN JURISDICTIONS

Session 64 Interactive Forum, Tuesday May 25, 8:30 am - 10 am

As life insurance companies expand globally, assessment of the mortality risk is an issue that will be faced. How different is underwriting in other countries compared to the US/Canada? What are the salient issues in foreign lands? Come prepared to share your experi-

ences with the group. Advance registration is required for this session.

LIFE IN THE AMERICAS

Session 72 Panel Discussion, Tuesday, May 25, 10:30 am - 12 noon

Individual life insurance penetration in Latin America has historically been so low as to be considered virtually nonexistent. In this session, panelists discuss recent regulatory and other developments throughout Latin America, which many experts believe will lead to one of



the highest growth individual and group life insurance markets in the world.

Seattle Meeting, June 16-18, 1999

OPPORTUNITIES FOR THE INTERNATIONAL ACTUARY

Session 8 Panel Discussion, Wednesday, June 16, 10:30 am - 12 noon

This session is identical to the one at the Atlanta meeting, but with health and pension actuaries on the panel.

PENSION REFORM IN EURASIA* (* Eastern Europe and Asia)

Session 19 Panel Discussion, Wednesday, June 16, 1:30 pm - 3 pm

With the exception of Latin America, most state-run social security systems in existence today are of the pay-as-you-go, or "unfunded", variety. Projections show these systems are unlikely to be able to provide satisfactory economic security to the elderly. As a result,

many nations are reforming their social security schemes. Attend this session to gain an understanding of how the major wave of global pension reform is playing out in Eastern Europe and Asia.

HEALTH CARE REFORM IN BRAZIL

Session 35 Case Study, Wednesday, June 16, 3:30 pm - 5 pm

Brazil has the sixth largest population in the world. It also has a highly developed and complex system of private insured, private self-insured, and state health care programs that for years have suffered from a lack of effective regulation and coordination. This session focuses on recent major reforms in Brazil's health care system and reaction by the marketplace to those reforms.

GLOBAL HEALTH CARE POOLING

Session 63 Teaching Session, Thursday, June 17, 8:30 am - 10 am

Many large multinational corporations and industry groups are addressing the challenges of providing health care benefits for their employees across multiple countries. One of the mechanisms through which employers/industry groups choose to finance and manage health care benefits in multiple locations around the world is known as Global Health Care Pooling, which combines elements of self-insurance, managed care and traditional and alternative risk financing vehicles. Come to this session to learn more about the pooling concept and how it can help your organization.

Michael E. Gabon, FSA, FCIA, is Manager at KPMG Peat Marwick LLP, in New York, NY, and a member of the International Section Council.

Pension Reform in China

by Yves Guerard, Shu Yen Liu and Bruce Moore

Background

China is a large, diverse, developing country with a very high rate of economic growth. Its record of reform and development over the last two decades has been one of the best—if not the best—in the world. Since the beginning of the market-based reforms in 1978, China has enjoyed strong economic growth, averaging 12% for the five-year period ending in 1995, slowing recently to about 8%.

China, however, faces a number of serious issues in its development. The rapid growth has widened the rift between rich and poor. Issues related to the effect of the rapid aging of the Chinese society on pensions and health care are a high priority of the government. Almost unique among the low-income countries, China has an extensive social security system for its urban workers, a system which is facing problems similar to those faced by the high-income countries.

With two decades of pronatalist policies in the Mao era followed by two decades of "one child" policy, China's demographic profile is particularly distorted. The baby boomers of the 1950s and 1960s will join the pool of pensioners in 2010-2020 precisely when the labor force growth, and thus the growth in pension contributions, will be slowing down dramatically as a result of the one child policy. The percentage of population 65 and older will double by 2025, reaching about 12%, only marginally lower than the same percentage for the United States, Canada and other developed countries. Thus China will have an old age problem similar to the developed countries, while it will still be a middle-income country without the resources of a developed country.

On top of this demographic burden, China has a challenge to reform state-owned enterprises, which is linked with its pension system. State enterprise reform is a national priority, but implementing it requires a social safety net for employees whose pensions had

been provided by the state-owned enterprises.

The Chinese government recognized this need, and in July 1997 mandated the introduction of a new unified pension system. In 1998, the government combined the Ministry of Labor with other parts of the government concerned with pensions to form a new Ministry of Labor and Social Security (MOLSS), with the clear mandate to implement the new social insurance system.

Pension reform will contribute in an important way to overall economic reform. First, by de-linking enterprise management from pension provisions, these reforms will help accelerate the reform of state-owned enterprises (SOEs). Second, pension reform will contribute to development of capital markets and provide a pool of long-term savings that can help finance infrastructural development. Third, these reforms would contribute to social and political stability by providing financial security to current pensioners and those close to retirement, many of whom are facing hardships and uncertainties about the future.

China Pension System Benefits, Contributions and Pooling - Current State

By late 1998, substantial progress had been made in implementing the new pension system. Some adjustments or clarifications to State Council Document 26 had been made in this process of implementation. Basic decisions on covered workers, contribution and benefit levels, transition rules and pooling of funds have been reached. Progress in these areas is described in more detail below.

Covered Workforce

Prior to the new reforms, only urban workers of state-owned enterprises were covered. The reforms brought workers of private and collective enterprises,

other than agricultural workers, into the system. Thus, the expansion in coverage applied to 1995 data would increase the number of covered employed persons from about 110 million to over 300 million.

Benefits Overview

Employees of state-owned enterprises were already covered under existing fairly generous benefit programs. Before 1998 pension benefits were about 75% of final salary. After retirement, the pension is generally indexed in accordance with increases in average wages although some plans will use inflation. Benefits are not subject to income tax, and are not subject to income or means testing.

New benefits rules will apply under the new pension program for retirees after the transition date. The new pension system features:

- A new three component pension approach
- An extension of the coverage to other than urban SOE employees
- The transfer of the pension assets and liabilities from the Enterprises to the new provincial social pools

The main components of the new system are described below.

Pillar I Defined Benefits

Pillar I provides a defined benefit component generally set at 20% of the average wage for the last calendar year for each province. This benefit is indexed to average wage increases, by virtue of the benefit formula. These benefits are only paid if the worker has contributed for at least 15 years.

Benefits are payable at age 60 for men, at age 55 for women who held management positions and at age 50 for other women. Benefits will not vary based on marital status or dependents. After death of the retired employee, there are no death benefits to spouses or

(continued on page 12, column 1)

Pension Reform in China

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dependents. Early retirement is only permitted in special instances authorized by the government policy.

Employer contributions to fund these benefits plus the transition benefits (see Table 2 on page 13) generally start at a rate of 13% of wages in 1998, increasing by 1% every two years to reach 17% in 2006. Contributions are paid into, and benefits are paid from, the provincial social pools.

employee contributions. In the future, the employer rate of contribution will decrease by 1% and the employee rate will increase by 1% every two years until the ultimate level of 3% from employer and 8% from employee is reached in 2006.

Interest is credited on the accounts at the bank rate of interest, which in recent years has represented a real rate of return close to zero.

accounts are exhausted, benefits are paid from the provincial social pool.

