INTERNATIONAL SECTION NEWS

NUMBER 22 MAY 2000

Chairperson's Corner

by Angelica Michail

Coming together is a beginning, staying together is progress, and working together is success.
— Anonymous

After each Council Meeting, I confess I am overwhelmed by many emotions. Relief — that in two hours we managed to go through much of what is listed on the agenda. Exhausted — since we don't take any breaks. But most of all, elated because I realized, once again, that I belong to a team that takes seriously the responsibility to serve the interests of the Section and the SOA.

The Section Council has four meetings a year — a face-to-face meeting in October and teleconference for the others. Meeting attendees include nine

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Life Insurance Tax Down Under

by Greg Martin

It is said that death and taxes are the only two certainties in life. However, in Australia one would probably have to add change as a third certainty. So it is inevitable that the life insurance income tax basis in Australia would be undergoing considerable change at present.

The impact of the changes will be significant in both absolute terms, but also relative to the industry's competitors. This article provides a brief overview of the current situation.

What's Happening?

The new regime is expected to apply as from June 30, 2000, but full details are not currently finalized. The following is an indicative summary of the current regime and the changes expected.

The Current Income Tax Regime

- Tax is generally not applied to "profit," but is based on "Investment Income — Expenses," similar to the basis operating in the UK.
- Investment income is all life insurer investment income earned (i.e. both policyholder and company investment income).
- Deductible expenses are those related to generating investment income, or writing and administering investment (savings) type business.
- Different tax rates apply to different business lines:

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In This Issue

Editor's Note

by Randy Makin

The celebration took place with excitement, with delightful fireworks and with worldwide celebrations, but Y2K itself was more of a whimper, a non-event in many ways. Being somewhat prepared for everything (having made it only part of the way through Boy Scouts), I had a fifty-gallon drum filled with potable water. That's it. Just lots of water. No extra food, no medicines, no electrical generator. I was probably planning on fasting until the grocery stores restocked their shelves. Two weeks into January we had a warm day, and I siphoned my valuable water supply into the back yard.

The world has moved on since the beginning of this year, and we have some articles giving us some up-to-date news. One of our lead articles is by Greg Martin, who was kind enough to provide an update on revisions to the tax system in Australia. Hans Wagner, who referred Greg to us, has himself written about the December conference of the International Association of Insurance Supervisors, an annual event only a few years old, but growing in importance. Hubert Mueller noted that unit-linked business has devel-

oped quite a bit in Europe since the writing of European Theatre, an article in our last newsletter, and he outlines the recent growth of this product in Europe. Probably one of the more intriguing developments is the recent decision to open up India's huge market to joint ventures between foreign and local

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475 N. Martingale Road, Suite 800
Schaumburg, IL 60173

Phone: (847) 706-3500 Fax: (847) 706-3599 *www.soa.org*

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Randy Makin, Newsletter Editor
Business Men's Assurance Company
The BMA Tower, One Penn Valley Park
700 Karnes Blvd.
Kansas City, MO 64108
Phone: (816) 751-5875 Fax: (816) 751-5888

Mo Chambers, Director of International Activities
August C. Chow, Assistant Editor

Joe Adduci, Desktop Publishing Coordinator (***jadduci@soa.org***)
Phone: (847) 706-3548 Fax: (847) 273-8548
Lois Chinnock, Staff Liason (***lchinnock@soa.org***)
Phone: (847) 706-3524 Fax: (847) 273-8524
Chelle Brody, Manager of International Affairs
(***chellebrody@compuserve.com***)
Phone: (407) 876-0800 Fax: (407) 876-8594
Cecilia Green, Director of Integrated Communications (***cgreen@soa.org***)
Phone: (847) 706-3561 Fax: (847) 273-8561

companies. Ram Mulgund was eager to share an overview of these developments with our readers. We also have an article by Norm Crowder on Georgia (no, not Atlanta) and its fledgling insurance market. Rounding out our articles on insurance in various countries is "New Lease on Life," regarding the tumultuous recent insurance history in Korea — reprinted with the kind permission of Watson Wyatt.

As Angelica mentions in her Chairperson's corner, the Council members dedicate much of their time to serving the International Section members. We have reprinted the minutes from the January 2000 teleconference to update our readers on some of the work going on in the section. Chelle Brody has written about a survey on the exchange of SOA publications with other actuarial organizations and educational institutions around the world. Pat Kum has described the implementation of the new professional development requirement in Asia. Finally, the IAA has given permission to reprint a portion of the draft minutes from their December 1999 Council meeting, including addresses by the past and present president, an article on the 2002 meeting in Cancun, and some notes on their Web site.

I again want to thank the writers for being generous with their time and their knowledge.

Randy Makin, FSA, MAAA, is vice president and reinsurance actuary at Business Men's Assurance Company in Kansas City, MO. He can be reached at RMakin @bma.com.

Chairperson's Corner

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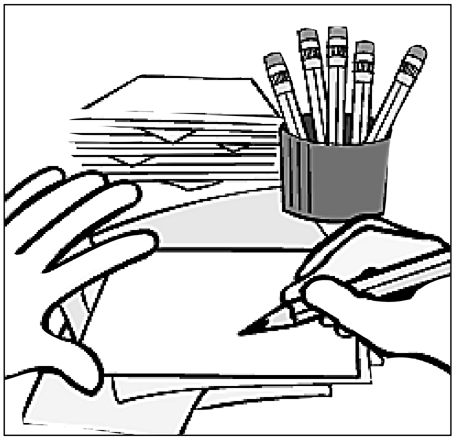
Council members, the newsletter editor and assistant editor, and SOA support staff. For close to two hours, we discuss, decide, laugh, listen, question, and think. In between meetings, we act on decisions, follow-up on assignments, write e-mails/ memos/articles, and talk on the phone.

In this issue, Section members have the opportunity to read excerpts of the minutes of our recent meetings. However, meeting minutes often contain only a small portion of what actually transpires at a meeting — a list of attendees, decisions, assignments, and maybe a sentence or two about each agenda item. Not much is written about the difficulty in arriving at the decisions. There is no accounting of the hours spent on the phone and the number of e-mails to implement a decision. There is no description of the use of persuasive skills to seek support for an idea or expedite a decision. There is no indication of the network that was tapped to get to the right person.

Throughout the year, during and in between meetings, participants of the Council meetings give Section members many gifts, in particular gifts of time, talent, and commitment.

Time is a scarce commodity, especially since many participants have heavier than normal travel schedules. Unfortunately, Council work can only be accomplished with frequent communication and quick turn-around time. Fortunately, e-mail has facilitated the process since it can be accessed almost anytime and anywhere. It takes time to explore issues and make decisions.

Talent is not scarce among the Section members. In a world that keeps changing, they have plenty of ideas to handle the new situations and challenges that face our profession. The gift is in sharing those ideas. And the generosity does not stop with the sharing. Included in the gift are the energy and the use of a variety of



personal skills and resources to follow them through to completion.

But the gift of commitment is the most precious of all. There are so many demands for everyone's time and talents yet each chose to use them to serve the Section. As the person chairing the meeting, I have observed that for every agenda item considered, every decision made, every suggestion given, there is a clear message of caring for the International Section members and their issues.

It is a privilege to work with this year's team. Thank you for the gifts!

Angelica Michail, FSA, MAAA, is consulting actuary at National Actuarial Network, Inc. in Rowland Heights, CA. She can be reached at amplus@aol.com.

Life Insurance Tax Down Under
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- ♦ 0% on Pensions and Annuities in course of payment
- ♦ 15% on “Superannuation” business (pre-retirement pension business)
- ♦ 39% on other “Ordinary” business

The same tax rate applies to both policyholder and shareholder income associated with the particular business line.

- Shareholders receive dividend franking credits (“tax paid” credits) equal to 20% of the total tax paid by the life insurer (policyholders and company taxes).
- Superannuation and Pension policyholder benefits paid are subject to various taxes in the hands of the policy-holder. Ordinary policyholder benefits are tax-free after a policy is held for 10 years, but subject to a concessional tax basis prior to 10 years.

The New Regime

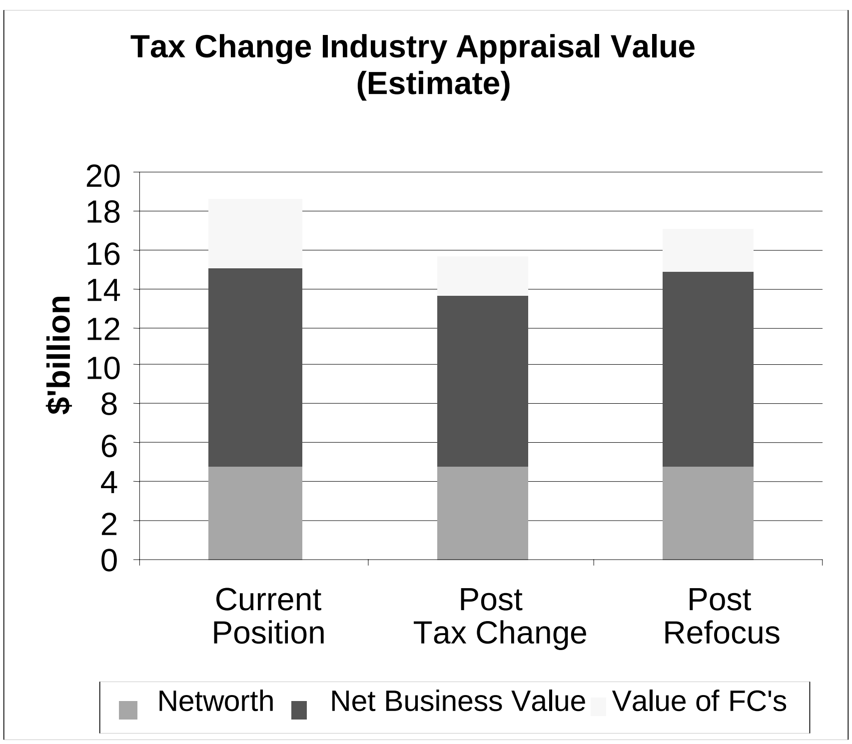
- Life insurers will now pay tax at the standard corporate tax rate of 30% on “profits,” where profits comprise underwriting profits on insurance business, “Fees — Expenses” on investment business, and investment income on shareholder capital.
- Shareholders will receive dividend franking credits based on the total corporate tax paid attributable to them.
- Tax on investment policyholders funds will now be based on an “Investment Income — Fees” approach.
- Superannuation and Pension tax rates and benefit treatments remain unchanged.
- The Ordinary business tax rate will reduce to 30%. Ordinary policyholders’ benefits will now be fully assessable, but they will receive offsetting “franking credits.”

The immediate and longer term impacts of these changes are briefly considered below.

Immediate Shareholder Impact of the Tax Change

At a macro level, it is reasonably clear that the life insurance industry in Australia will suffer an overall considerable increase in tax expense. The industry will be paying a higher rate of tax on its profits and cash flows, and will lose a significant part of its existing franking credit benefits.

