



SOCIETY OF ACTUARIES

Article from:

# International Section News

September 2000 – Issue No. 23



## Chairperson's Corner

by Angelica Michail

"If you want one year of prosperity, grow a seed,

If you want ten years of prosperity, grow a tree.

If you want 100 years of prosperity, grow people."

— Chinese Proverb

The purpose of the International Section is to encourage and facilitate the professional development of its members in international areas of practice. The Section Council pursues projects and activities consistent with that purpose. However, some areas of the world have not been included in the realm of international practice. Perhaps this is because the actuarial profession and/or insurance, pensions, and social security programs are either non-existent or just starting to develop there.

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## Japanese Life Industry in Transition

by Stephen Conwill

The Japanese life insurance industry is in the midst of a dramatic transformation. Although one wave of restructuring is nearly complete, we anticipate an ongoing and important shift in the competitive dynamics of the industry. Restructuring and refocusing activities will place significant demands on financial and human capital for years to come.



To convey a sense of the changes that have already occurred, this article describes the Japanese life insurance industry in 1990 and at present.

### A Look Back To 1990

Ten years ago, a strong consensus among industry observers would have characterized the Japanese life industry in the following terms:

*Financially solid* – Conservative asset valuation and net level reserving were viewed as providing a strong backbone of capital.

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## Japanese Life Industry in Transition

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and of itself, more interesting is the diversity of the various operations.

Included are companies with widely varying distribution, product niche, corporate culture and management philosophy.

### What Is Ahead?

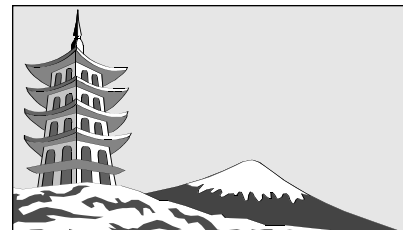
In spite of the remarkable competitive restructuring that has occurred over the past five years, it is likely that we are still in the early stages of a longer-term trend.

Among the companies that are now viewed as Japan's mainstream players, it is unlikely that more than three or four will remain among the top ten firms a decade from now. Some will chart a course and remain — in substantially their present form — among the major players. Among others, we are likely to see mergers, failures, or simply slow and steady declines.

The diversity of competitive threats — and the multiple paths to success achieved by the more recent players — make it impossible to predict who will

gain market share as the mainstream firms decline. However, in thinking about the competitive challenge faced by the mainstream companies — and for these mainstream players to develop a focused response — it is important to continually reflect on this diversity, illustrated by the list below:

- Foreign niche player moving to mainstream (e.g., AFLAC, Alico)
- Life subsidiaries of non-life companies (e.g., Tokio, Yasuda)
- Professional distribution (e.g., Sony, and Prudential)
- Direct distribution; internet sales (e.g., Zurich, ORIX, others)
- New product focus (e.g., Skandia, and others)
- New market segment (e.g., “401k” players, soon to come)
- Banks or brokerage firms (soon to come)
- New mantra (e.g., Softbank)
- Sophisticated multi-national (e.g., ING, AXA, and Zurich)
- Multi-Financial Service Provider (e.g., GE Capital)
- Strategic mergers among traditional players (e.g., Daido/Taiyo)



These competitors are coming at a time when the mainstream players are undercapitalized and are still exposed to large financial market risks.

Management risks trying to respond to these competitive threats on all fronts without adequate focus. Many mainstream players face very fundamental structural and risk management problems that need to be faced first before an effective response can be developed. For Japan's actuaries and the few foreign actuaries on the front lines, this is the fundamental task.

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## Chairperson's Corner

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Many of us pursued actuarial careers because we were employed by companies with actuarial student programs. We may not even have taken that first exam without the promise of financial help for the series of exams. Of course, the increasing salaries, status, and career challenges that follow successful completion of an exam kept us moving toward the ASA and FSA designations. As we developed, we also contributed to the expansion and enhancement of the actuarial profession and actuarial practice.

In many areas of the world, potential actuaries are not as fortunate because financial assistance is not available to encourage them to pursue the profession

and help build the financial infrastructure of their countries. Below are two opportunities to help these individuals.

At the July Council meeting (see minutes in this newsletter) we decided to encourage and support a culture of taking actuarial exams in Mexico by approving \$1,000 to help send a professor to Puebla, Mexico, to teach Course 1 techniques and strategies. The Latin American Committee developed the project which is expected to be implemented before the end of this year. The SOA provided the additional \$4,000 needed for the project.

The Clearinghouse Scholarship Program is in need of funds for actuarial students in developing countries in Asia, Africa, and the Middle East. Scholarships are awarded to eligible candidates to help pay for examination fees and study notes.

Donations may be contributed to the general scholarship fund or matched to candidates in specific countries. Maybe you can help.

Please contact Jim Toole (Latin America Committee), myself (Clearinghouse Scholarship Program), or Martha Sikaras, SOA staff (for both programs) if you want to learn more about these opportunities or if you (or your company) want to donate to the Clearinghouse Scholarship Program.

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