Account balances are not available prior to retirement in the case of disability, unemployment, other hardship, or any other reasons except death. Nor are the accounts available to be borrowed, or pledged as collateral for loans. In the event of death, individual benefits and accumulated interest are paid to the beneficiaries. Accumulated employer contributions are transferred at death to the provincial social pool.

Table 1

Total Population	1995	1996
Urban Areas	351.7	359.5
Rural Areas	859.5	864.4
Total	1211.2	1223.9
Total Number of Employed	1995	1996
Urban Areas	190.9	198.1
Rural Areas	488.5	490.3
Total	679.4	688.4
Number of Employed	1995	1996
Urban Areas		
State Owned Units	112.6	112.4
Urban Collective Owned Units	31.5	30.0
Other Types of Ownership	8.9	9.7
Private Enterprises	4.9	6.2
Individuals	15.6	17.1
Not Categorized	17.4	22.7
Rural Areas		
Township and Village Enterprises	128.6	135.1
Private Enterprises	4.7	5.5
Individuals	30.5	33.1
Not Categorized	324.7	316.6

(Source: China Statistical Yearbook, 1997, in millions)

Individual Account Benefits

Individual account benefits are based on mandatory individual account accumulations representing a portion of the contributions from the enterprise attributed to the employee's individual notional account plus a percentage of wages contributed by the employees. Combined contribution rates are currently equal to 11% of wages, 7% from employer contributions and 4% from

Account balances are annuitized at retirement by simply dividing the accumulated value of the individual account, including accrued interest, by 120. This factor does not vary by age at retirement or marital or dependency status. Benefits are guaranteed for life, with a 10-year certain period (but there is no other spousal or dependent benefits beyond that 10 years). The benefits are indexed for wage inflation. After the

Supplementary Pensions

Benefits under the prior programs will only partially be replaced by Pillar I defined benefits and the individual account benefits, even after time has allowed the account balances to accumulate. Consequently, supplementary pensions will be made available on a commercial basis for those who wish to supplement the pension income arising from mandatory contributions. These supplementary pensions will be voluntary; they may be provided through employer-based or individually purchased programs.

Transition Benefits

For employees earning pension rights under the old system and current retirees, a transition plan is necessary to ensure adequate benefits and fairness. Those currently retired will receive the same benefits that are currently being paid to them, with future indexation for wage increases, drawn from the provincial social pool. Employees who were working under the old system and who reach retirement under the new pension system will receive the full benefits of the new system plus an additional transition benefit, the formula for which varies by province.

As an example, one province provides 2% of salary per year of service up to 20 years, plus 1% of salary for each additional year up to a maximum of 35%, for each year of service prior to 1998. These percentages are applied to the weighted indexed

earnings for 1992-1997, and the benefit is indexed for future wage increases.

In some cases, employees covered under the prior special industry plans for 11 industries had somewhat more generous benefits. In those cases, the benefit levels (and sometimes also contribution rates) will be graded from those higher levels into these new provincial plan levels over a few years.

Pooling

All provinces are expected to move to provincial pooling of contributions and benefits by 1999. The previously separate special industry plans have had

including the difficult problem of the current unfunded liabilities. For several provinces or municipalities, the mandated employer contribution rates are not enough to meet the needs of pensioners. For the newly covered sectors such as township and village enterprises. Employer contribution rates are relatively high compared to their benefits (due to the need to fund the liabilities to those previously covered), which may create some problems in compliance. The individual accounts are largely notional accounts and the pension system may face problems when the payments become due on these accounts.

lower replacement rates than the old one, projected to be around 50% of final salary for the mandatory components combined. There is a tremendous need for supplemental pension plans to raise the replacement ratios. The new law provides for introducing those, but the system for doing that needs to be defined from scratch. Given the high savings rates in China, the potential long term market there is huge.

Finally, capital market reform will need to be continued to provide investment returns that can make these benefit and contribution levels balance. Earlier World Bank studies suggested that a real return of 0% would fall far short, while a real return of 3% would likely suffice. The growth of supplemental pensions could fuel the growth of capital markets. In addition, some government officials advocate that the mandatory individual accounts eventually be moved to privately managed employer-based plans, which could add tremendously to the growth of private capital markets.

Yves Guerard, FSA, FCIA, is Chairman of the Board at Ernst & Young in Montreal, Quebec.

Shu Yen Liu, ASA, is the Senior Consulting Actuary at Ernst & Young in Hong Kong.

Bruce D. Moore, FSA, is a Partner at Ernst & Young in New York, NY, and chairperson of the International Section.

Table 2

	Employer Contribution to Social Pool	Employer Contribution to Individual Accounts	Individual Contributions	TOTAL
1998	13%	7%	4%	24%
2000	14%	6%	5%	25%
2002	15%	5%	6%	26%
2004	16%	4%	7%	27%
2006	17%	3%	8%	28%

(Source: China Statistical Yearbook, 1997, in millions)

their separate provincial asset pools added to the SOE pension funds. Contributions are paid into these pools, and benefits paid from them at the local level. The enterprises have no legal liability for benefits, beyond paying their contributions. There are some provisions for transfers to provinces where current contributions cannot cover benefit obligations.

Issues Still to be Addressed

While the broad framework for pension reforms has been determined, there are still a number of issues to address,

The contribution and benefit levels in general do not reflect rigorous actuarial analysis, and much further testing must be done. The impact of the benefit scheme and of the transition plans on various sectors of the society must be further evaluated.

The system also requires a lot of details for implementation—new legislation, regulations and regulatory processes, and administrative and management information systems. Along with this a massive amount of training to adapt to the new system is needed.

The new system provides much

Board Approves Development Funds

by Mo Chambers

At its January meeting, the SOA Board of Governors approved the creation of a China Region Development Fund and a Southeast Asia Development Fund, seeding the China Region Fund with US\$5,000 and the Southeast Asia Fund with US\$3,000.

The objective of the China Region Development Fund is to promote the value of the actuarial profession in the development of risk management programs in the China Region through solicitation of contributions from corporations, international organizations, and individuals with interest in the region.

The objective of the Southeast Asia Development Fund is to provide support for teaching assistance for actuarial students to pass actuarial exams and continuing education seminars for qualified actuaries. The fund will be enhanced through solicitation of contributions from corporations, international organizations, and individuals with interest in the region.

The funds will be jointly managed between the Committees: (China Region Committee (CRC) and the Southeast Asia Committee (SEAC) and the SOA Board through the International Policy Committee.

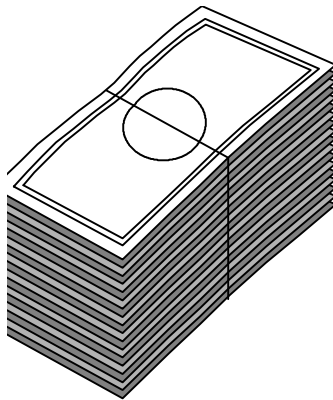
The largest proportion of members outside of North America live in Asia, and students in China and Southeast Asia represent more than 600 of the 762 candidates from outside North America.