One indicative estimate of the immediate total industry shareholder value impact is:



Note that the "Post Refocus" values make some modest allowance for the potential benefits of product re-pricing and capital base restructure. (FC = Franking Credits)

Nonetheless, the impact on any particular company will vary by at least:

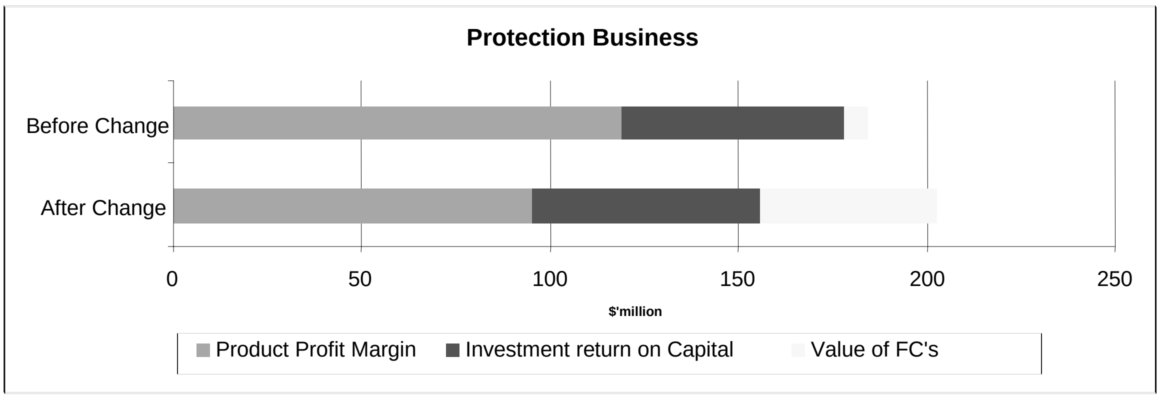
1) Shareholder residency

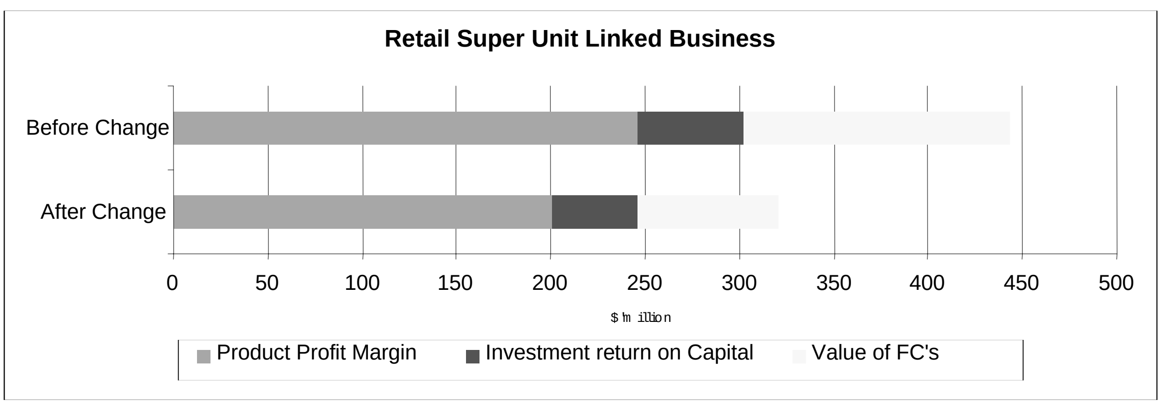
♦ Non-Australia resident shareholders who can make little use of Australian franking credits will be more concerned with the net actual increase in tax payable.

♦ Australian resident shareholders who can make full use of franking credits will be less concerned with the net extra tax (each extra $1 of tax generating an extra $1 of franking credit) , but more with the loss of the existing franking credits.

2) Business mix and capital base. Many Ordinary and pure insurance business lines will experience reduced effective tax costs. The main driver of the increased tax is Pension and Superannuation business lines, and increased tax on investment earnings on shareholder capital and retained earnings.

The difference in immediate impact on Ordinary protection and Superannuation savings business, estimated for the overall industry, is illustrated below:





3) The ability to pass on some of the increased burden via price increases (see further comments on competitive position and impact on policyholders).

One interesting general point that can be noted from a closer look at the above graphs is the very important impact of the change in the franking credit rules. For example, the overall industry value impact (after "refocus") principally comprises just the loss of the existing franking credits value.

Longer Term Industry Impact of Tax Change

The longer term impact of the tax basis change on the industry (and individual companies) will reflect a number of factors, including the impacts of the tax changes on:

- Policyholder benefits.
- Product pricing and the competitive position of the industry.
- Life Insurer capital requirements.
- Net investment returns on capital reserves.

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Impact on Policyholders

The vast majority of policyholders do not appear to be materially affected by the change in tax regime (setting aside potential industry pricing responses).

However, one group that is affected is Ordinary savings policyholders, via the reduction in the funding tax rate (39% to 30%) and the change in end benefit taxation rules. While Ordinary savings has not been a significant new business area in recent years, these changes may provide some potential market positives on this product line.

Product Pricing and Competitive Position

Two broad product categories need to be considered:

- Those where the industry has little outside competition.
- Those with significant outside competition.

Interestingly, the first category above is generally the less impacted by the tax basis change, while the second the more affected.

Protection Business

The first product group above, mostly contains protection business including term life, disability income, and long term annuities (including lifetime annuities). This is a mixed group with some wins and some losses, but for those able to realize reasonable value for franking credits, the overall impact may neutral to marginally positive (see Protection Business graph).

Superannuation Savings Business

The second group mostly contains the superannuation savings business line, which is the current main business line of much of the industry. As indicated by the Retail Super graph, this is significantly adversely affected by the tax change.

This business line has considerable competition from the wider funds management sector (superannuation unit trusts /mutual funds), but at present the life industry has a direct advantage in pricing in terms of its current favorable tax position. The life industry also has a perception benefit in terms of being able to quote policy charges on an effective net of tax basis, versus other sector participants that must quote charges gross of tax.

Under the new tax basis these advantages will be lost as the life industry tax basis essentially moves into line with the wider funds management industry.

The competitive position of the life industry will now focus more on issues such as:

- Brand, reputation and "community trust/faith" in the life industry versus its competitors.
- The potential disadvantage in terms of its higher capital requirements relative to the rest of the fund management sector (and relative to the above point).
- The potential advantage of greater product design and administration flexibility, and some access to cash flow and reporting flexibility advantages over its competitors.
- Some perceived life insurance regulatory, sales and disclosure disadvantages (although current regulator review in this area is also relevant).
- The negative impact of legacy products and systems, which affect a number of long established life insurers more than more recent funds management industry entrants.

Success going forward will depend on the ability to capitalize on the positives above and minimize the negatives. It will also be important to properly distinguish between reality and perception. Capital requirements are a case in point. A lack of regulated capital requirements for some market segments does not mean there is no market or corporate need for adequate capital reserves. The difference between visible and invisible capital reserves is also important. A life insurer holding capital against a DAC asset is not disadvantaged against a unit trust manager who does not hold a DAC asset in the first place.

Life Insurer Capital Requirements

The solvency and capital adequacy requirements of Australian life insurers are based on a modern risk based capital assessment approach involving, inter alia, various present value calculations and asset value change scenarios.

Under the current tax basis the present values need to be assessed on net of tax discount rates, and tax relief on adverse asset value scenarios is limited to the associated policyholder tax rates. The change in tax basis will mean the use of gross of tax discount rates in at least some cases, and generally an increase in the tax relief benefits potentially available.

Both these effects are likely to result in some reduction in capital requirements for the industry, although the quantum of this is currently unclear.

Net Investment Returns on Capital Reserves

An associated issue is the net investment returns on the capital reserves held by life insurers.

Prima facie, the increase in tax rate to 30%, from an average rate probably around 15% for most companies, should have a negative impact. However, the change in the franking credit rules and the value of these to the shareholders can be critical. The change from the current 20% rule to full future franking credit for taxes paid on investment income on capital reserves can mean for those able to

The SOA President Visits Georgia

by A. Norman Crowder, III

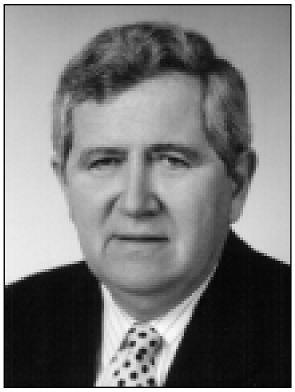
It took two overnights and nine time zones to reach Tbilisi, Georgia. The Association of Actuaries and Financial Analysts (AAFA) had asked me to participate in and speak at their first meeting. It was early November in Georgia — near freezing with snow in the mountains. Georgia is a poor country struggling to remain independent from Russia and to build a market-based economy. Most public institutions don't work well — the police haven't been paid in recent months.

The AAFA meeting was held in an unheated room in the Institute of Mathematics. Guram Mirzashvili is their enthusiastic leader, a statistician whose academic appointment earns him $15 per month (and is five months overdue). He and his wife each work two private sector jobs to make ends meet. The 20-plus founding members of the association are almost all mathematicians of some sort: statisticians, demographers.

There is now an emerging private insurance industry — 17 companies writing an unusual mix of products. These companies, which have been getting modest actuarial help from their reinsurers, now want to have their own actuaries for pricing and meeting emerging financial reporting requirements.

The meeting had about 40-70 attendees, depending on the topic under discussion. One fascinating paper by a Georgian, who is currently a visiting professor at Stanford, explored the mortality of emperors and how it correlated to the rise and fall of the Roman Empire. Two English actuaries made presentations. One was Hugh Sutherland of the Institute of Actuaries educational staff in London. He discussed how the Institute might help the Georgians get started on their educational activities. He described a diploma program that the Institute has run in several Eastern European countries to get an actuarial profession started locally. Initially, it involves a two-part training program. Each part is a series of week-long lectures on actuarial matters presented by UK actuaries to a starter group of 20-30 students, done monthly. Course materials are supplied for interim study. At the end of 16 months, the student writes a thesis on a local insurance matter and defends it in a brief process. At the end, the Institute awards a diploma, marking the accomplishment. Thereafter, the intent is that the local academics will pick up the training, with further help from the UK. This is the route that the AAFA will probably take to start their educational activities.

Their president, Mr. Mirzashvili, is an avid reader of SOA materials, which he receives regularly. He was so taken with the Big Tent ideas that he insisted that their name include "and Financial Analysts." I doubt there are many financial analysts in the Georgian market as yet. I did a presentation on the state of actuarial practice and the profession in North America today. In retrospect, it may have been a lot to throw at them, but it did make them aware of what they can aspire to over time.



A. Norman Crowder, III

My hosts were cordial and warm. They wanted me to learn a bit about Georgia during my brief visit. Theirs is an old, Christian culture interwoven with Turkish, Arab, Mongol, and Russian flavors. They have been overrun by many over the centuries. Their dinners were formal affairs with lots of vodka, wine, exotic foods and toasts. They like to enjoy life. Georgians do not have much money and have to struggle to build a new world. But, they are optimistic and seem happy. It's a different world from ours.

I offered whatever help I personally can provide, as well as the resources of the SOA, as they begin to develop an actuarial society in Georgia. We wish them good fortune.

A. Norman Crowder, III, FSA, MAAA, FCA, EA, is retired. He is president of the Society of Actuaries, and can be reached at: nrmcrowder@aol.com.

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realize even 60% of the value of the franking credits provided, that the net tax impact may be lower under the new basis than under the old.

Conclusion

The change being made to the tax basis of Australian life insurers is significant. It will have a material impact on the industry, and it raises a number of pricing, competition, capital management and shareholder value issues. While the overall increase in tax payable is a clear negative for the industry, there are some actual and potential positives hidden in the detail, and the negatives principally remove one of the industry's current competitive advantages rather than imposing a net disadvantage. One of the main challenges for the industry going forward will be to successfully market and leverage off its many other strengths and advantages.

Greg Martin BA, FIAA, ASIA, works at KPMG Actuaries in Sydney, Australia.

India's Insurance Industry Marches toward Liberalism

by Shiram P. Mulgund

A lot has been happening in the insurance scene in India in recent months. Members of the International Section will find these developments of interest.

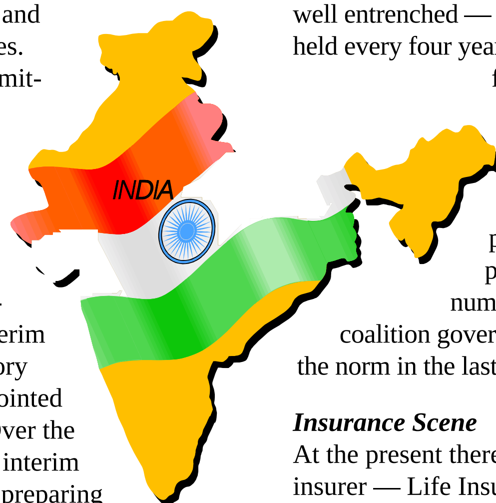
Background

Life insurance industry in India is more than 100 years old. Prior to its nationalization in 1956, there were more than 250 life insurance companies operating in the country. While most of the companies were Indian, there were a few foreign, primarily British, insurance companies as well. After becoming independent in August 1947, changes to the economic environment were to be expected. The first such change to the insurance industry took place in 1956.

Some concerns were being expressed about the life insurance industry at the time. Some questionable investment practices by some insurers were revealed. Products with inadequate premium scales were being sold. Expenses were increasing. Most companies were focusing in the urban areas of the country, leaving the rural areas inadequately serviced. With a view to protecting the policyholder interests and spreading the message of life insurance in the rural areas, the industry was nationalized and a crown corporation "Life Insurance Corporation of India" (LIC) was formed on September 1, 1956. The general insurance was later nationalized in 1972.

After independence in 1947, the leaders had a vision to take the country along the route of rapid industrialization. The early decades saw the opening up of a number of public sector undertakings in key areas. In the '80s, the focus was shifted to the agricultural sector. The process of economic liberalization got a start in the '90s.

