



SOCIETY OF ACTUARIES

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Actuarial Volunteers Assist Egyptians

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Like various other developing nations, Egypt is in the midst of privatizing its insurance industry and strengthening its actuarial profession. Last spring, the two of us participated in a volunteer project to assist the Egyptians in these efforts. We were joined by a third actuary, Arthur Cragoe, who has been involved in similar activities in Russia and Sri Lanka.

Our project was conducted by the International Executive Service Corps, a nonprofit organization funded largely by the United States Agency for International Development. During our one month in Cairo, we worked with company executives, regulators, and educators on projects encompassing three broad subjects: products and markets, industry regulation, and actuarial education.

Products and Markets

The Egyptian insurance industry is redefining itself to move into the 21st century. The insurance companies were nationalized in 1961 and merged to form four large state-owned companies. Now the government is starting to privatize them and to allow foreign competition and free entry to the Egyptian insurance market. The impact on products and marketing will be substantial.

The primary life insurance product in Egypt has been a 20-year endowment policy with a fixed benefit. With inflation a major factor in their economy, the Egyptians will need to develop more suitable products. Universal life insurance has been suggested as a possibility.

With privatization, companies will have pricing flexibility. In this connection, they will benefit from a greater opportunity to control the size and composition of their employee staffs. Until now, these decisions have been dictated largely by the government's desire to control unemployment. Companies often have had to hire and retain unnecessary employees, with consequent effects on expense levels.

Industry marketing efforts, which under state ownership have been negligible, will need to be intensified in the competitive marketplace. We can

expect much new advertising, sales promotion, consumer information, and agent-training material to be developed.

From a broader standpoint, marketing efforts will be only marginally successful unless there is substantial growth in the size of Egypt's middle class. Expansion of this segment of the population is a prerequisite for sustained growth in developing economies.

Industry Regulation

Privatization will also affect Egypt's insurance regulatory structure. Insurance in the country is regulated by the Egyptian Insurance Supervisory Authority (EISA), an independent governmental authority. A good regulatory framework exists, but effort is required in developing, updating, and implementing regulations. Also, many of the reference and technical materials need to be updated; some of these are more than 15 years old.

In our work, we identified three areas where regulations should be developed or amended: company solvency, consumer protection, and agent licensing and monitoring. Under solvency, we discussed asset/liability matching, asset valuation and interest maintenance reserves, risk-based capital, financial examination of companies, and guaranty funds. Consumer protection subjects included policy forms approval, market conduct examination of company practices, and disclosure of policy information to the consumer. As to agents, we touched on qualification of agents, monitoring their conduct, and continuing education requirements.

To assist the Egyptian authorities in making the necessary regulatory changes, we arranged for them to request model laws, regulations, and reference materials from the U.S. We recommended they review these materials, giving consideration to various questions and issues we had jointly identified, and we indicated our willingness to help implement the required changes.

Actuarial Education

The Egyptian authorities also recognize that their country will need significantly more professionally trained and qualified actuaries to have a successful and growing private insurance industry. At present, there are only half-a-dozen or so actuaries in Egypt, and most of them are nearing retirement. About half are members of the Institute of Actuaries and half of the Society of Actuaries.

To address the problem of the country's shortage of actuaries, EISA is working with Cairo University to develop an undergraduate program in actuarial science. We were asked to furnish advice and support to help develop this program. When we arrived, we discovered that the course structure had already been well developed under the direction of Roshdi A. Hamamo, FIA, ASA. The Institute of Actuaries has agreed to give examination credits through its part D2 (actuarial mathematics) for students successfully completing the Cairo University program and an intensive follow-up seminar in the U.K.

We advised EISA and the Cairo University authorities that the program seemed well-conceived. It has been in place for several years and has attracted approximately 40 students so far. The program faces a shortage of qualified instructors, and we offered to publicize in North America the lectureship openings.

The terms of the appointments for lecturers are similar to those for the

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program supported by the SOA at Nankai University in Tianjin, China. The university will provide room and board for appointees but not much more because of its limited resources. A major difference from the Nankai program, and probably a negative one, is that Cairo University will, in most cases, expect appointees to be resident for a full academic term. We indicated to the authorities that we believed this requirement will make recruitment difficult in spite of our efforts, unless

financial support could be identified to provide at least a modest stipend and travel expense reimbursement. Since returning to the U.S., we have contacted several insurance companies and actuarial consulting firms that might have an interest in the Egyptian insurance market as possible sources of financial support, without apparent success.

We were delighted to be a part of this emerging activity. The Egyptians were cooperative, inquisitive, and

always gracious and hospitable. And it was so stimulating to be exposed to this ancient culture and to some of its most treasured and historic sights. We wish the Egyptians the very best as they work to build a stronger economy and society.

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Minutes of the International Section Conference Call

Tuesday, March 3, 1998

Participating: Michelle Chong Tai-Bell (Chair), Josh Bank, Mike Gabon, Rick Geisler, Jay Hahn, Kevin Law, Bruce Moore, John Nigh, and Lois Chinnock, Linden Cole, and Lela Long of the SOA staff.



1. **Minutes Approved.** Minutes of the December 17, 1997 conference call were approved.
2. **Spring Meetings**
Mike Gabon reported on the status of recruiting for the Spring and Annual Meetings. So far, three sessions have not been completely recruited: "It's a Small, Small World" will need two or three speakers; "International Insurance and Capital Markets" will need two speakers if it is to be a case study; "Financial Turmoil in Asia" should also have at least two speakers.

The second Hawaii meeting is already completely recruited. There are two Social Security sessions. Bob Katz and an academic from Australia will give a presentation for the first, and Mike Sze and Anna Rappaport will present the second. Josh Bank and Chiu Chang have both been recruited for the health care reform session. Josh Bank is

working on getting a speaker from Hawaii to round out the panel. Chiu Chang is also acting as the instructor for the health care finance teaching session.

If all the speakers are to be listed in the program, the Section Council has one week to forward their names to the Continuing Education Department.

Speaker Expenses. Eight of the speakers will request funding. The Section has \$5,000 available. In addition, four of the speakers may qualify for funding under the academic funding category.

3. **Annual Meeting**

The Section has five sessions planned for the Annual Meeting:

- Off-Shore Life Insurance Markets
- International Accounting Based on ISC and U.S. GATT
- International Section Breakfast and Roundtable
- IFAA Update and a 15–20 minute discussion of the IAA/IFAA transition
- Manager's perspective on the best practices for international management.

There are three joint sessions:

- Lessons from the Financial Turmoil in Asia
- International Valuation Systems
- Fair Value Reporting for Insurers Update, an International Approach.

The Section is also involved in two field trips:

- A field trip to the U.N. on Tuesday
- A boat cruise cosponsored by the Actuary of the Future Section and the Actuarial Society of New York. The Section Council is deciding the amount it will spend to cosponsor the boat cruise based on how many slots on the cruise will be available to Section members.

4. **International Section News.** Kevin Law gave the Council an update on the progress of the next newsletter. The most recent section newsletter just was mailed. It was a combination of John Nigh's last edition and Kevin Law's first edition. Kevin Law has received four articles for the next edition, which is expected to be mailed in May. Michelle Chong Tai-Bell asked for recommendations for the "Chairperson's Corner." It was suggested that she