The China Region Committee plans to use its donations to fund the following projects:

- Granting annual scholarships to qualifying teachers at universities in China to supplement their salaries. Universities have trouble getting their students to return as teachers because salaries are much more attractive at large companies. Supplementing their university salaries would provide further

incentive to teach. This project would be coordinated by the Committee but additional funding will be sought, possibly through either the International or Education & Research Sections and the IAA International Promotion and Education Fund.

- Coordinating exchange programs matching students and teachers with companies. Students and teachers have the mathematical skills, but lack the opportunities for practical experience to build their business skills.



- Producing seminars and continuing education programs for members and students.
- Sponsoring major expenses associated with meetings with the Actuaries Association of China (AAC) and others, as appropriate. One of the main mandates of the CRC is to help advise in the formation of the AAC and to promote the profession in China.
- Where necessary, supporting member expenses for travel associated with meetings with the AAC, subject to an approval process and guidelines approved by the SOA Board of Governors.

- Other projects as appropriate.

The Southeast Asia Committee plans to use its donations to fund the following projects:

- Supporting expenses for faculty to teach review courses. Students in this region require additional training and preparation to be able to improve their passing rates on exams. Supporting accommodation and meal expenses for visiting actuaries to teach review courses would increase the chances of finding qualified candidates. There are almost 300 students writing exams in these countries.
- Producing seminars and continuing education programs for members and students.
- Other projects as appropriate.

If you or your company would like to support these activities by making a contribution to either or both of these funds, please contact Jeanette Selin, International Outreach Coordinator, at 847-706-3533; jselin@soa.org. Or if you live and work in Asia, please contact Patrick Cichy, SOA Asian Coordinator at 852-2199-1110; patrickcichy@compuserve.com.

Mo Chambers, FSA, MAAA, is President & Senior Actuary of the Corporate Headquarters—London Life Insurance Company in London, Ontario, and is SOA Director of International Activities, and Chair of the International Policy Committee.

Reinsurance in Brazil

by Ronald L. Poon-Affat

A common question that I am asked is why does the General and Cologne Re have an office in a country that has a closed reinsurance market? The answer is that we are anticipating the opening of what could be one of the last great opportunities in the highly competitive world of reinsurance. In addition to which, we have always liked Brazil and have maintained close contact with this market over the years.

Cologne Re signed its first Brazilian contract in 1880 and in the 1950s General Re, Citibank and Chubb got together and bought Argos Seguradora, one of the oldest companies in Brazil. General Re invested in Argos in anticipation of the opening of the reinsurance market. However, it subsequently sold its shares to its partners after accepting the fact that this opening was not about to happen. Therefore 1997 for us was our return to Brazil.

In the 1880s we were probably one of the very few to have Brazilian reinsurance treaties, but now there is lots of competition. Other reinsurers that have offices here include Gerling Re, Hannover Re, Mafre Re, Munich Re, Scor Re, Swiss Re, and Trans-atlantic Re.

The Brazilian insurance market stands at around \$US 17 billion, which is just about the size of the rest of Latin American put together. This is in spite of being a monopolistic state reinsurance company (IRB Brazil Re) being in existence for 59 years and legislation which explicitly prohibits the transaction of reinsurance with any other reinsurance company. Just for the record, only a handful of countries still have such tight controls on reinsurance—India, North Korea, Cuba and Costa Rica.

The present reinsurance premium being transacted by the state reinsurance company (IRB Brazil Ltd) is just over US\$ 1 billion but there is an active co-insurance market that accounts for an additional US\$ 1.5 billion. The fact that there was little alternative other

than the state reinsurer gave rise to a spirit of cooperation between direct writers, the likes of which I have never seen. Brazilian companies made the pragmatic decision to share both market information and premium with their competitors to limit their exposure to large individual risks.

So the present market is US\$ 2.5 billion. Is this market big enough to satisfy the appetites of all of these reinsurers who have had the foresight to establish their offices in Brazil before the opening of the market? The answer is "No." But according to a 1997 Sigma report, the insurance density (annual premium per capita) of Brazil, the 10th largest economy in the world, is US\$ 90; whereas the insurance density of Italy, the seventh largest economy in the world is US\$ 674. This simple statistic suggests that the potential is tremendous. Simply put, anyone who is serious about being a player in international reinsurance must have a presence in Brazil.

So when is the market going to open? The latest word is that it will be in June 1999. Only a few months ago, it was supposed to be March 1999. There was a bit of a scare when the second leading presidential candidate included a promise within his manifesto to desist with the privatization of the IRB Brazil Ltd. However, he was unsuccessful and President Fernando Henrique Cardoso easily won a second term during the October 1998 elections. Cardoso is committed to continue his drive to privatize the IRB Brazil Re and open the reinsurance market.

The actual date that the market will open is a moving target, but things are happening. An October 1998 IMF report regarding Brazil explicitly mentioned the forthcoming privatization of the IRB Brazil Re (always a very good sign). Earlier this year, the government formally appointed a team of local consultants to undertake a study of the privatization process (the local offices of Ernst & Yong & N.M. Rothschilds)

Chairperson's Corner

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6. The Education and Examination restructuring will present a number of special issues to actuarial students outside North America. We are working with the Continuing Education Coordinating Committee to assure that adequate opportunities exist for foreign students to meet these new requirements.
7. In October 1999, the 50th Anniversary meeting of the Society of Actuaries will take place. The International Section will join with all the other Sections to make this event really special.
8. We worked with the Education and Research Section to establish a teacher bank of teaching resources for actuarial programs in other countries.
9. In 2002, the next International Actuarial Association meeting will take place in Cancun. The Mexican actuarial body (CONAC) is managing that, but other North American organizations will help promote that meeting and make sure it is a success. The International Section will be involved in that activity, which has already begun.

These activities are all intended to better serve our members, both by serving their current needs, and also by helping promote the recognition of the profession and of the Society, worldwide. We will appreciate any feedback you wish to offer. Where are we succeeding? Where should we do more? And where would you like to help out? Please feel free to contact me or any of the other Section Council members with your thoughts.

Bruce D. Moore, FSA, is a Partner at Ernst & Young LLP, in New York, NY, and Chairperson of the International Section Council.

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Reinsurance in Brazil

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and they are already at work. The body which represents the insurance industry, Fenaseg (Federação Nacional das Empresas de Seguros Privados e de Capitalização) has already published its study on the issue, which has been very well received by the industry.

The form in which the market will be opened will be via the privatization of the IRB Brazil Re. This is presently owned 50% by the government and 50% by the insurance companies established in Brazil. But 100% of the all important voting shares are owned by the government. The reason that the local insurance companies own 50% is due to the fact that it is a mandatory requirement that all licensed insurers must be shareholders.

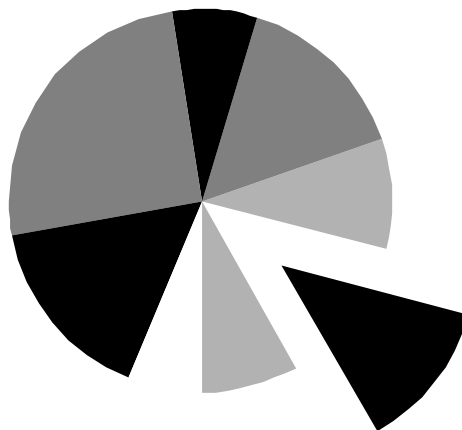
The questions which any interested buyer of the IRB Brazil Re should be concerned with are (1) what is the price, (2) the extent to which due diligence has been performed, paying particular attention to the adequacy of reserves and (3) the business environment of the market post-monopoly.