The Government of India appointed a committee under the chairmanship of Mr. Malhotra to review the status of the insurance industry and recommend changes. The Malhotra committee's report, published in 1994, commenced the process of insurance liberalization. Following up on these recommendations, an Interim Insurance Regulatory Authority was appointed in January 1996. Over the last four years, the interim authority has been preparing the groundwork for taking the insurance industry into the new environment. The authority got its legal status through passing of the Insurance Regulatory and Development Authority (IRDA) Act on December 7, 1999. The IRDA will now be able to set up the framework needed for the new regime. It is expected that new players will be issued licenses and will be able to commence their operations by late 2000 or early 2001.



Current Environment

A few comments on the current environment may be useful to appreciate the changes that are currently taking place.

The Country

India is a vast country with a an area of 3.3 million sq.km. and a population of 980 million. It has 26 states. It has 23 cities with a population of one million or over and 300 cities with a population of 100,000 or over. About 73% of the population lives in rural areas.

The country has great diversity in religions, languages (there are 16 official languages), culture and traditions. English is the business language. Democracy is well entrenched — elections have been held every four years (some times more frequently) since independence. The legal system follows the British practice. The judiciary is independent. Due to the presence of a large number of political parties, coalition governments have become the norm in the last few years.

Insurance Scene

At the present there is only one life insurer — Life Insurance Corporation of India. Its activities are conducted through the Central Office located in Mumbai (formerly Bombay), seven Zonal Offices (which serve as regional head offices), 100 Divisional Offices and 2,050 Branch Offices. It has a staff of over 125,000 and an agency force of 560,000 agents. The agents are supervised by 19,000 development officers.

LIC's assets are over Rs.1,000 billion (U.S.$24 bn.). The current level of individual insurance new business is of about 12.2 million policies with a sum assured of Rs.570 billion (U.S.$14 bn.). The total business in force consists of 78 million policies with a sum assured of Rs.4,100 billion (U.S.$ 98 bn.), inclusive of group coverages.

In the last 25 years, the LIC's premium income has increased at an annual compound rate of about 17%. In real terms, this will be about 7%.

Insurance Products Sold

The products sold are primarily of the Participating Endowment Assurance type. A standard Endowment Assurance product provides a level sum assured payable on death or survival to the specified endowment period. These periods will generally range from 10 years to 30 years. The dividends are payable in the form of reversionary bonuses. In one variation of this product, the maturity benefit is payable in installments, e.g., 20% payable 10 years before the maturity date, 20% payable 5 years before the maturity date and the balance at maturity. These plans are called "money back" plans. For these plans, even though the maturity amount is payable in installments, the death benefit and the bonuses are based on the full sum assured. About 80% of the business currently sold is of these types. The public views life insurance as a savings vehicle. The adage that life insurance is never bought but sold is very much prevalent in India.

Commissions and Expenses

The maximum commissions payable to the agents are governed by legislation. The maximum first-year commission payable under an Endowment Assurance contract (including bonus commissions) is 35%. Renewal commissions are payable during the full premium paying period. The legislation limits the total first-year expense to approximately 95% of the first-year premium.

Tax Incentives for Life Insurance Premiums

The life insurance premiums attract tax relief (the amount of tax is reduced by 20% of the amount of premium, subject to a maximum premium of Rs.60,000). Some additional tax benefits are provided for a special pension annuity plan. This proves to be an added incentive for purchase of life insurance. Similar tax reliefs are provided for investments in other vehicles.

Taxation of Life Insurance Business

LIC is taxed at 12% of the valuation surplus. The general taxation rate for corporations is 38.5%. This gives a preferred tax basis for life insurance business. There are no premium taxes.

Investments

The current legislation puts severe restrictions on the manner in which the policyholder funds can be invested. At least 75% of the funds have to be invested in government securities or government approved securities. This leaves very little scope for investment in other vehicles.

Economic Conditions

India's GDP has grown over the past 25 years at an annual rate of 13.75% (4.7% in real terms). It is expected to increase at 5.8% for 1999 and at 6% for 2000.

The savings rate has been around 23% of the GDP. About 14% of the savings have been diverted to life insurance.

The penetration rate for life insurance has increased from 0.66% to 1.37% over the last 25 years.

Insurance Regulatory and Development Authority Act

The insurance industry is governed by the Insurance Companies Act of 1938. The nationalization of the industry was achieved through the LIC Act of 1956 and the GIC Act of 1972 that created the monopolistic provisions for the life and general insurance. With the passing of the IRDA Act, the monopoly provisions have been removed, clearing the way for private players. Also, the Insurance Companies Act is being revamped to bring it to be compatible with the current environment.

The IRDA will be charged with the task of supervising the industry. It will consist of ten members — five full time and five part time.

The IRDA will be preparing regulations to cover the various aspects of the operations. The anticipated provisions will be:

New Licenses

Only Indian companies will be able to obtain licenses. A company can seek a foreign company participation up to 26%. The balance of the capital has to be financed by the local partner.

As the nationalization took place more than 40 years ago, very little insurance expertise exists outside of LIC. Hence, most companies may find it necessary to seek foreign participation. At this time, about a dozen companies have entered into Memorandum of Understanding with foreign insurance companies (both life and general). These partners will set up Indian subsidiaries to carry on the insurance business.

The minimum capital requirement will be Rs.1 billion (approx. U.S. $24 million). This is quite high for Indian conditions. The valuation regulations will require the companies to hold minimum solvency margins. If these exceed Rs.1 billion, the company will need to raise additional capital.

Composite licenses will not be issued. A company wanting to get into life and general insurance business will have to set up two separate companies with separate capital requirements.

The licenses will not be localized, that is, the new company will be allowed to sell in any part of the country (for its own reasons, a company may want to focus on certain regions). No limits on the number of licenses to be issued are likely, as long as the applicants meet the regulatory requirements.

The applications for licenses will need to include a business plan for the planned operations.

Distribution Channels

Though insurance is currently distributed through the agency system, the IRDA may permit the use of multi-channel distribution. The new environment will likely allow career agents, brokers, and institutional agents. Appropriate licenses will be issued to these intermediaries. Whether or not to permit the banks to directly distribute insurance products is still being debated. The Reserve Bank of India, which regulates the banking industry, has published proposed regulations specifying stringent norms for the banks to become joint venture partners of insurance operations. It is likely that insurers may be able to use bank branch premises for distribution as long as the insurance operations are kept separate from the banking operations.

The focus of the new legislation will be to develop professional distribution channels. This will require the agents to

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satisfy certain professional and training requirements. Some continuing professional development requirements are also contemplated.

Appointed Actuaries

The IRDA are planning to introduce the Appointed Actuary concept used in the UK and in North America. The Appointed Actuaries will have to be residents in India. Certain minimum and maximum age requirements may also be specified. The IRDA are planning to rely on the Appointed Actuaries for ensuring appropriateness of new product pricing and setting up of appropriate reserves and solvency margins.

Valuation and Solvency Requirements
The current actuarial practice is very much influenced by the UK practice. A number of issues are currently being discussed. Indications are that the following practices may be adopted:

- The valuation will need to take into account all cash flows in an explicit manner (including future bonuses).
- The valuation bases will need to include margins for adverse deviations.
- The method used for the valuation of assets may need to reflect the unrealized capital gains.
- The minimum solvency margin requirement will consist of three components — a percentage of the asset value depending on the asset class and quality, a percentage of the net sum at risk, and a percentage of reserve. These percentages have not yet been specified.

At the time of annual filing, the Appointed Actuaries may have to prepare a separate report setting out additional background data for the benefit of the regulators.

Introduction of New Products
The current indications are that introduction of new products may not need any pre-approval by the IRDA. Instead, the Appointed Actuary will have to provide a certification of appropriateness of pricing in the material to be sent to the IRDA. With this "file and use" approach, the insurer can file the necessary information, wait for a period (say, 30 days) and launch the product if nothing is heard from the IRDA. This will effectively be a self-regulatory process whereby an insurer will be responsible for its own actions.

Investments
It is expected that the investment restrictions will be diluted and made more progressive in accordance with the new economic norms. That will permit investments in vehicles not previously permitted. This will help the corporate debt and other markets to develop.

Social Obligations
As discussed above, a majority of the Indian population lives in rural areas. If the new players were to concentrate only on the urban sector, the rural sector will be left out from the benefits of liberalization. To avoid this, some requirements are expected for a portion of business to be sold in the rural sector.

Implications of Liberalization

Liberalization of the insurance sector will have a number of implications:

- The entry of private players will increase competition. This will result in introduction of new generation of products, reduced premiums, and more efficient service to the policyholders. These will all benefit the consumers.
- The relaxation of the investment restrictions will help develop the investment market place.
- India has tremendous capital requirements to meet its infrastructure needs. This requires availability of long-term investments. It is hoped that with the development of the life insurance market, this will be possible. With an increase in the penetration rate from 1.37% to 1.7% and an increase in the savings rate to 26% to 27%, the resulting increase in the premium income will be able to meet about 90% of the capital needs in the next 10 years.
- The increase in the insurance activity will increase employment and bring about the prosperity that the liberalization process had envisaged.
- The regulators are planning to create a level playing field for all players. This will create a healthy environment for the insurance market place.
- The liberalized environment will no doubt see the introduction of new technology in the industry. This will help the consumers.

Role Played by Actuaries

The IRDA are expecting that actuaries will play a very key role in the new environment. Actuaries will serve as "eyes and ears" for the regulators. The IRDA will rely on the Appointed Actuaries for the key aspects of the insurance operations, e.g., appropriateness of new product pricing, appropriateness of the liability valuation method and bases, accuracy of the calculation of solvency margins and asset-liability management.

Unfortunately, the nationalized environment in the past 45 years had reduced the appeal of the actuarial profession as a career alternative. This has had a serious impact on the number of new entrants for the profession. There are a handful of actuaries in active service. The profession will likely have an uphill battle to built up an adequate supply of actuaries to meet the needs of the insurance companies.

The actuarial profession is organized under the Actuarial Society of India. It is

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6th Annual Conference of the International Association of Insurance Supervisors

by Hans Wagner

Where do insurance regulators from countries like Lithuania and Lesotho, Malaysia and Malta, or the United States and the United Kingdom, gather to compare notes? At the International Association of Insurance Supervisors (IAIS). The IAIS, along with the Basel Committee on Banking Supervision (Basel Committee) and the International Organization of Securities Commission (IOSCO), form a key link in improving government supervision of the financial services industry worldwide.

The IAIS held its 6th Annual Conference on December 7–10 in San Francisco, hosted by the NAIC, with about roughly 300 insurance supervisors and other professionals in attendance. The IAIS includes representation from the supervisory authorities of more than 90 jurisdictions worldwide. In addition to its annual meeting, the IAIS holds other working meetings throughout the year.

The agenda included panels on seven topics, a general business meeting, and a plenary aession. The panels covered the following topics:

- Catastrophic occurrences
- International insurance accounting
- Privatization
- Needs and concerns of supervisors and the insurance industry in emerging markets
- Insurance taxation
- Insurance fraud
- Pressures for changes in supervisory structures

The panels presented a wide variety of perspectives from around the world. These brief summaries might give a small sense of the spectrum of the presentations.

Panel on Catastrophic Occurrences

The discussion was in two sections, one “Technical” and one “Regulatory.” Four speakers addressed each: Werner Schad (Swiss Re), Takaaki Tamai Tokyo Marine), Mario Ordaz National University of Mexico), Manuel Aguilera Verduzco Commission Nacional de Seguros y Finanzas (Mexico)), Anselm Smolka Münich Re), Miguel Jimenez de Cordoba Consorcio de Compensación de Seguros, Spain), Paul Kovacs Insurance Bureau of Canada/Institute for Catastrophic Loss Reduction), Kevin McCarty Insurance Commission of Florida). It was noted that the insured catastrophe losses have been greatly increasing, for a variety of factors: 1) greater insurance penetration, 2) greater building in vulnerable areas, and 3) perhaps greater frequency and magnitude of disasters including potential impacts from global warming and climate change.

The various types and locations of disasters have had their potential total and insured losses estimated. It was interesting to note, for example, that a major Japanese earthquake potentially creates a three times larger total loss than a major California quake, but that California might suffer twice the insured loss. Disasters discussed included earthquake, flood (including tsunami and storm), fire, and storm (typhoon/hurricane, ice, wind, hail). Ice and hailstorms may have historically been relatively ignored, as evidenced by recent losses in Quebec and Sydney.

Different countries have developed a variety of models for quantifying “levelized” risk charges and maximum possible exposures to catastrophes. Mexico has a very sophisticated earthquake model factoring in lots of local geologic data, as well as building data.

(continued on page 12, column 1)

India’s Insurance Industry
continued from page 10

an examining body, and first group of Fellows of the ASI qualified a couple of years ago. The legislation will require that the Appointed Actuaries will have to be Fellows of the Actuarial Society of India. In the years to come, the ASI will need to expand on the guidance that the Appointed Actuaries will need in their work. For this purpose, the ASI will no doubt welcome any help they can get from other actuarial bodies.

