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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.

My hosts were cordial and warm. They wanted me to learn a bit about Georgia during my brief visit. There 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.

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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.

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