Regarding the third point, the concerns of the industry include the following:

- Will the privatized IRB Brazil Re still retain some form of compulsory cessions for a period of time?
- Will there be easy access to all foreign reinsurers and brokers? Fenaseg has suggested that there could be three categories of reinsurers: local, admitted and non-admitted. Depending on your classification there will be different tax, capital and reserving requirements,
- What will be the minimum AM Best rating in order to do business in Brazil? It has been suggested that

the minimum rating should be B+ . Interesting enough, the IRB Brazil Re presently has a rating of BB.

- What will be the financial impact of reinsurance on ceding companies' mathematical reserves and solvency margins? What allowances will be offered? It is possible that this could depend on your "classification"



Conclusion

We are quite optimistic that we will be up and running sometime next year. We are making use of this pre-privatization time to deepen our knowledge of the market, establish client relationships and build statistical databases of Brazilian experience. In addition, we are operating in a limited capacity as retrocessionaires to the IRB Brazil Re.

Finally, here are the three other questions that are often posed:

- 1) Is General & Cologne Re in association with Berkshire Hathaway going to buy the IRB Brazil Re? Admittedly there are other more interested parties, but we definitely have a keen on-going interest in the negotiations,

- 2) Has the current financial crisis affected our expectations regarding Brazil? Yes, but we feel that the overall potential of the reinsurance market has suffered only a relatively small dent.
- 3) Are the reinsurance rates going to fall when the market is open? The market has been led to believe that rates will fall; this speculation has even been quantified to be within the range of 15-20%. In all honesty, no one knows. No body of industry data exists to properly project such figures. If one compares international reinsurance rates with what the IRB Brazil charges, one will see that the Brazilian insurance market has both been over-and under-charged. As a result, rates will both rise and fall depending on the line of business.

All in all, 1999 is going to be a very interesting year.

Ronald L. Poon Affat ASA, MAAA, FIA is the Director and Vice President in charge of Life & Health for the General & Cologne Re Brazil Ltda. He is based in São Paulo, and acts on behalf of the Society of Actuaries as their Ambassador in Brazil, and is also a member of the International Section Council. The author's opinions expressed within this article do not necessarily reflect the view of the General & Cologne Re.

26th International Congress of Actuaries

Closing Ceremony Speech, June 11, 1998

by Jean Berthon

I am very proud to have been elected to wear this chain of office and be sure that I will do my best to maintain the established high standard.

When I started writing this very short speech, I was looking for a concept on which I could base my remarks. I wanted to have something related to professionalism, ethics and so on. Suddenly, I remembered the motto of the city where I grew up. Angoulême is the county town of Charente, a very nice city located not far from the Cognac county on one side and from the Dordogne region on the other. The motto of the city coat of arms is: "Fortitudo mea civium fides: My strength is the trust of my citizens." Don't you think that it could become one of our mottos, by replacing "our citizens" with "our publics?"

Trust was the concept that I was looking for, because trust underlies all of our activities and relationships.

As Professor Penelope Corfield said in her lecture, every profession relies on public trust. Remember that, as the first truly global profession, we aim to serve the public interest. So trust is the cornerstone of our profession.

Trust is gained through values and ethics, skills and knowledge. We had interesting papers and discussions on those subjects during the Congress.

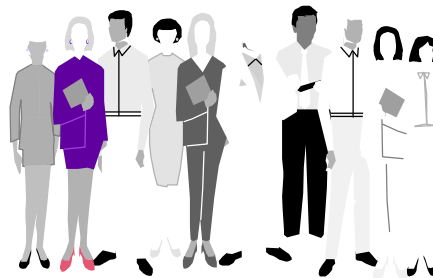
In my view, we have several priorities for the coming years.

Firstly, we have to make every effort possible to gain and develop public trust, not only within our countries, but also at the international level. We should continue to promote high standards of professionalism among ourselves, which means pursue the excellent work already done in the Education Committee to establish a core syllabus. We must also start thinking of elaborating a common framework to establish world-wide recognized standards of practice. In the long term, one of our aims should be to establish the

conditions of mutual recognition among our different associations or countries.

Secondly, we have to expand our presence in the world. We have to promote the establishment of actuarial clubs and associations in countries where there is no organized actuarial body, not only because we would like to see more actuaries throughout the world, but because we think that it is important in order to enhance the welfare of citizens in those countries.

Thirdly, we have initiated good relationships with international organizations like the International Accounting Standards Committee and the Inter-



national Association of Insurance Supervisors. It is very important for us as a profession to keep moving in that direction through the participation in their committees as observers and through our capacity to promote our point of view in those fields which directly concern our profession. We also will have to get in touch with other international bodies to develop the same kind of relationship with the International Monetary Fund, World Bank, Asian Development Bank, Inter-American Development Bank, Bank for International Settlements, and so on. We also should try to improve our status at the United Nations Organization. For that we will need the support of our member associations, as well as the support of individual

actuaries inside these organizations, because we will need to deliver in a very short period of time. Our credibility will depend on our ability to deliver what we are promising.

Fourthly, as we have gained credibility in many fields since the creation of the Forum, we can, in my view, start to be more proactive. I would encourage us to think about covering other fields of activities where actuaries are already involved, like finance, portfolio management performance, measurement standards and so on. We should also look at other fields in which we are not already involved, but where our skills, knowledge and ethics could play an important role.

But all those developments will need to be well-publicized, because information and public image are essential to establish public trust. As you know, actuaries are not known as being very keen to communicate in a comprehensible way. It is very important that we try to do it and manage to improve our image in that field.

I no longer want to hear that joke of an actuary being asked how much is two and two and replying, "What do you want it to be, Mister Chairman?" I would prefer that the joke ends as borrowed from Yves Guérard, "It depends, if it is two plus two it will be four, if it is two over two it will be one, if it is two beside two it will be twenty-two."

Developing the public confidence should be at the center of our concern. But trust is also one of the essential components of leadership. No leadership is legitimate if it is not built on trust.

Then we will be in battle order and in a good position to take up the numerous challenges that we will be facing in the future.

Jean Berthon is a guest columnist for this issue of International Section News, and is President of IAA.

Strategic Planning Issues (Part Three of Three)

by Thomas Kelly

This article contains material from a speech given on June 17, 1997, in Singapore by Tom Kelly, Senior Vice President and Managing Director of LIMRA International, at a LOMA/LIMRA Strategic Issues Conference. Credit is also due to Randy Makin, who converted the outlines and slides from Mr. Kelly's speech into an article format for the newsletter. This is the third installment of three articles derived from the speech. The other two articles appeared in the June 1998 and September 1998 issues of the International Section News.