Conclusion

The insurance market will have exciting times in the years to come in India. The IRDA intend to use the liberalization process as an opportunity to bring the insurance industry in India into modern times. In this process, they want to place the greatest reliance on the actuarial profession. Hence, actuaries will have a very important role to play in helping the IRDA achieve their objective. Due to the paucity of the number of actuaries in India at the present time, any help that can be provided by the actuaries and actuarial bodies outside of India will be welcome.

Shriram Mulgund, ASA, MAAA, FCIA, FIA, is a consulting actuary in Ontario, Canada. He can be reached at mulgund @sympatico.ca.

6th Annual Conference of the International Association of Insurance Supervisors
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Canadian regulators completed a study of their disaster exposure several years ago and concluded that while their industry could withstand severe storms, it did not have sufficient capacity for a major urban earthquake. Steps were taken to successfully expand the capacity of the Canadian market. Spain requires direct writers to provide catastrophe cover and has a government-organized corporation to provide a catastrophe fund. In the U.S., different states have taken different approaches to providing catastrophe cover. It was noted that economically immature markets such as Central America and Bangladesh have no effective insurance cover, but no solutions were proposed.

A peripheral, but key, issue that was raised was tax treatment of catastrophe reserves. In jurisdictions like the U.S. that do not provide tax deductions, the natural tendency is to minimize catastrophe reserves. It is generally agreed that encouraging adequate reserving is necessary.

Several speakers addressed securitization, and how the broader capital markets might absorb some financial catastrophe risk. While some people worried about how the market might react following the first losses on cat bonds, others pointed out that it took some time for asset-backed securities to achieve broad acceptance. A key issue is whether the bond provides payment adjustments on a basis that is sufficiently public for the investor to trust it, but also close enough to the insurers' exposure to provide sufficient protection. Bonds issued in Japan have been linked to the governmental agency's official calculation of earthquake size and location, which meets investor needs but may not adequately track insurer exposures.

Panel on International Insurance Accounting

Florence Lustman (Commission de Contrôle des Assurances, France) acted as moderator and introduced the panel by mentioning the ongoing work on International Accounting Standards. Charles Vincensini's (Mazars et Guerard) talk focused on the needs of different audiences interested in financial statements and on the current shortcomings in proposed fair value methods. Hans Wagner AXA National Mutual) disclosed that his presentation reflected his own views, not AXA's, and then discussed how MoS, U.S. GAAP, and local solvency bases were effected by the Asian financial crisis. Fair values are very difficult to obtain even for many financial assets in Asia and in the context of market volatility, it is an important question whether it is better to keep realized losses separate from unrealized losses. Ruediger Will (Gerling-Konzern) then gave his company's position that U.S. GAAP-style deferral accounting is preferable to fair value accounts, after sketching some of the differences between "balance sheet," "deferral," and "fair value" approaches. All speakers stressed the advantages of having one accounting basis, rather than needing to prepare multiple accounts.

> ***"I did not come away optimistic that we will soon see a single international accounting standard acceptable to both investors/creditors and industry supervisors."***

Several questions were raised about the feasibility of getting different audiences (regulators, stock exchange regulators, accounting boards, multiple countries) to agree on a single standard. The panel also tied back to the catastrophe panel of the prior day and stressed that insurance liabilities need to be concerned about the tail of the distribution of results. The conservatism desired by regulators may be difficult to reconcile with the "economic reality" desired by the financial markets.

Panel on Insurance Fraud

Dale Bandol (California Insurance Fraud Division), Zakaria Ismail (Insurance Regulation Department, Bank Negara Malaysia), David Leighton (Association of British Insurers), and Dan Johnston (International Association of Insurance Fraud Agencies) pointed out the common problems with insurance fraud around the world. Most presentations stressed general or medical, rather than life or disability, insurance. Sweden has estimated fraud counts for 10% of all claims costs, while U.S. auto insurance fraud is estimated at over $15 billion annually. New York and California each have an annual auto fraud cost of more than $1.7 billion. In California, it is estimated that $250/year/insured is needed to cover insurance fraud, and that $1 spent on fraud prevention/detection saves $3 to $10 of fraudulent payments. The UK has estimated that fraudulent claims are almost 4% of all non-life claims and almost 7% of personal accident.

Typically, traditional law enforcement agencies put very little emphasis on insurance fraud, which they perceive as "victimless" crime. A dedicated enforcement agency is needed to combat fraud effectively.

Panel on Pressures for Changes in Supervisory Structures

Tom Karp (Australian Prudential Regulatory Authority), Martin Roberts (Insurance Directorate, Financial Supervisory Authority, UK), Helmut Müller (Bundesaufsichtsamt für Versicherungswesen, Germany); and Jean-Louis Bellando (Commission de

Contrôle des Assurances, France) effectively demonstrated the chasm between those people who see insurance as one branch of financial services, and those who perceive insurance as a separate industry.

Unfortunately, with Dr Müller speaking French, it also appeared that Anglophones made up the entire former group, and Francophones made up all of the latter. Probably you could find a Quebecois and an American to demonstrate that language does not drive philosophy in this matter.

While financial services providers worldwide appear to be merging and blending, there is not a worldwide consensus on the best way to supervise the activities of the merged groups. Institutions offering the same products should face the same regulatory hurdles, but there may be distinct social/economic roles for the different types of institutions that governments wish to preserve. Several pros and cons distinctly for emerging markets were also pointed out.

Other Sessions

The general business meeting approved three new statements:

1. "Principles Applicable to the Supervision of International Insurers and Insurance Groups and Their Cross-Border Establishments"

2. "Principles for the Conduct of Insurance Business"

3. "Supervisory Standard on Asset Management by Insurance Companies"

Also approved was a new "Observer" membership status for individuals and organizations who are not insurance supervisors but are interested in the IAIS and its work.

The plenary session presented how the IAIS interacts with the Basel Committee and IOSCO, as well as a study comparing insurance regulatory and supervisory systems around the globe, and discussions on how the IAIS should evolve in the future.

Summary

From this correspondent's point of view, it was remarkable how many issues are shared around the world. For example, the fraud panel's speakers from Malaysia, the U.S., and the UK showed that while the details of scams vary, the volumes are significant everywhere. Similarly, dedicated law enforcement personnel are almost always needed. Catastrophes are another universal phenomenon that can strike anywhere, and the sophisticated models created by authorities in Mexico and Canada were impressive.

While there are large areas of common concern and practice, many areas where history has led to current practices and perspectives vary widely. The panels on Supervisory Structures and Accounting both revealed rifts between two camps. On the one hand, a group tends to view insurance as one branch of financial services and supports "fair value" accounting standards. On the other, a group tends to view insurance as requiring a unique supervisory structure and is in favor of maintaining some version of "book value" accounting standards. Certainly there are some people with their tent in one camp and picnic table in the other, but the division generally seemed to hold. Based on this conference, the UK, Australia, and Canada seem populated mostly by "financial services/fair value" types, while continental Europe is mostly in the "unique insurance/book value" camp. The U.S. has people strongly of each view. I did not come away optimistic that we will soon see a single international accounting standard, acceptable to both investors/creditors and industry supervisors.

In addition to the business sessions, there were ample opportunities to meet informally with insurance professional from a huge variety of backgrounds. There were even a couple of occasions to compare dance steps.

For more information about the IAIS, contact Cecilia Mueller Chen, IAIS Administrative Officer, at phone: 41-61-225-7300, e-mail: *cecilia.mueller-chen@bis.org*, or mail at BIS, Basel CH 4002, Switzerland.

Hans Wagner, FSA, AIAA, is US GAAP Regional Development Manager for AXA National Mutual Holdings and is a member of the International Section Council.

Unit-Linked Products on the Rise

by Hubert Mueller

All across Europe, unit-linked life and annuity insurance and pension products (also known as variable insurance products) are rapidly increasing in popularity. This article highlights the current market position of unit-linked in Europe, examines some of the reasons for the recent increase in popularity, provides a comparison with traditional (with-profit) products from a company perspective, as well as an outlook and possible market opportunities for insurance companies looking to expand into the European markets.

Market Overview

Figure 1 illustrates the current market position of unit-linked business in Europe, using 1998 market statistics. While traditionally strong unit-linked markets like the UK and Sweden continue to lead the way with market shares exceeding 50% of new business, other markets are rapidly closing in. The Netherlands (43%), Poland (about 30%) and France (26%) have all seen dramatic increases of unit linked new business market shares in the last four years.

In many other markets including Italy, Spain, Germany and Belgium, unit-linked business has recently exceeded 15-20% of new business market share for the first time. Even in markets where unit linked business is still below the 10% threshold (e.g., Austria, Switzerland and Portugal), its share of new business has been increasing lately.

Forces of Change

A number of factors have contributed to the broad recent success of unit-linked products across Europe:

- The deregulation of life markets in Europe since 1994, allowing increased flexibility of new products and a constant influx of new and innovative ideas from cross-border providers

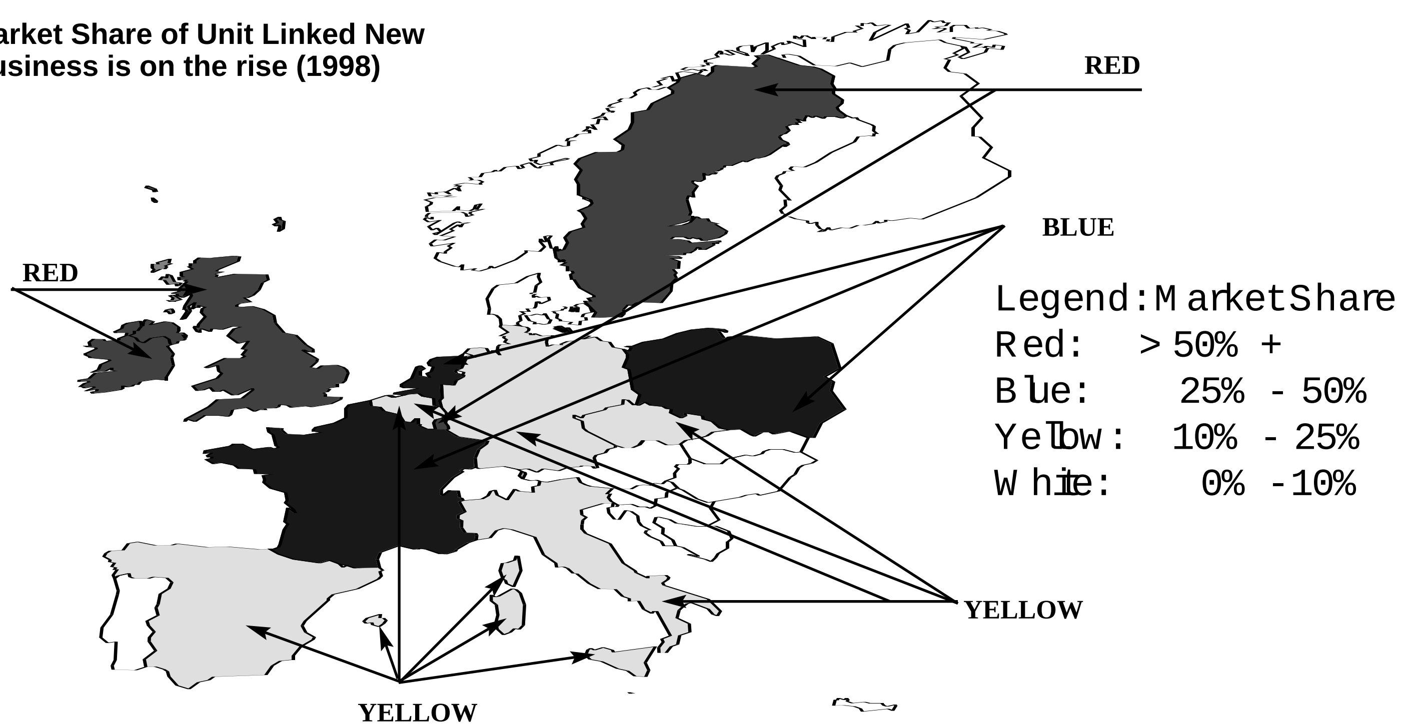
- A general decline in market interest rates, coupled with attractive returns provided by equity investments

- An increasingly positive attitude of individual investors and distributors towards investing in equities, supported by attractive market returns, a range of privatizations and IPOs and a broader availability and awareness of equity markets across Europe

- The introduction of the Euro, eliminating currency barriers and forcing market conversion of interest rates to the lower level of the market

Figure 1: Current Market Position

Market Share of Unit Linked New Business is on the rise (1998)



leaders France and Germany across Europe

- The growing sales success of IFAs (independent financial advisers) in Continental Europe

- The global entrance of investment fund companies into the unit-linked area

- Competition from banks and growth of bank insurance sales in many markets, increasingly forcing product providers to offer unbundled products like unit-linked

- The introduction of unit-linked deferred annuities, providing the option to annuitize at the end of the deferral period

- Demand for increasing product transparency

- Intense competition on traditional life products providing long-term interest guarantees and relatively high policyholder dividends in a low-interest environment

- Growth in the number of software firms providing administrative systems or third-party administration services for unit-linked products.

Unit-linked vs. With-Profit Products

In the low interest rate environment that has existed in Continental Europe in the past four years, insurance companies increasingly see unit-linked products as the solution to the "interest rate dilemma" of providing long-term interest guarantees plus competitive bonuses on traditional with-profit products. In many cases, this has led to a shift of product development, sales, and marketing efforts towards unit-linked products.

The proliferation of innovative unit-linked products has also been propelled by the growing willingness of insurance buyers to accept investment risk in return for a higher anticipated investment return, even in hitherto risk on average markets like Germany, Italy, the Netherlands and Spain.

At the same time, the growing sales success of IFAs and bank outlets, especially among the younger sales representatives and their propensity to sell mutual fund-type products, has also led to an increasing demand for unit-linked products from the distribution side. At a time when most Continental European insurance markets are reducing guaranteed interest rates and interest bonuses on traditional with-profit products, attractive equity returns on unit-linked products have provided a welcome product alternative in sales discussions with potential life insurance buyers.

Moreover, companies have recognized that unit-linked products, if designed appropriately, can also provide attractive profitability levels, due to:

- An earlier break-even on the initial surplus strain, given the typical front-end loading structure of unit linked products

- An increasing participation in investment management fees at the fund level

The latter issue has led to an increasing attractiveness of sales illustrations for potential buyers at given fund returns (e.g., 3%, 6%, 9% or 12% p.a.), as companies have lowered the level of charges at the product level for benefits and expenses to a break-even return of costs incurred, and a shift of the target profit margin to a spread on the assets under management, based on the participation in investment management fees. Such competitive comparisons are typically used as the basis for deciding on any particular policy by consumers in the various countries, in addition to the range of funds offered and their historical returns.

All this will not lead to a disappearance of traditional life products, however. In all European markets, traditional products will continue to retain a significant market share of new business, for various reasons:

- The strength of tied agent sales forces, who have generally been more reluctant to sell unit-linked products

- The attractiveness of long-term interest guarantees to many potential insurance buyers

- The ongoing subsidization of current policyholder dividend scales on traditional products with a realization of capital gains on the existing asset portfolio, particularly in markets with conservative valuation standards like Germany and Switzerland

- The risk aversion of many insurance buyers in Europe

Based on market estimates from the major life markets in Europe, we estimate that the new business market share of unit-linked has increased from 15% in 1993 to approximately 33% in 1998. We expect this market share to grow further to 50% of new life insurance premiums within the next five years (see Figure 2 on page 16).

Market Outlook and Opportunities

In our opinion, unit-linked products will continue their success story in the next few years, for various reasons:

- Product flexibility and transparency
- An increasing market globalization
- A lack of attractive product alternatives
- The low interest rate environment is expected to continue
- A decline in state-provided retirement benefits
- An increasing attractiveness of defined contribution (DC) plans
- Favorable demographics
- An increasing wealth transfer market

Key success factors for those companies interested in positioning themselves in the unit-linked markets across Europe include:

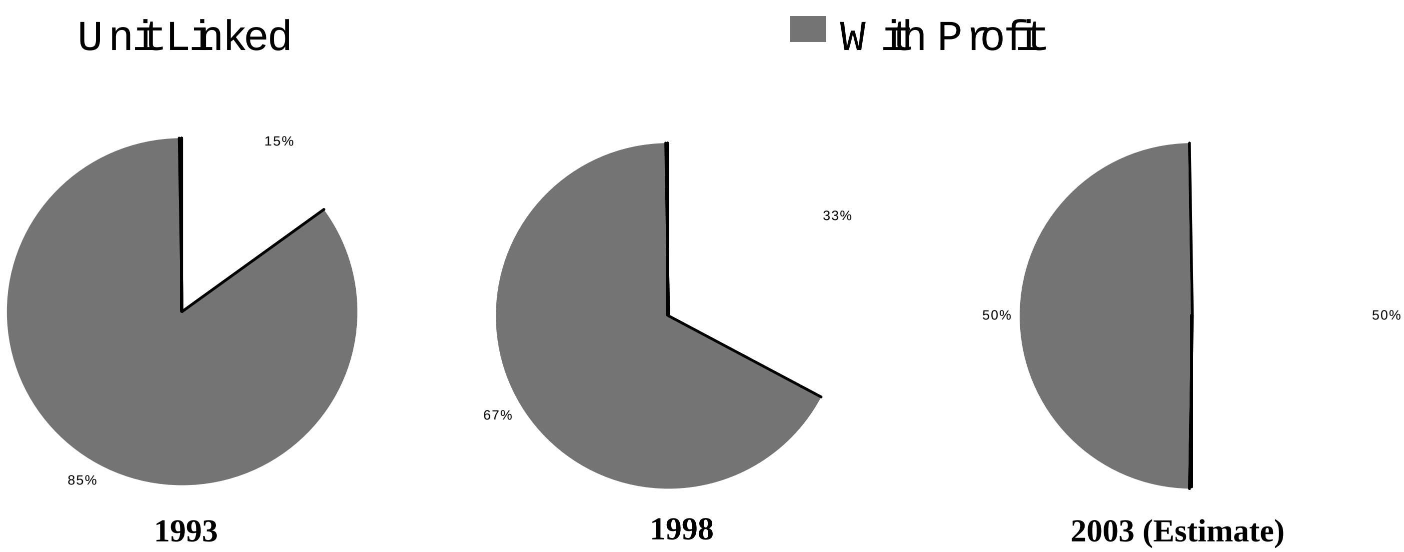
- The attractiveness of investment funds and their historical returns vs. their peers, and the availability of comparative statistics

(continued on page 16, column 1)

Unit Linked Products on the Rise
continued from page 15

Figure 2: Unit-Linked vs. With-Profit Products

A bigger slice of the market in Europe



- The flexibility of product providers and administration systems to accommodate an ever-increasing appetite of distributors and consumers for innovative product features ("bells and whistles")
- A focus on unit-linked products as an equal substitute for traditional life sales
- The use of cross-border synergies for those companies active in more than one EU market
- Access to local distribution channels, especially IFAs and banks
- The introduction of guarantee features on unit-linked products, designed to attract those insurance buyers who are unwilling to accept the participation in equity market returns without a "safety net"

To address the last issue, North American insurance companies may want to leverage the knowledge and techniques used to develop some of the guarantees which have recently been introduced on variable products in the United States to the European marketplace.

Guarantees available on variable products in the U.S. and not widely available in Europe include:

- An enhanced guaranteed minimum death benefit (GMDB) on deferred annuities, providing a return of premiums plus accumulation of interest, and/or periodic resetting based upon account values
- A guaranteed minimum accumulation benefit (GMAB) on deferred annuities, providing a minimum account value at the end of the deferral period or after a specified period of 10 or 15 years
- A guaranteed minimum income benefit (GMIB), providing a minimum monthly payment during the payout phase on annuities while policyholder assets remain invested in funds
- A no-lapse guarantee (NLG) on life products.

Most of these guarantees could also be introduced on European unit-linked products, although there are regulatory restrictions in some countries. Finding an appropriate (asset-based) charge for these additional guarantee features could be accomplished by using stochastic pricing methods and/or capital market methodology.

For any company contemplating expansion into one or more of the European insurance markets, the most promising markets for a potential entry in the unit linked area currently include, in our opinion:

- Belgium
- Germany
- Italy
- Poland

In particular, Poland, following the privatization of their retirement system in 1999, has seen the recent market entry of several large U.S. insurance companies, including the Prudential, Metropolitan Life and Nationwide.

However, companies need to be aware of local tax and regulatory developments to avoid major problems and pitfalls. In addition, finding appropriate distribution channels is key to success. For those companies willing to take the plunge into another market, opportunities are plentiful. In particular, given the increasing demand for private retirement provision, we expect that the market share of unit-linked annuity products will continue to increase significantly over the next few years.

Hubert Mueller is a principal in Tillinghast-Towers Perrin's Hartford office and a co-leader of the firm's Risk Management Practice for the Americas. He is a member of the International Section Council and can be reached at (860) 843-7079; e-mail: muelleh@tillinghast.com.

Record Sessions on the Web in the International Specialty Track

ATLANTA May 1999

Session 10 0F

Bancassurance in U.S. and Canada: Before Today...Beyond Tomorrow

Experts discuss how bancassurance is rapidly evolving differently in the U.S. and Canadian marketplaces. They explore the areas of convergence of financial service companies, bancassurance models, regulatory barriers, segmentation of customer base, and the competitive environment.

Session 23 PD

Opportunities for the International Actuary

A panel of international life actuaries describe their experiences living and working outside their home countries. They discuss opportunities that lie ahead for global actuaries.

Session 40 OF

European Insurance Market Update

Panelists update North American actuaries on issues European life insurers face, including European Union directives, the Euro, and crises in foreign financial markets.

Session 91 F

Foreign Insurer Reorganizations

Panelists discuss the considerations of foreign-based life insurers desiring to reorganize, including regulatory matters.

New Lease on Life for Korea?

by Paul Sinnott

Editor's Note: Reprinted with permission from Watson Wyatt's *January 2000 issue of* Asia Pacific Insurance Review. *Action should not be taken on the basis of any article without seeking specific guidance.*

Any reader of the world's economic press in the last few months cannot fail to have noticed the widespread reporting of Korea's unprecedented comeback from financial disaster. The country's stock market has rebounded above pre-crisis levels; GDP growth for 1999 is predicted to be around 10%; and the Won continues to strengthen. How has the country's beleaguered life insurance industry fared within this encouraging recovery environment?

The short answer is — not very well. Although the insurers' equity portfolios have soared and they are probably less worried about their property assets, non-performing loans remain a big problem and, most importantly, the low interest environment is worsening an already dire financial picture (given the guarantees offered within their existing portfolios). On the positive side, the industry's problems are prompting regulatory change in a variety of areas such as products, distribution and financial reporting/solvency.

The Main Problems

It is wrong to solely attribute the insurance sector's predicament to asset deterioration around the Asian crisis. The problems really center around the lack of financial management in an industry that has historically been driven by business volumes; this being a direct consequence of the strict "tariff" based regulatory environment. Companies were not encouraged to consider the profitability of the products they sold and product development was commonly based on taking a competitor's product and adding a further benefit or two. After many years of these practices, we are left with probably the most complex product landscape in the world.

On the distribution side, the majority of life insurance sales in Korea are made by part-time housewives ("solicitors"). Although not in itself necessarily a bad

A Brief History

Late 1940's/ early 1950's	❑ the "Big Six" are born and have an oligopoly until…..
1987	❑ Market is liberalized with new licenses offered to domestic and foreign players. The following few years saw 27 new licences issued in total.
1995	❑ Aetna withdraws from joint venture with Dongbu to be replaced by AXA.
1997	❑ Clerical Medical backs out of joint venture with Coryo. ❑ MetLife reported to have paid 23 billion Won for the remaining 49% stake in its joint venture with Kolon.
1998	❑ 18 of 33 companies are instructed by regulators to submit "rehabilitation plans." ❑ First attempts at selling some of these companies by local shareholders founder on an inability to persuade the Financial Supervisory Commission ("FSC"), who were grappling with bigger problems in the banking sector at the time, to: (i) inject public funds to fill some/all of the asset "hole" and (ii) allow conversion of portfolios from participating to non-participating in nature, in return for certain additional future "dividend" payments. ❑ Reported that MetLife and New York Life commence due diligence on Korea Life and Kookmin Life, respectively. ❑ 4 of the 18 (BYC, Coryo, Kukje and Tacyong) are suspended and larger insurers are instructed to take them over (Kyobo, First, Samsung and Hungkuk, respectively). ❑ 7 of the 18 (Dong Ah, Doowon, Handuk, Hankuk, Chosun, Kookmin and Pacific) were directed to provide more comprehensive plans to correct their financial situation.

thing, persistency is actually amongst the worst in the world; mainly a consequence of relationship selling and a significant proportion of "phantom sales." First year persistency rates as low as 30% can be readily found, with even the better performers only achieving 50% to 60%. Over-complex solicitor remuneration arrangements make the tracking of distribution costs very difficult. A general lack of control of both distribution and operational costs, on top of the poor persistency has meant that product expense loadings are rarely reached.