The marketplace is more competitive and less forgiving, which challenges everyone to face the issues and challenges head-on. The fact is, we are part of a global industry, one in which we have both mature and emerging markets. There are three major types of companies emerging:

- World-class, truly international companies
- National or regional companies
- Niche players

As we move to the late 1990s and into the next millennium and within the context of this conference,—“Professionalism and Profitability, The Equation for Success”—this presents all of us with a challenge and a great opportunity to move our great industry forward. I would suggest that in your role as leaders in your company and leaders in your country, consideration should be given to six guidelines for the future.

First of all, you need a clear and concise picture of what you want your company to be. A vision, simply stated is “a vivid picture of an ambitious, desirable future state that is connected to the customer and better in some important ways than the current state.” Here are three vision statements:

- The Ford Motor Company—
“Quality Is Job One”

- L.L. Bean (the largest, most successful catalog mail order business in the United States and perhaps the world) in Freeport, Maine—“Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more.”
- McDonald's—“Quality, Service, Cleanliness, Value”

Their visions are simply stated, inspiring and consistently repeated and applied in every business situation.

On signs in the home office and field offices, at meetings and conventions of Northwestern Mutual, State Farm, USAA, there are flags and banners with one-liner statements reflecting the vision of the company—customer service, respect for each other, teamwork—the values of the company. I recently asked the president of a company in Taiwan, “What's the vision for this company?” His answer was, “My vision for this company is to have a large number of professional agents, with integrity and a high sense of ethics working 50-60 hours per week, like any other professional serving the best interests of our clients and policyowners.” Now, that's not a bad vision; and I would add, “Say it over and over at meetings, correspondence/communications with the field, at conventions, until it becomes embedded in everyone's thinking.”

I would also strongly recommend consideration be given to the development of a code of ethics for your company and the industry in your country. Here is the code of ethics of the Million Dollar Round Table:

- Always place the best interests of my clients above my own direct or indirect interests.
- Maintain the highest standards of professional competence and give the best possible advice to clients

by seeking to maintain and improve my professional knowledge, skills and competence.

- Hold in the strictest confidence, and consider as privileged, all business and personal information pertaining to my clients' affairs.
- Make full and adequate disclosure of all facts necessary to enable my clients to make informed decisions
- Maintain personal conduct which will reflect favorably on the life insurance industry and the Million Dollar Round Table.
- Determine that any replacement of a life insurance or financial product must be beneficial for my client.
- Abide by and conform to all provisions of the laws and regulations in the jurisdictions in which I do business.

Next, we need to relentlessly pursue customer value. This is, again, a corporate responsibility, not just the responsibility of one department. Customer value is about quality and service, and these are the most basic shared values in a company, and you can compete on quality. But everyone has to be involved—a total corporate commitment. It means measuring key result areas—training, retraining, employee involvement and customer satisfaction. From the research we have done at LIMRA International, when you boil it down, the customer is saying they would like three things:

- Provide me with an adequate solution to my problem
- Give me someone I can trust and
- Give me value-added services, where value is in the service, not the price! It's about staying in touch, responding on a timely basis, being accessible at times convenient to our customers, and helping them deal with the company.

The bottom line is that customers want a relationship, not a hit or miss operation. They want contact; they want

you to stay in touch. It's about having the agent, when confronted with an issue involving a customer, saying, "Don't worry about it. I'll take care of it. You relax." The bottom line is, fall in love with your customers, not your products.

I would next include continuous people development and an effective distribution strategy together, because in our business the two are inextricably linked. To take advantage of the growth opportunities here in Asia will call for creativity and internal innovation, and focusing on the basics of training and retraining; and the selection of quality people will become the driving force. The goal is a quality distribution system with quality home office people.

The skills of our people will be the difference between success and mediocrity—as compared to other strategies such as those that are based on product, price, investment, commission or market. This is a more viable, long-term and sustainable strategy, as compared to the others that are more temporary. However, it will only be successful if well managed. As we have said so often, it is not the distribution system you choose, but the management of that system that makes the difference. With a career agent distribution strategy, the quality of people is the difference that really makes a difference.

Fundamental to the system is quality, value-added field management at the local level. In this regard, a greater investment simply has to be made in field management development if your goal is to be a major player in our global industry.

As you focus on developing the knowledge and skills of your field force and enhancing the professionalism of your distribution system, I would present the following for your consideration—that you move from the present approach of everyone being a prospect to identifying specific market segments, from recruiting anyone to having a specific profile of whom you are seeking, from recruiting as many as possible to being more precise in your selection, with the aim of exceptional retention. You must move from a hit-or-miss approach in training to a well-thought-out, comprehensive, disciplined

plan.

You must move from a "sell 'em and forget 'em" approach, to a specific client development plan, with consistent contact and service. You must change from a non-financial responsibility approach to field managers with business skills. Management development must change from being a cost to being one of the best investments the company can make. Companies must cease being product-driven, and become customer-driven, and go from pencil and paper to high tech. Finally, focus on the net, not the gross, as this will deliver profit, success and growth.

At the risk of sounding like a broken record, let me repeat once more the four basic economic fundamentals of distribution profitability—agent retention, productivity, persistency, and expense control. If we can make a positive impact in one or all of these, profitability will be significantly enhanced and will make for pleasant board meetings.

The fifth guideline is, "Build quality products and services." The operative word in that sentence is quality, and this relates to customer value, but focuses specifically on products and services.

I would add that as markets in each country mature and as equity-linked and equity-based products are developed, and as products are sold on the basis of interest rates continuing to rise, that you be vigilant to ensure that you learn from the experiences encountered in the U.S., U.K. and Australia, where class action lawsuits have been brought against some of the major companies for unethical sales practices in the selling of these types of products. I would recommend you secure a copy of the LIMRA International research report, "Market Conduct—A Global Tidal Wave."

Finally, we have market segmentation and an understanding of the marketplace. To my mind, this will separate the winners from the losers. This has moved out of the textbooks and into practical application at the field level, where perhaps the true marketing is really taking place. In the competitive environment of the '90s with banks, the global marketplace will call for facts,

facts and more facts. The basic principle is that the tighter the fit between the market, the distribution system and the products and services, the greater the chance for success.

Just consider the massive changes taking place in the demographics of your marketplace and the huge opportunities that are surfacing:

- The pre-retirement market
- The mature market
- The family market
- Singles and single head of household
- The affluent
- The ethnic market
- Small businesses
- The youth market
- The women's market

These markets represent a multi-billion dollar opportunity. However, it also means continually adjusting and fine-tuning your sales and marketing strategy to realize this potential.

Remember that management and leadership make the difference—not a 5% or 10% difference, but a 50% to 100% difference. Opportunities come to companies in only two ways, either through crisis or from leadership. Tomorrow's marketplace will be too unforgiving to allow those who react to crisis to survive. The survivors will be those who act from leadership—your leadership. Your leadership is also critical in bringing the entire corporation into marketing, because every marketing decision is influenced by the actuarial, investment, policyowner service, administrative, medical, legal, data processing and underwriting disciplines.

The undeniable fact is that the winds of change will constantly blow. For the company that is willing and able to embrace change, the future is bright and the possibilities are limitless. It is not the change, but how we adopt and adapt to change that is the key.

Ambassadors Wanted: Apply Here!

by Jim Toole

In October 1993, the Ambassador Program was initiated by the SOA, with significant management and oversight responsibilities assigned to the International Section. There are now over 27 SOA Ambassadors on 6 continents (and even a few subcontinents). In the coming years, it is our goal to place Ambassadors in every country with Society members. If, after reading this article, you feel that you or someone you know might be interested, please contact Jeanette Selin (847-706-3533, jselin@soa.org) at the Society office. The list of countries still lacking Ambassadors is provided at the end of the article.

Objectives

The main objectives of the program have not changed since its inception:

- To assist in carrying out the Society's international policy
- To assist in identifying needs of SOA members overseas
- To serve as a member resource and link between the SOA and local actuarial organizations
- To help the actuarial profession grow

With the globalization of our profession, the influence of the SOA has become more pronounced than ever. International relations have likewise become more complex, with the charter of the International Actuarial Association and birth of the SOA International Policy Committee (see accompanying article by Chelle Brody on page 6). With all these changes, what is the status of the Ambassador Program?

One thing is that it's not boring! The program has grown such over the years that a new staff position has been created, in part to support our valiant Ambassadors overseas. In addition to her other duties, Jeanette Selin is responsible for coordinating SOA resources for Ambassadors, running all the day to day aspects of the program, baking cookies for Ambassador care

packages, and generally helping turn volunteer ideas into reality in host countries around the world. Ambassadors no longer have to guess who to call to find answers and support within the SOA—one phone call does it all.



Requirements

By now, I am sure you are thinking: how do I become an Ambassador? Is there any special training required? I am happy to report there are no additional exams to take or seminars to attend. Requirements are straightforward:

- The candidate must be a member of the SOA.
- The candidate must live in the host country and expect to be there for the next two years.
- The individual must have the willingness to perform the basic duties of the position (see below).
- Persons with language skills of the host country are preferred.

Selection Process

Selection in countries without Ambassadors usually starts with the interested party contacting Jeanette to discuss filling the position. An application package is sent, and the candidate returns the information requested along with a proposed work plan. The application and work plan are discussed and voted on at the next International Section conference call, and a two-year appointment starts from the date of council approval.

Although past performance is

certainly no predictor of future activity, succession for already established Ambassador positions has, to date, been bloodless. The current Ambassador usually provides the Society with recommendations that are followed up in the same manner described previously.

Duties and Benefits

The required duties of the Ambassador are not onerous. Prior to appointment they must submit a work plan and provide an annual progress report on that work plan. New Ambassadors are asked to prepare an article in their first year on the insurance industry or state of the actuarial profession in their host country for publication in this newsletter. In an exciting new initiative, Ambassadors are being asked to collect country-specific information and to identify useful web pages to serve as the backbone of an SOA international insurance resource project designed to facilitate access to information for the membership (more information to follow as this project develops).

We also encourage Ambassadors to follow through with projects that are of interest to them. These can include talks, member activities, or establishing and promoting exam centers, but are truly limited only by the Ambassador's imagination. Ambassadors are connected through an SOA list server (Ambassadors@list.soa.org) where they can ask questions or share ideas with their colleagues.

Finally, as a demonstration of gratitude and incentive to attend, Ambassadors are invited to the Board of Governor's dinner and their fees waived for the SOA annual meeting. Ambassadors gather later at the world-famous International Section breakfast to swap stories and provide a brief update on their host country to the membership.

Countries where the SOA currently has members but no Ambassador are shown in the following list.

COUNTRY	NUMBER of SOA MEMBERS
Andorra	1
Bahamas	4
Bangladesh	1
Belgium	4
Bermuda	10
Chile	2
Cyprus	3
Egypt	4
Germany	5
Greece	4
Grand Cayman	1
Hungary	2
India	7
Italy	2
Kenya	3
Korea	11
Luxembourg	1
Macau	2
Monaco	1
Netherlands	12
Nigeria	2
Pakistan	15
Portugal	13
Sri Lanka	3
Sweden	1
Switzerland	35
Thailand	17
Zimbabwe	4

There is one Ambassador for the United Kingdom, covering England (218 members), Ireland (28 members), and Scotland (17 members). One of the SOA members living in India has applied to be the Ambassador for that country. His application will be considered at the next meeting of the International Section Council.

We encourage interested members to consider participating in the Ambassador Program. If you have any questions, comments or suggestions, do not hesitate to contact Jeanette or me.

Jim Toole, FSA, is with Mullimen & Robertson, Inc. in Denver, CO. He can be reached by email: Jim.Toole@milliman.com.

Minutes of the International Section Council Meeting in New York, October 18, 1998

Attendance: Bruce Moore, Chair
Michelle Chong Tai-Bell
Jeanette Selin
Josh Bank
Michael Gabon
Jim Toole
Lois Chinnock
Angelica Michail
Chelle Brody (by phone)
Patrick Cichy
Ronald Poon-Affat

with) International Actuaries Consulting
 • International Economy/Econometrics (have a person from MIT or Stanford)
 • Challenges in International
 • Pensions/Social Security (suggested Chilean actuary Sr. PiZeda)

1. Welcome and Recognition of Guests
2. Approval of Minutes: All in accordance and approved
3. Election of Officers: Angelica Michail accepted nomination for Vice Chair. She distributed a handout on the Section's Treasurer's Report. Jim Toole approached for Secretary/Treasurer position. He has also volunteered to work on the Ambassador Program with Josh Bank.
4. 1998 Annual Meeting Update Mike Gabon reported on the international programs for New York annual meeting.
- 5/6. 1999 Spring Meeting/1999 Annual Meeting Updates: Mike reviewed suggestions for future sessions:
 - Worldwide Longevity
 - Senior International Executive Panel/Forum
 - International Regulation/Reorganization
 - Euro Monetary Unit Update
 - Opportunities for the International Actuary (together

7. Ambassador Update: Jim Toole, Josh Bank and Jeanette Selin will work on a formal selection process. Should have program process "ironed out" after approval of application. Ronald Poon-Affat suggested that a roster of "minimum" duties be included with the guidelines sent to Ambassadors. The Product Development CD-ROM will be distributed to all Ambassadors. Josh will draft a letter to accompany CD-ROM. It was suggested that the office be in contact with Ambassadors at least four times per year (quarterly basis). Jeannete will check on the feasibility of an Ambassador "chat-room" with the ISC department at SOA office. The idea is to keep Ambassadors plugged in to meetings and activities. Jeanette will be in contact with Ambassadors to attempt to get them to submit a work report prior to the next newsletter scheduled for December.
8. Newsletter Update: The next issue is scheduled for publication in December. It may be postponed until February '99 issue. Included will be Chairperson Corner, E&E items (Bruce Moore), Buenos Aires article; need for permanent exam center in South America (perhaps Buenos Aires),

Minutes of the International Section Council Meeting in New York, October 18, 1998

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and items from Brazil per Ronald Poon-Affat. An attempt is being made to get out an article for each of the international sessions from the annual meeting (only four scheduled: Offshore Insurance, International Insurance Accounting, Worldclass Benchmark and Trip to UN). There were only three issues published this year; the goal was four.