The other main contributor to the industry's financial plight has been the regulation that allowed new start-ups to write-off up to 50% of their expenses as a "deferred acquisition asset" on their balance sheets for a period of five years. This resulted in companies writing significant volumes of new business without putting up the required capital. This deferred acquisition asset was then to be amortized over a subsequent 5-year period.

Of course when shareholders looked at the "bills" of hundreds of billions of Won racked up, most balked at the prospect of paying. Typically insufficient levels of capital were injected, deferred assets were written down and, not surprisingly, liabilities were significantly higher than assets. The "portfolio drag" on investment income caused by such asset deficiencies, along with little or no profit margins on their products (given the tariff and typical companies' operating experience) has meant that most are falling further and further into the red.

1999	❑ The FSC takes over Korea Life, agrees to an injection of public funds but demands an auction rather than MetLife acquisition exclusivity. ❑ The FSC takes over the 7 abovementioned "financially impaired" companies, appoints advisers, agrees to public fund injections and attempts to sell them. ❑ Problems emerge with jailed major shareholder of Korea Life and first auction is unsuccessful. Second and third have similar results under massive press coverage. Court challenges are eventually overturned and Korea Life is "nationalized" in September along with a large injection of public funds. ❑ Allianz acquires 100% of First Life in August. ❑ Manulife withdraws from its joint venture with Youngpoong with a "small book gain on sale" in October. ❑ The sale of the distressed 7 reported to be proceeding as follows: - Hyundai Group to take over Chosun and Hankuk - Kumho to take over Dong Ah - Youngpoong to take over Handuk - Tongyang and Rothschild to take over Pacific ❑ Talks with Hartford for the sale of Dong-Ah and Kumho reported to have failed. ❑ LG Insurance is reported to be taking over Hansung Life. ❑ ING announces joint ventures in life insurance and funds management with large local bank, H&CB, along with a minority shareholding in the bank itself. ❑ Press reports suggest negotiations with New York Life over the acquisition of Kookmin Life have stalled.

The Future

More consolidation is expected in the near future, as many of the middle tier local companies are recognized to be in much the same position as those already designated to be "financially impaired." With interest rates remaining low, as the government has dictated, financial problems are likely to emerge quickly, especially with the vesting of some of the high guarantee single premium policies written during the crisis, during a desperate scramble for cash flow.

Regulatory changes to the product and distribution regimes are on the way, led by pricing deregulation in April 2000. This, along with increasing recognition of the causes of the industry's problems, will result in much improved focus on financial management for many. The long overdue introduction of modern actuarial profit-testing/financial projection techniques has begun.

The IPOs of Samsung and Kyobob Life are widely predicted, although recent reports suggest that Samsung's plans for a first quarter listing this year may be postponed due to disputes with the FSC.

The Korean market is certainly an important one with much to offer,

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New Lease on Life for Korea?
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although the often-cited "sixth biggest" title does not hold when looking at a measure such as assets managed. Some of the foreign players are expected to continue their impressive recent growth rates (Prudential and ING the most cited examples). It will be interesting to be see whether other foreign life insurers will be attracted by the economic recovery, deregulation, high propensity to save and relatively poor penetration of true life insurance, or whether it will remain in the "too difficult" box.

Paul Sinnott is managing director of Watson Wyatt's Asia Pacific Insurance Consulting Practice. He may be reached at Paul_Sinnott@WatsonWyatt.com.

"The Korean market is certainly an important one with much to offer, although often-cited 'sixth biggest' title does not hold when looking at a measure such as assets managed."

Meeting Members' PD Requirement in Asia

by Pat Kum, SOA International Outreach Coordinator

With the implementation of the professional development (PD) requirement for Fellowship candidates under the new SOA education and examination system this year, the SOA China Region Committee (CRC) recognizes it has an important role in helping SOA members in the China region meet the PD requirement. As part of its effort to provide support to members, CRC Chairman Kin-Chung Chan said that the CRC would organize continuing education seminars that qualify for SOA-approved PD credit, assist SOA in identifying appropriate professional examinations organized by the other bodies in the region as fitting for PD credit and help apply for SOA-approved PD credit for other regional events upon recommendation or request from organizations or students.

Last November, the CRC and the Actuarial Society of Hong Kong, for the first time, jointly sponsored a one-day seminar on "Healthcare Reform — Current Issues and Preparation for the 21st Century." Chaired by Estella Chiu, a CRC member, the seminar qualified for five units of SOA-approved PD credit and was well attended by actuaries and practitioners. The seminar featured speakers from the United States, the People's Republic of China, Taiwan, and Hong Kong. The objective of the organizers' was to provide a platform for the sharing of the different perspectives, issues and concerns on health care reform in Asia. The presentations aimed to give the participants a better understanding of the current situation of health care reforms and health care systems in the Asian region, the roles of the public and private sectors, and the direction and opportunities for the future. Each presentation was followed by a flurry of questions from the attentive audience.

(Left to right) Speaker Dr. Lai Mei-Shu is presented with a gift of appreciation by Kin-Chung Chan, CRC Chairman.

Most of the morning sessions were devoted to a discussion of the healthcare concerns in Hong Kong. The Harvard Team's Consultancy Study, a study commissioned by the Hong Kong SAR Government, was highlighted. Speaking on the study, Amy Kwok, a member of the Harvard Consultancy Team, described the issues and recommendations addressed in the report to the Hong Kong SAR Government with respect to the health delivery system in Hong Kong.

Douglas Henck, senior VP, Operations and Corporate Planning for Global Life Operations of AIG in Hong Kong, spoke on the unifying role of insurance in healthcare reform. James Roberts, consulting actuary and partner of Ernst and Young in Washington D.C., covered the tools and techniques for actuaries working in health insurance.

The afternoon sessions were laced with anecdotes of other Asian countries' experiences with healthcare reform. Dr. Lai Mei-shu, president of the Bureau of National Health Insurance, Taiwan, offered the audience an overview and evaluation of Taiwan's National Health Insurance program and cited the pros and cons of public and private insurance and the role of the private sector. CRC member, Arthur Ren, assistant GM, Actuarial & Planning Dept. of Ping An Insurance in Shenzhen, followed with a talk on the evaluation and development of health insurance products in the PRC. After the seminar, the organizers hosted a Chinese dinner reception for the speakers.

James Roberts of Ernst & Young speaks on the tools and techniques for actuaries working in the health insurance industry.

Following the success of the healthcare seminar, the next joint seminar on "The Impact of MPF on Hong Kong's Financial Services Industry," was scheduled for April 11 in Hong Kong. The organizers intended to apply for SOA-approved PD credit for this seminar.

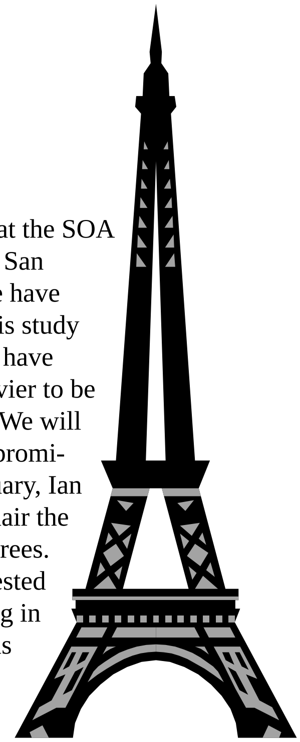
Meanwhile the Southeast Asia Committee has been busy planning for a roadshow for SOA members in the Southeast Asia region. Mohamed Hassan Kamil, chairman of the SEAC, said that the SOA Ambassador in the respective country will discuss and present the new SOA education and examination structure using the materials prepared by the International Committee. This roadshow will be an opportunity for the SEAC to promote the actuarial profession in the region.

For more information on the CRC and SEAC, please visit the SOA Asia News Homepage at *www.soa.org/committees/asiahp.html*.

Everyone gathers together for a photo at the dinner reception held for the speakers and CRC members at the November 1999 seminar.

Minutes of the IAA Council Meeting

Paris, France, December 11, 1999



President Jean Berthon welcomed delegates to Paris and thanked the French associations of actuaries for their assistance in hosting and organizing the International Actuarial Association (IAA) meetings. He then addressed the delegates.

"My dear colleagues: Eighteen months ago, in Birmingham, when you decided to make me the great honor of electing me as the first president of the new IAA, I said that we had, in my view, several priorities for the next months and years. Those priorities were:

- To make every effort possible to gain and develop the public trust by promoting high standards for professionalism, which meant to provide our associations with a core syllabus and education guidelines and to start to elaborate a common framework for the establishment of worldwide recognized standards of practice. In my view, we have progressed very well in this direction in the past 18 months. We have approved the core syllabus and issued our first press release on that and created the Committee on Professionalism. In the meantime, we continue to work on recommendations for standards for social security actuaries.

- Secondly, we wanted to expand our presence in the world and to promote the establishment of actuarial clubs and associations in countries where there was no organized actuarial body. A very important decision was the establishment of the so-called China Committee. We thank the IPEF delegate, Max Lacroix, for having organized two international seminars for the leaders of the actuarial profession in what we call actuarially developing countries or regions: one in Riga, Latvia, in 1998, and one in Accra, Ghana, in 1999. Both meetings have been great successes.

- Finally, we wanted to develop good relationships with international organizations and reinforce our links with other professional bodies in order to be in a position to promote our profession and our points of view on topics that concern us directly. This led to the creation of the Committee on Supranational Relations.

We also wanted to ensure that the new IAA would continue to comply with its traditional aims, at least to continue to provide individual members with opportunities to gather at international congresses and to encourage actuarial research and development in particular areas of practice. This proposal was established through the formation of the Committee for Services to Individual Members. We were very pleased to approve recently the creation of a new section, the IACA, which may soon be followed by a new section on pensions, which Chris Daykin will comment on later. Many progresses are being made, and we can be very satisfied of the work of the IAA in 1998.

I will not count the number of papers produced by some committees, like the IASC (International Accounting Standards Committee) Insurance Committee. Much work remained to be done, and the challenge must continue. We must extend our activities to encompass all the traditional activities and exercises of the actuarial profession, like the syllabus. Also, we have to think about the possibility, or necessity, of putting into practice the global tent concept dear to the hearts of many of us. At the lunch yesterday, some actuaries gathered to discuss the establishment of a study group on a project entitled "actuaries without borders," which is an idea proposed to us in a very challenging speech given at the SOA convention in San Francisco. We have established this study group and we have asked Éric Vivier to be the secretary. We will ask one very prominent U.S. actuary, Ian Rolland, to chair the group if he agrees. Anyone interested in participating in the discussions can reach the group secretary, Eric Vivier, at the following e-mail address: *actuev@aol.com*.

Let me now conclude by saying that I spent one and a half years of real happiness working with all of you: chairpersons and members of our committees, with our President-Elect Catherine Prime, our Secretary General Yves Guérard and with our Executive Director Nicole Séguin, who is so helpful, and with the Secretariat in Ottawa. It is very rewarding to work with all of you who give so much of your time with commitments to the actuarial profession. Thank you very much and thank you for your attention."

Report on ICA 2002 and Integrated Section Colloquia - Cancun, Mexico

Luis Huerta, chairperson of the ICA 2002 Organizing Committee, reported that the 27th International Congress of Actuaries (ICA) would be held in Cancun, from March 17-22, 2002. The traditional five-day congress scheme (from Monday through Friday) would be adhered to, with a cultural activity to Chichen Itza scheduled for Wednesday, during which time participants will be able to witness the phenomenon of the Equinox.

Aside from the traditional option, participants will have the choice of attending only the first half of the Congress (Sunday through Wednesday) or the second half (Wednesday through Saturday). The ASTIN Colloquium will be held simultaneously with the Congress and will take place in the second half of the week. There will not be an AFIR Colloquium, but there will be sessions relating to AFIR topics. This way, if an actuary wishes to attend only the ASTIN Colloquium, or the first half of the week or the second half of the week, he/she can do so. In order to render the previously mentioned options more appealing and coherent, the topics will be assigned by block per day, so as to avoid any competition whatsoever, especially with the ASTIN Colloquium or among the topics themselves. For example, if ASTIN is held during the first half of the Congress, the topics concerning property and casualty will be assigned to the second half of the Congress.

Luis Huerta announced that the Congress would take place at the Moon Palace Hotel, a recently developed luxury hotel that met all the requirements for the Congress. The Organizing Committee has already booked 1200 rooms at this property plus another 300 rooms in other hotels of the same shareholders. The hotel has its own Convention Center, with the capacity to accommodate the requirements of ICA, IAA, AFIR, and ASTIN.