9. Use of Section Funds:

Ronald Poon-Affat is willing to translate articles into Portuguese. It should be investigated whether the SOA will fund the first issue. Ronald will have information on prices and distribution numbers. Later, he wants to approach American companies for funding. Seminars outside of US have not proven to be profitable. Linden Cole suggested that the budget should be closely watched because expenses incurred can get out of

hand.

10. Asia Committee Update:

Patrick Cichy updated the Section Council on activities in Asia. There are 640 members currently. Reference centers have been established at universities in China. The Chinese Actuarial Association hopes to be established by spring 1999. The Financial Crisis Seminar was successful. Council members discussed the possibility of an Asia Section or a subsection of the International Section. Mr. Cichy will provide this same report at the Section breakfast scheduled at the annual meeting.

11. Update on SOA's Proposed Agenda for the International Area for 1999 and Role of new International Policy Committee:

President is allowed to appoint a representative (Mo Chambers) to work with him to establish policy. Will try to focus more on the

Ambassador Program.

12. 1999 Section Objectives and Programs:

Newsletter goal is to publish at least three issues per year and to distribute to a wider market; maybe send to other sources besides members. Circulation currently is around 1700. For the next meeting, Bruce Moore asked for ideas and feedback for expanding current readership of the newsletter.

13. Other Business:

Discussion about the SOA Anniversary meeting in San Francisco.

Gift presented to Michelle Chong Tai Bell for her efforts as Chairperson for this year.

Back to School at the Nankai University, Tianjin, China

by Dominic Lee

For three days in September 1998, I found myself giving lectures at Nankai University, Tianjin, China. I am by profession an actuary who has practiced the trade for more than thirty years. Never have I dreamt of taking on the role of a lecturer—especially at this point in time and in China. It was a most memorable experience.

It began in May 1998 when I met Mr. Fu Anping of the People's Bank of China at the Beihai Actuarial Conference. He invited me to visit Nankai University in Tianjin to deliver some actuarial courses. I gladly complied with much excitement. The invitation was not only a new venture and challenge for me, but also would help to promote actuarial education in China.

The final arrangement resulted in a ten-hour course on the insurance environment and the actuarial issues in Southeast Asia. I decided on this topic because it offered practical knowledge, which cannot be obtained easily in any current actuarial textbooks. I hoped that students without actual exposure to the real-life operation of the insurance business would find it stimulating and useful. (Hence, would boost attendance at my lectures eventually).

Nankai University has a very large campus, with a current enrollment of more than 10,000 students. In the daytime, you can see numerous taxis driving along its main avenues, which are adorned on both sides by wavy willow trees and bushy evergreen shrubs. Endless numbers of students seem to be

everywhere, cycling in every alley and side lane between the old and somewhat dilapidated red brick buildings. At night, it is so peaceful that you can nearly hear every insect singing its own song. But, beware, you are the very potential target of mosquitoes. In short, the campus gives a country flavor, yet not without a hustle and bustle side when in action.

My daily routine of the past 30 years changed completely. Since my cycling skill was far from adequate to serve me well for commuting, it was a 20-minute walk to the lecture room from the lecturer's quarters. Each day, I had to take this exercise four times. However, I enjoyed the walk thoroughly (especially with a laptop at my shoulder), because it meant exercise—

something very healthy and much needed for a man coming from a highly urbanized region and an air-conditioned office setting.

I was greeted by smiling faces in the lecture room. For every session, there were about 20 students from the insurance and actuarial divisions. In view of this different orientation, at times it was difficult to tailor the contents of my lectures to satisfy their varied needs. Nonetheless, students remained attentive and inquisitive. I was somewhat taken by surprise that some of them had very good knowledge on not only basic issues, but also relatively complicated ones. I particularly enjoyed questions from the floor. They were not only sensible but also critical. The discussion that ensued facilitated mutual understanding and initiated a person-to-person interaction, which I treasured immensely as an outsider.

Despite the tight teaching schedule, I managed to squeeze in time to talk to the students and the teaching staff. As

we enjoyed a cup of Chinese tea and a slice of roasted duck over the dining table, I listened with all ears for every problem and need. It came to light that there was a major difficulty in procuring lecturers from North America to teach actuarial courses. Post-graduates were waiting anxiously for the arrival of lecturers and in the meantime, needed to pursue studies on their own.

Updated versions of some textbooks and study materials were not available. Requests for additional sponsorship and arrangements for internship were raised. Situations did seem gloomy. However, President elect at the time Howard Bolnick's visit to the Nankai University on September 24, 1998, brought new hopes. Solutions would be forthcoming in the foreseeable future and the Greater China Committee of the Society of Actuaries was assigned to give special attention to the Nankai program. The teaching experience in Nankai University is undoubtedly a valuable one. It deepens my understanding of the

problems affecting the smooth implementation of the actuarial program as drawn up between the SOA and the Nankai University. More importantly, it allows me an opportunity to identify the needs of both students and teaching staff in terms of teaching input, practical exposure and financial support. Being the chairman of the Education Subcommittee of Greater China Committee, it is my earnest desire that I can contribute my best towards the implementation and continued improvement of the Nankai program. This will have an ultimate impact, a positive one I hope, on the future development of the actuarial profession in China.

Dominic Lee, FSA, AIA, is Senior Vice President & Chief Actuary, American International Assurance Co., Hong Kong and a member of the Greater China Committee. He can be reached at Dominic-To.Lee@aig.com

Minutes of the December 17, 1998 Conference Call of the International Section Council

by Jeanette Selin

In attendance: Bruce Moore

Kevin Law

Angelica Michail

Richard Geisler

Jim Toole

Josh Bank

Ronald Poon-Affat

Michael Gabon

Lois Chinnock

Jeanette Selin

Chelle Brody

- Minutes of last meeting (10-18-98) to be approved at next meeting
- Treasurer's report—Jim Toole notified the Council that there is more than \$40,000 available in the Section's fund.
- Spring meetings are falling into place. Five sessions have been planned for the life meeting in Atlanta on May 24-25, 1999:
 - International Underwriting
 - European Union Update
 - International Reorganizations
 - Life at 2000
 - Opportunities for the International Actuary (life topics)
 - four sessions have been planned for the health meeting in Seattle on June 16-18, 1999
 - Opportunities for the International Actuary (health & pension version)
 - Pension Reform in Eurasia
 - Global Healthcare Pooling
 - Healthcare Reform in Brazil
 - Recruiting policies discussed briefly; it was decided that support can be provided for non-members on an as-needed basis.
- For fall meeting in San Francisco, October 17-20, 1999, 10 sessions are planned for the moment:
 - Worldwide Longevity
 - International Regulations
 - European Monetary Union
 - Actuaries in a Worldwide Economy
 - International Econometrics
 - Challenges for Pension Reform
 - Section Breakfast (with Reports from Ambassadors)
 - International Capital Markets
 - International Reinsurance
 - Senior International Executive Panel or Forum
 - Recruiting deadline of 3-17-99 mentioned.
- Ambassador Program update—Backgrounds and applications of four new Ambassadors were presented to council: P. Martin McCaulay from Mexico, Ahmad

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Minutes of the December 17, 1998 Conference Call at the International Section Council

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Sami Sharif from United Arab Emirates, William Klunk from Tanzania and Arthur Guang-tong Ren from People's Republic of China. The first three were unanimously approved as Ambassadors for a term of two years. Jeanette Selin and Patrick Cichy will work together to secure more information on Mr. Ren for approval at next meeting.