Regarding the scientific program, there will be general and simultaneous sessions, though most will be simultaneous. Topics, which will be numerous and broad in nature, will be selected for the presentation of papers. The sessions will have various formats, from panels to workshops. Practical information about the topics will be provided during the meetings. Luis Huerta commented that many of the resolutions to be applied to the ICA 2002 resulted from the survey carried out by the British colleagues during the Birmingham Congress.

He then reported on the status of the following projects, which were nearing completion.

- The ICA 2002 Web site was recently launched and was available in English, French and Spanish.
- The design and contents of the next bulletin, to be mailed during the first months of the year 2000, were almost ready.
- The registration fees had not yet been determined, but were expected to be around $1600 US.
- The call for papers would take place in the second half of the year 2000 with deadlines of March 1, 2001, for the submission of abstracts and of September 1, 2001, for the submission of papers.

"The online database is a tool that permits you to search for an actuary and obtain his/her postal and e-mail (when available) addresses, and telephone and fax numbers."

Finances and Report of the Secretary General

Web site

I am pleased to report that the Members Only section of the Web site has now been activated for all fully qualified associations (FQAs) and individual members. For the moment, the only services available are the on-line searchable database and your personal account details, but you must first set up your personal account, obtain your ID number and select your password. This set-up is a one-time-only procedure that can be done by e-mail the first time you want to log in. Afterwards you will access the database simply with your login name and password. Complete instructions on accessing the Members' Only section are available on the IAA Web site (*www.actuaries.org*) by clicking on the Members Only button.

The online database is a tool that permits you to search for an actuary and obtain his/her postal and e-mail (when available) addresses, and telephone and fax numbers. You can vary your searches by name, country, city, IAA committee participation, and Section membership. This tool will not allow you or other third parties to generate lists. Requests for lists must be submitted to the Secretariat. Although we have over 28,000 entries, it is to be noted that the Secretariat is still missing the databases from a few member organizations, thereby limiting your search capabilities for the time being. We are working towards obtaining the outstanding information.

The other service available is your personal account. This permits you to verify the information on file for you and to send any changes or corrections to the Secretariat. You cannot change your information directly in the database. For the time being, this service has been announced to those individuals subscribed to the IAA Announcements list only, who thus had special access privileges to discussion groups and other documents. You will receive another communication that will be sent to all the individual members from your association that will inform them about the available services.

We are working towards making the following services available through the Members Only section: all discussion groups, all documents relating to finances, the association membership database, agenda and minutes for Council and various committees, to name a few.

As recommended by the Committee on Services to Individual Members, all IAA members, plus the scientific members of Sections, will have access to the Members Only section. We are working toward adding various information databases to this section. For example, the index of Volumes 1-27 of the *ASTIN Bulletin* will soon be available as a searchable document.

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Minutes of the IAA Council Meeting
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This online database replaces advantageously the former IAA membership Index, which would have been too expensive to produce and distribute. It will be updated regularly and is easier to consult. The online database was a prerequisite for the automatic translation project, which thus becomes a priority for year 2000. All this work will require quite a bit of programming, and your patience is appreciated. Any suggestions you may have will be welcome and can be forwarded to the Secretariat.

Change of Officers

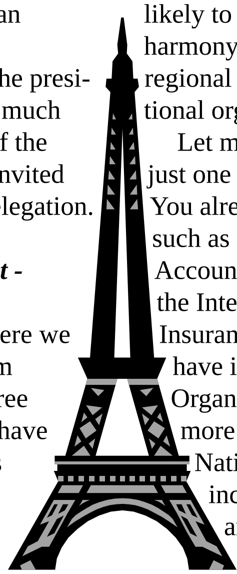
Presentation by the President

President Berthon reported on the previous evening's dinner, at which time he presented each past president of the IAA and of the IFAA with a half-size replica of the IAA president's medallion and with a past president commemorative pin. Presentations were made to André Lamens, Paul McCrossan, Chris Daykin and Walt Rugland. A "Past President - AFIR" pin was presented to François Delavenne.

Although his term as president continued until December 31, 1999, Jean Berthon presented the incoming President Catherine Prime with the president's medallion and wished her much success in her role as president of the IAA for the year 2000. He then invited her to make a statement to the delegation.

Statement by the President-Elect - Catherine Prime

"Dear Colleagues and Guests. Here we are in Paris; this is Saturday. I am honored to be here. There are three points I wish to make. First, we have in the IAA an opportunity that is rare for a profession, this is to speak internationally, with authority and conviction, to organizations and governments on actuarial matters, on what an actuary offers the public and to advise on the role of actuaries in society. We have this opportunity largely because of the careful negotiations and agreements that my immediate predecessors have undertaken, leading to the reconstitution of the IAA last year. Accordingly, I wish to pay tribute to a number of people, but particularly to André Lamens, Paul McCrossan, Chris Daykin, Walt Rugland and Jean Berthon. As a result of these efforts, we have an IAA which is, I believe, cohesive internationally. It is robustly and durably constituted. It offers inclusive and balanced participation in professional debate on issues of concern.



Is it important that the opportunity is international? Certainly. Organizations and governments wanting to benefit from actuarial skill are now thinking internationally. The work is moving very fast. Every business is global. It is difficult even for a strong country to be isolationist. It is difficult for an actuarial profession in one country not to align its aspirations and endeavours with actuarial professions in other countries. Governments and regulators in areas that are important to actuaries, such as insurance, pension and social security, are now less likely to act without considering harmony with other governments, regional trading groups, and supranational organizations.

Let me give you one example. This is just one of possible interest to the IAA. You already know of other examples such as our liaison with the International Accounting Standards Committee and the International Association of Insurance Supervisors. The example I have in mind is of the World Health Organization — WHO. There will be more examples with other United Nations agencies. Many people, including those inside the WHO, are unlikely to think that the activities of the IAA and the WHO would overlap at all. Yet, we know that health care finance, health insurance, and social security finance are important areas for actuarial practice and research. We also know that WHO is acknowledging the importance of financing systems for health care and has moved this toward the top of its agenda. WHO has recently made public a document stating that, as a matter of policy, it is seeking alliances with non-governmental organizations to achieve its aims. Such organizations are to be not-for-profit and international in structure. This is something we can think about.

Is it important that we are a profession? Yes. It does add weight to what we say because professions put public interest ahead of self-interest. Why is this opportunity rare for a profession? Because other professions are too numerous and too diffuse to speak with one voice, worldwide. Speaking with one voice is a great strength. Can we do it? I think we can because of what is my second point.

I have already paid tribute to the care with which my predecessors proceeded in formulating the reconstituted IAA, both in the written rules and in the practical outcome. My second point is how much we need to continue to proceed with this care in our internal operations. We are balancing representation and input across different countries, cultures and languages and different histories of national actuarial professions.

Communications between our members is important. Such meetings as this are important. Inclusivity rather exclusivity is important. This is apparent in some of our public statements. It is not easy to have unanimous approval of a public statement. We look for a high degree of support from membership to attach the IAA name to a public statement. It is important that this democratic process is well-accepted by our members as our public statements are important communications with the international community. So my third point. It is crucial for our opportunity that we support, assist, perhaps initiate and develop, national actuarial associations in those countries that do not yet have a strong actuarial association. This is high on our priority list. I merely want to say that it must stay that way.

We cannot pursue our opportunity with an attitude that the national actuarial associations that are strong at this time should rule the world. This meeting in Paris is a new situation for the IAA. The first presidential change under the new constitution took place in Birmingham last year when we were in the excellent hands of our British colleagues, with their gracious touch for the right ceremony. I am very conscious that, next year, I will be the first non-French speaking president of the IAA in 104 years. Perhaps my British colleagues might think that coming from Australia, I am not an English speaker either. However, I would wish you to see my term of office as representing the IAA's internationalism, as a president from almost diagonally across the world to Europe. This, at the one time, brings the geographic regions of Asia and the southern hemisphere closer to the mainstream of IAA activity.

We need to value our history. A 104-year-old history is another strength in our voice. An organization — even if it represents a profession — finds it difficult to hold together for so long. Other world organizations have not lasted so well. Some countries have not lasted so well. As the actuarial profession, we have a proud history. We are renowned for our excellence in bringing scientific discipline to important schemes operated both by business and government schemes for long-term financing of important life needs. Excellence in scientific practice, research and education largely falls to our member associations. The IAA defers to member associations here through the principle of subsidiarity. However, at the same time, the IAA needs to build on this excellence, to pursue its mission of raising awareness and appreciation of the actuarial profession in the international community. It is not possible to speak with confidence and conviction on international issues without the backing of excellent practice, research and education. As the IAA, we are old and we are new. We are well-placed to strengthen the role of the actuarial profession in the world. This, therefore, is our opportunity. Thank you."

CII Publications Survey

SOA to Make Changes to Overseas Institutional Distribution of Publications

The Committee on International Issues (CII) met by conference call in mid-January to fully discuss the results of a survey sent to assess the publications sent by SOA to overseas organizations. The full results of the survey are included in this article.

The SOA used to send its publications to three categories of recipients: Reciprocal, Educational Institution, and Reference Center.

The Reciprocal category of recipients is comprised of organizations such as the British Institute and Faculty of Actuaries, the Australian Institute of Actuaries, and the Institute of Actuaries of Japan. In the past, these organizations received the *Yearbook*, *The Actuary* newsletter, *The Future Actuary* newsletter, exam catalogs, Section newsletters, and the *North American Actuarial Journal (NAAJ)*. The CII recommended that the SOA ambassadors review the current list of organizations receiving the reciprocal material to see if there are possible additional organizations for this category. Reciprocal arrangements only will be continued if SOA is receiving corresponding material from the organization.

The Education Institution category of recipients for SOA materials has become outdated with the successful launch of the Reference Centers in Asia. The CII agreed to eliminate the Education Institution category in favor of expanding the Reference Center program beyond Asia, using the SOA ambassadors as the country experts to recommend universities for Reference Center status. Reference Centers receive all of the same material as the Reciprocal organizations. They also receive the study notes biannually with updates and a one-time shipment of textbooks published by the SOA. The current criteria for Reference Centers are being reviewed to extend the program outside of Asia.

The survey respondents were clearly in favor of moving to electronic access of materials on the SOA web site rather than the expense of shipping this material overseas. The CII supported this position and agreed that the *NAAJ*, textbooks, and study notes will continue to be sent by mail. All other materials will be available to both categories of recipients by accessing the SOA Web site.

Based on the results of the survey, the International Policy Committee has recommended changes to the Board policy on publication distribution overseas. The Board approved this during their meeting of March 13-14.

The final element of the survey concerned the development of a listing of recommended holdings for overseas actuarial libraries. Staff will be contacting some of the major universities with actuarial science programs to evaluate the current listing and make recommendations to the CII accordingly.

Staff will be working with the appropriate members to implement these changes over the next several months.

Survey Results

On September 21, 1999, 104 surveys were sent to member of the Society of

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CII Publications Survey
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Actuaries Committee on International Issues, International Policy Committee, Education and Research Section Council, International Section Council, Ambassadors, and staff actuaries. Twenty-nine surveys were returned for a 28% response rate, and the results are tallied here. Responses are shown in boldface.

Section 1 - Materials Provided

A. Please show your (dis)agreement with the materials sent to the **Reciprocal** category:

	Yes	No
1. *Yearbook* (annually)	27	1
2. *The Actuary* newsletter (monthly except for Jul and Aug)	27	1
3. *Future Actuary* newsletter (three times annually)	25	3
4. ASA and FSA Exam Catalogs (biannual)	25	3
5. *North American Actuarial Journal* (quarterly)	26	2
6. Section Newsletters (various publication schedules)	22	6

B. Please show your (dis)agreement with the materials sent to the **Educational Institution** category:

	Yes	No
1. *Yearbook* (annually)	24	4
2. *The Actuary* newsletter (monthly except for Jul and Aug)	23	5
3. *Future Actuary* newsletter (three times annually)	23	5
4. ASA and FSA Exam Catalogs (biannual)	28	0
5. *North American Actuarial Journal* (quarterly)	26	2
6. Section Newsletters (various publication schedules)	20	8
7. ASA Study Notes (one-time shipment)	28	0

C. Please show your (dis)agreement with the materials sent to the **Reference Center** category:

1. *Yearbook* (annually)	23	5
2. *The Actuary* newsletter (monthly except for Jul and Aug)	25	3
3. *Future Actuary* newsletter (three times annually)	25	3
4. ASA and FSA Exam Catalogs (biannual)	27	1
5. *North American Actuarial Journal* (quarterly)	26	2
6. Section Newsletters (various publication schedules)	28	0
7. ASA Study Notes (one-time shipment)	28	0
8. Textbooks published by the SOA (one-time shipment)	28	0

D. Please express your opinion on the value of sending a published volume for international libraries. Currently most SOA publications are available through the SOA web site, though the printed copies of all but the *Record* continue to be published and distributed. One could argue the value of a physical copy of SOA publications in these libraries around the world in spite of the cost savings. What is your opinion on this issue?