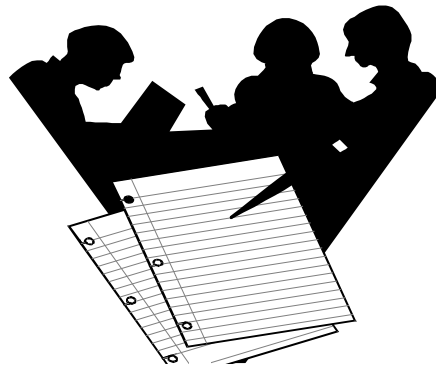
Richard Geisler submitted his work report from New Zealand and Jeanette was asked to forward a copy of that report along with Bill Klunk's information to Kevin Law for possible inclusion in the next International Section newsletter.

6. Newsletter update—Kevin Law mentioned a target date of January 15 as next deadline. At the present time, he only has three articles to include and has less than half the material he had for last issue. There are hopes to get material from the Caribbean Actuarial Association meeting held recently, the SOA's international reorganization (provided by Chelle after the IPC meeting on Jan. 6), Ambassador Program article (from Jim), SOA E&E redesign, pension reform in China, (from Bruce), and Howard's trip to China (Patrick Cichy will provide this material). It was mentioned that Randy Makin will be taking over as editor in the fall and that he should be invited to participate in the next Section Council meeting.

7. Brazil newsletter update—Ronald Poon-Affat talked to an agency, Association of Sao Paulo Technical Directors who represent insurance companies in Brazil. They have a database of 10,000; but we could use 2,000 as a start. The translation costs will be approximately \$3,125 for 31 pages. With printing and collating costs, the total would be \$6125 (USD). A suggestion to

submit the newsletter electronically was raised; Lois will speak to people in the Peggy Grillot to see what the options are. It was also suggested that the committee solicit corporate sponsor hip to help with costs.

8. SOA international reorganization update—This information will be available after the January 6, 1999 meeting of the International Policy Committee in Chicago. Chelle will submit information on reorganization after that meeting.



9. Council of Section Chairpersons report:

- Desire to improve SOA library. It currently has no index. Curtis Huntington wants to upgrade the current system (Chelle mentioned that this was cut from SOA budget). A question was raised whether this should be supported by the International Section and other Sections or by members at large. The goal is to integrate the information with the SOA website.
- Article for SOA monograph—Nominations will be made of articles from each Section, but so far no article identified from International Section. Estimated costs of Section monograph expense between \$8,000 - \$10,000. A decision was made that there would be no monograph contribution.
- Research ideas—Funding is available. Ideas include mortality rates in different countries, and

information can be obtained from Ambassadors in different countries on international mortality. Lois suggested contacting Tom Edwalds from the SOA research department for more details on submitting research project proposals.

10. Syllabus restructuring update—August Chow has been appointed to the E&E committee to do research on Course 7.

11. Section Web page—Hot links to international information: Ambassadors should be used to locate links in each of their countries. A combined effort between Richard Geisler, Jim Toole and Jeanette Selin will be made to check to see what is technically possible and they will be in touch with the Communications Department at SOA.

12. Seminars:

- Eastern European seminar—International Section committed \$1,000 to the 1997 Asian seminars (Shirley Shao); it was approved that they will commit same amount for Eastern European seminars as well.
- Potential International Section sponsored seminar on GAAP for International Companies—Angelica will get more information for this project. Goal is to target actuaries who work for multinational corporations. Suggestions were made to have a 50/50 joint sponsorship with the Financial Reporting Section. Angelica will come up with a one-to-two page summary by Jan. 15, 1999.

13. Meeting adjourned

International Underwriting Congress: Why You Should Attend

by Richard Bergstrom

In 1955 the world's population was 2.9 billion. Today it is 5.8 billion and it will increase 80 million people a year to reach 8 billion by the year 2025.

The average life expectancy in 1955 was just 48 years. In 1995, it was 65 years. By 2025, it is expected that no country will have a life expectancy of less than 50 years, according to the 1998 World Health Report.

What do these factors foretell? For the life and health insurance industry, obviously opportunity.

When population growth and increased life expectancies are coupled with myriad technology and economic changes, our world begins to change. And, indeed, our business is changing. Open borders, falling trade barriers, advanced telecommunications, and a growing educated population result in a convergence of tastes and product expectations.

To better grasp the impact of these changes and the opportunities they bring, join the many underwriting executives, actuaries, medical directors, reinsurers, and marketing and claims executives who are planning to attend the second International Underwriting

Congress in London, England, at the Royal Lancaster Hotel on June 6-9, 1999.

In addition to expanding your horizons, you will meet key people in the world's risk management community and visit one of the world's great cities.

The Congress is a multi-disciplinary event with a world renowned faculty



speaking on topics such as longevity and the changing shape of the mortality curve, long-term care, the future of underwriting, and opportunities in a shrinking world. In addition, two special sessions will include forums on

Asia and Latin America.

The first International Underwriting Congress was in Mexico City in 1997. There were 600 delegates from 40 countries. Even greater numbers are expected to meet in London.

The leading causes of global deaths will change, demands on actuaries will expand and underwriting opportunities will increase. Come to London. Plan for the future. Be prepared to benefit from getting to know the opportunities the world holds.

For registration materials, contact Bridget Floyd, Registrar, International Underwriting Congress, Vermont Insurance Institute at Champlain College, 163 S. Willard Street, Burlington, VT 05401; phone: 802-860-2786; fax: 802-860-2773; e-mail: Floyd@champlain.edu

Richard L. Bergstrom, FSA, is a Consulting Actuary at Milliman & Robertson, Inc. in Seattle, Washington.

International Section Council Meeting in New York



The International Section Council gathering at the SOA Annual Meeting in New York to plan the Section's global activities.

Standing Left to Right—Michelle Chong Tai-Bell (1997-1998 Section Chairperson), Josh Bank, Ronald Poon-Affat, Bruce Moore (1998-1999 Section Chairperson), and Jim Toole. Seated Left to Right—Jeanette Selin (SOA International Outreach Coordinator), Mike Gabon, Angelica Michail, Patrick Cichy (SOA Coordinator of Asian Services)



With the skyscrapers of New York in the background, Mo Chambers, Director of SOA International Activities, addresses the International Section breakfast.



Enjoying the International Section reception at the New York Annual Meeting, Jim Toole, Damaso Bangaoet, Angelica Michail and Paul Nitsou.



Retiring SOA Managing Director, Linden Cole, passing on words of wisdom to Patrick Cichy, SOA Staff Coordinator of Asian Services, during the International Section reception.



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