Title	Availability on Web	Est. Cost to publish/send overseas	Send published volume?
The Yearbook	Most information is on the SOA site, but not identified per se as Yearbook	$30	***16*** yes ***12*** no
NAAJ	Abstracts only	$120	***20*** yes ***8*** no
The Actuary	Fully available	$30	***14*** yes ***14*** no
The Future Actuary	Fully available	$10	***12*** yes ***16*** no
Exam Catalogs	Fully available, but extremely large	$15	***18*** yes ***10*** no
Section Newsletters	Varies by section	$200	***11*** yes ***17*** no

Section 2 — Evaluation of **Reciprocal Arrangements**
Please rate the importance of the SOA having reciprocal arrangements with the organizations listed below.

	Important	**Unimportant**
1. Institute of Actuaries of Australia	25	1
2. La Holando SudaAmerica	8	14
3. Bulgarian Academy of Sciences	5	16
4. Institute of Actuaries (England)	25	1
5. Royal Statistical Society	14	10
6. Universite Louis Pasteur	7	13
7. Bayerische Ruckversicherung Aktiengesellschaft (Germany)	10	10
8. Institute of Actuaries of Japan	24	2
9. New Zealand Society of Actuaries	16	8
10. Faculty of Actuaries	25	1
11. Instituto de Actuarios Españoles	17	7
12. International Social Security Associations	15	9
13. Vereinigung der Versicherungsmathematiker (Switzerland)	17	4

Section 3 — Evaluation of Educational Institutions
Please rate the importance of the SOA continuing Educational Institution Arrangements with the organizations listed below.

	Important	**Unimportant**
1. Jahangirnagar University (Bangladesh)	11	5
2. Byelorussian State Universeity (Belarus)	14	3
3. University of Bulgaria	13	4
4. Harbin Institute of Technology	16	2
5. Association of Actuaries and Financial Analysts (Republic of Georgia)	15	2
6. Allameh Tabataba I University (Iran)	12	5
7. Malaysian Insurance Institute	15	3
8. Universite Mohammed V (Morocca)	12	5
9. Moscow State University	14	3
10. Tomsk State University	14	2
11. Central Economical Mathematical Institute (Russia)	14	3
12. Institute of National Economy (Russia)	15	3
13. East-European Friendship Foundation	14	3

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CII Publications Survey

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Section 4 — Evaluation of **Reference Center** Concept
The Reference Centers already receive peer review from the China Region Committee, SouthEast Asia Committee or the Committee on International Issues before being given Reference Center Status.

The estimated cost to SOA of each reference center is estimated at $1,500. Do you feel this is a worthwhile expense for SOA?

21 **Yes** 7 **No**

Section 5 — Comments on recommended policy changes
Please indicate any comments or suggestions on the recommended policy changes given in Attachment 2: ***Comments were supportive of changes.***

Section 6 — Evaluation of Recommended Holdings for Actuarial Libraries
Please evaluate the recommended holdings for all actuarial libraries. Please note that a "yes" vote for a book the SOA library does not own is also a vote to purchase the book for the SOA library.

ASTIN List

	Title	Yes	No
1.	Actuarial Mathematics, SOA	24	1
2.	Mathematical Methods in Risk Theory *SOA library does not own.*	14	5
3.	Foundations of Casualty Actuarial Science, CAS	20	3
4.	Practical Risk Theory for Actuaries	16	3
5.	An Introduction to Mathematical Risk Theory	20	1
6.	Life Insurance Mathematics	20	1
7.	Actuarial Practice of General Insurance *SOA library does not own.*	13	6
8.	Loss Distributions	15	3
9.	Introductory Statistics with Applications to General Insurance	14	3
10.	Claims Reserving Manual/ Institute of Actuaries *SOA library does not own.*	11	5
11.	Solvency *SOA library does not own.*	10	7
12.	Automobile Insurance Actuarial Models *SOA library does not own.*	7	9
13.	Bonus-malus Systems in Automobile Insurance *SOA library does not own.*	5	12
14.	Insurance Risk *Book is out of print*	[X]	
15.	Non-Life Insurance Mathematics	12	5
16.	Rate-Making *SOA library does not own and book is out of print.*	[X]	
17.	Loss Reserving Methods *SOA library does not own and book is out of print.*		[X]

	List of Actuarial Books Published by SOA after 1980	Yes	No
1.	Actuarial Mathematics	24	3
2.	Actuarial Projections for OASDI Program	13	7
3.	An Investigation into Possible Applications of Fuzzy Set Methods in Actuarial Science	13	3
4.	Dynamic Financial Condition Analysis Handbook/SOA	22	2
5.	Financial Economics	23	1
6.	Fundamental Concepts of Actuarial Science	22	2
7.	Fundamentals of Pension Mathematics	22	3
8.	Individual Health Insurance	21	1
9.	Insurance Risk Models	16	3
10.	1989 Centennial Celebration Proceedings	8	11
11.	100 Years of Mortality	18	4
12.	Options & the Management of Financial Risk	16	3
13.	Our Yesterdays	12	8
14.	The Papers of James C.H. Anderson	14	3
15.	The Valuation Actuary Handbook	20	2
16.	Valuation Actuary Symposium	13	9

International Section Council Conference Call

January 5, 2000, 6:00 p.m.

Attendees:
Angelica Michail, Jim Toole, Lisa Kuklinski-Ramirez, Hans Wagner, Jay Han, Randy Makin, Michael Gabon, Joshua Bank, August Chow, Lois Chinnock, and Chelle Brody

October Meeting Minutes
The Council reviewed the minutes of the October 17, 1999 meeting. Lisa will incorporate comments and distribute final minutes.

Treasurer's Report
Lisa reported that the International Section's funds were $54,030 at the end of September 1999. The International Section received a net gain of $1400 from the Financial Reporting seminar. Thank you to all who volunteered and made this seminar a success.

International Education Issues

- Marta Holmberg, Managing Director of Core Studies and Global Initiatives, joined for this segment of the call.
- August Chow was elected to be the International Section's Professional Development (PD) representative. This extends his responsibilities beyond the China region to include all international issues.

Background:

- Marta reviewed the changes to the exam structure, taking effect in 2000. Courses 1 through 8 are designed to teach the general principles of actuarial practice and are not specific to any one country. Course 7, the modeling seminar, involves a pre-test and travel to a seminar. The pre-test is local and must be overseen by a FSA. (If a student is located in an area where there is no FSA, the SOA will make arrangements.) Based on the concentration of students, the SOA determined that one modeling seminar would be offered in Asia each year (alternating HK/Taiwan with KL/Singapore). If travel to the seminar is a financial hardship for the student, the SOA will make alternative arrangement (e.g. videotapes, access to instructors). Marta will confirm that the hardship definition is on the SOA Web site.
- Profession Development (PD) should relate to the student's area of practice and region and requires a research project along with 35 units of professional education programs (20 SOA approved). There is a facility to obtain a limited amount of credit for a thesis or dissertation — this would need to be included as part of the student's plan.

Discussion:

- The Council discussed how international candidates could get in touch with the SOA if they have questions. Marta noted that there is a section on the SOA Web site for international candidates. The Council also considered a button to link to e-mail the ombudsperson with questions.

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International Section Council Conference Call
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- The local ambassador/CRC should be encouraged to bring local seminars to the attention of the SOA, so that these seminars may be approved for PD credit. There is a document on the Web site explaining PD approval procedures.

- Local ambassadors should consider giving a presentation in local actuarial societies, explaining the changes to the exam structure and the facilities approved for international candidates. The SOA has some Power Point presesentations available. Since it was suggested that ambassadors would be more likely to use a "turnkey" presentation, Hans volunteered to customize these presentations for international use.

There is an open position for an International representative on the Continuing Education Coordinating Committee. Since there were no volunteers on the conference call, the call goes out for volunteers from the Section. (Nancy Behrens can provide more information on the committee.) In the meantime, Angelica will represent the Section on the committee.

Spring Meetings
Josh Bank gave an overview of the planned sessions and will e-mail full descriptions to the Council. We need recruits. Please e-mail suggestions for speakers to Josh.

Las Vegas:
1. SOA Ambassador Program
2. Pension Reform in the 21st Century
3. Actuarial Education and Certification Around the World
4. Brazil Pension Headaches

San Diego
1. SOA Ambassador Program
2. Actuarial Education
3. International Accounting Standards Update
4. La Dolce Vita
5. Annual Meeting

Michael Gabon provided an overview of sessions planned for October annual meeting:
1. European Health
2. Offshore regulation (M. Gabon)
3. China (Y. Starr)
4. Mexico Pension Market (J. Toole)
5. Critical Illness (R. Poon-Affat)
6. Possibly another European session?
7. Breakfast with the Ambassadors

The Council discussed whether the format of the very successful Ambassador Breakfast should be changed — perhaps an evening session in a venue with an "international flair" such as the Chicago Cultural Center. Lois will investigate possibilities, and we will discuss at the next meeting.

Newsletter
- August will serve as the Assistant Newsletter Editor — welcome!

- The next edition will be a big one, with 17 articles.

- Articles planned for the April edition include: Tbilisi, Publication Survey, Japan, Australian tax situation, International Accounting, India, CRC meeting.

- The Brazil newsletter will be drawn from the relevant articles in the October newsletter. General Re will fund 100% of the translation cost.

Ambassador Program
- Jim Toole announced that the focus for the year 2000 for the Ambassador Program is education.

- Hans Wagner reported on meeting with representatives in Singapore.

- The Council voted to name Danny Chung as the new ambassador to Hong Kong.

- Jim proposed and the Section voted to present gifts to ambassadors with more than five years of service. With about 10 ambassadors who would qualify, the estimated cost is $500.

Council of Chairpersons
Angelica provided an overview of the Council of Chairpersons meeting. Highlights included Rob Brown's view of the SOA's direction and meeting the SOA staff members as well as people from other sections. Meetings are planned to take place twice yearly.

Practice Area (PA) Committee
The Council decided not to fill the position of PA representative at this time.

Research Projects
Angelica asked for suggestions for research projects for the International Section to support.

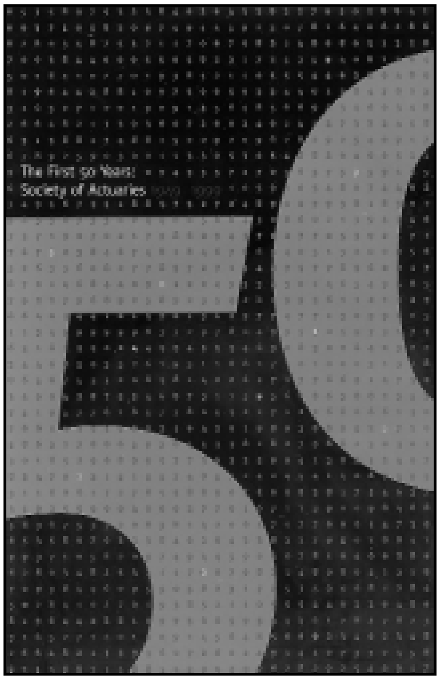
SOA Web site – International Liaison
We need a volunteer to oversee the International Section Web page of the SOA Web site. Jim will temporarily serve in the interim.

The Council briefly discussed posting the newsletter electronically and possibility discounting membership dues for those who receive the newsletter electronically (e.g., $15 for electronic newsletters, $20 for mailings).

2000 Budget
The Council discussed the 2000 budget and agreed to increase amounts allocated for newsletter printing and distribution (given the trend toward larger newsletters), the annual meeting, gifts for ambassadors (above), and a budget for projects the Council approved to support.

Candidates for International Section Election
Nominations are needed by May 12.

Next Meeting
Lois will schedule for first week of April at 6 p.m. E.S.T.



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International Button

by Peggy Grillot

The SOA Web site has added an "International" button under Areas of Interest. Click here for an index menu organized just you, the international actuary.

Here you can find information on

- List Serves
- Committees on International Affairs
- Overseas Teaching Opportunities
- Ambassador Program
- Country Web Pages

There are also hotlinks to:

- International Resources
- Other Pages of Interest within the SOA Web Site
- International Contacts
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The latest information about the International Section , its council and newsletter, is just a click away. You can easily find information about the requirements to apply for the ambassador program or surf the country Web pages for targeted information. Looking for an overseas teaching opportunity? You can find it easily from the International menu.

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Schaumburg, IL 60173-2226
847/706-3500
www.soa.org