thought I would escape this issue without having to write my way out of a corner (so to speak), but Randy threatened to fill the space by blowing up my picture a la Chairman Mao. He has a unique and persuasive way of filling out his newsletter (we haf vays of making you write!)

The International Section was started nine years ago by Bob Collette, Curtis Huntington, Kevin Law, Chip Moes, and Camilo Salazar, among others. The initial membership quickly superceded the minimum requirements and grew rapidly. The section survived a crisis in Mexico in 1994 and another in Asia in 1997, as well as membership rate increases along the way. Buoyed by the certain
Our company recently introduced an eight-week program entitled “Eat Right.” Even now my grammar check tells me this should read, “Eat Rightly.” Hmm. Anyway, such a program apparently does not prove inviting to males, as the second meeting showed a 1:26 ratio, if I counted correctly, but it seemed to offer suggestions that were very doable. The bad news came this week, though, with the seemingly rational advice, “Avoid buffet-style restaurants.” Now this is quite serious. I will admit that buffets encourage overeating, particularly in places that offer numerous distinct dishes. But it is, in fact, in the distinction, in the variety, that the attraction is centered.

Well, if I have to give up buffet style restaurants in order to eat rightly, I can still enjoy the smorgasbord of the actuarial world in which we live. This issue offers something from almost every continent. Michael Sze has prepared an article on Kazakhstan, giving an excellent treatment of what it is like to establish a sound actuarial profession, starting from ground zero. Hassan Kamil fills us in on an IAA meeting in Kuala Lumpur, and their Society’s work to increase professionalism. Linden Cole, with feedback from Nauman Cheema, describes the reception of the new Associateship Professionalism.

Editor’s Note

by Randy Makin

This newsletter is free to Section members. A subscription is $15.00 for nonmembers. Current-year issues are available from the Books Department. Back issues of Section newsletters have been placed in the Society library and on the SOA Web site (www.soa.org). Photocopies of back issues may be requested for a nominal fee.

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Course in Pakistan, the first of several in locations around the world, and Rob Brown reflects on his recent trip to Asia. Representing Africa, Mohammed Amer, who has written for us before, provides an update on Egypt’s market.

Turning to Europe, we have a write-up by Norm Crowder on another IAA meeting in Bulgaria, and an article by Gary Boal on the tax advantages of the International Financial Services Centre in Dublin. Also included is a parallel article by Ronald Poon-Affat with a country-by-country survey of tax benefits relative to premiums. Finally, Peter Wrede has outlined the CAA Annual Conference from last year. We also have included the minutes from one Section Council meeting and the Ambassadors’ Report to keep our readers updated on other International Section developments. Once again a very big “Thank You” to all of the writers who contributed to this issue, and to Lois Chinnock and Martha Sikaras, who so diligently forwarded the articles as they came in.

May you enjoy this newsletter and “read rightly.”

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Chairperson’s Corner 
continued from page 1

increase of cross-border financial services M&A transactions, we are sure to weather the storms to come.

The Section is large (1,800), but not overwhelming (4,000 in Investment and Product Development). Section distribution by primary practice area is 45% Life, 25% Retirement Systems, and 12% Health. The Sections with the most crossover with International in terms of sheer numbers are Product Development, Financial Reporting and Investment (over 900 each), but in percentage terms, our largest crossover is with the Smaller Company, Futurism and Education & Research Sections, each with more than one-third of their members also signed up as members of the International Section.

The International Section is one of various SOA Sections that are not a primary practice or specialty, but are instead secondary selections for a majority of their members. More of a point of view than a discipline, we find we can best add value working with others to provide a broader perspective.

We are eager to find new ways to partner with other Sections, from seminars to research projects, to invest our time and Section funds. We strive to provide a wide variety of services to our members — newsletters, meeting sessions, the ambassador program, and other projects, the most recent being a successful seminar with the Non-Traditional Marketing Section. We are planning to offer an international valuation seminar in the fall to provide a high-level forum for discussion of issues faced by actuaries involved in international operations.

More than 20% of our members live overseas, which is double the average of the SOA as a whole. But this still leaves 1,100+ SOA members living overseas that are not members of the International Section, which leaves me wondering why. What services can we provide that would attract a larger percentage of actuaries working overseas?

I bring all this up to point out two things: 1) we try to find opportunities for partnering with other Sections to add an international perspective, and 2) we are interested in you, our members. If you have any suggestions or feedback, feel free to contact any member of the council.

Another means of providing feedback will be the electronic members’ survey. Our members are loyal, so we must be doing something right; on the other hand, we want to be sure we are offering you the services you want. A simple electronic survey will be appearing in your mailbox soon after this newsletter that will help us find out a little more about our members and how we can best serve them. When it arrives, please take five minutes to fill it out.

Finally, when the election ballot arrives, take the time to vote!

Many thanks -

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providing an overview of the application of these principles to the various lines of business involving actuaries. Each of these two Qualifying Examinations would be given following an intensive three-week seminar on the respective subject. Persons passing both Qualifying Examinations would be certified by the Insurance Supervision Division of the National Bank of Kazakhstan as Qualified Actuaries, with a license for two years. Renewal of the license would be subject to further actuarial training provided in subsequent years.

Preparation
The training courses were jointly sponsored by the USAID and the National Bank of Kazakhstan. Major funding was provided by the USAID. The instructors were Charles McLeod and Michael Sze.

Much time and effort were spent formulating the topics to be covered by each of the seminars, selecting the proper text for the course, planning out the specific topics covered by the seminars, the timetable, and the standard of the tests and examinations. Robert Brown, Norm Crowder, Mo Chambers, and Rachel Brody of the Society of Actuaries, and Chris Daykin and Hugh Sutherland of the British Institute of Actuaries provided much assistance and advice. Sam Broverman and Mike Braunstein helped in the choice of teaching material, and Mad River Books provided much needed discounts on the textbooks and the calculators.

After much discussion, it was decided that the first seminar, and the Qualifying Examination — Part I, would cover the Theory of Interest and Life Contingencies. The standard of the tests and examinations would be patterned after the Enrolled Actuaries Examination Part IA in the United States. The second seminar, and Qualifying Examination — Part II, will cover major topics in individual life and health insurance, group life and health insurance, property and casualty insurance, reinsurance, pension and annuities, social security, and investment.

Since there is no international examination which covers all these topics, a separate set of tests and examinations had to be devised by the instructors. The passing standard would be close to the international standard. In view of the shortage of time, it was also decided that the medium of teaching would be English. No translator would be provided for the lectures, nor for the tests. The textbooks and calculators were provided free to the students. Students of each course who successfully completed the course and passed the examination were allowed to keep the textbooks and the calculators.

Results of the Seminars
Attendance was excellent. Forty-two students signed up for the first training course, and eighteen students signed up for the second course. Most of them attended all the weekday lectures and the optional Saturday reviews.

The first training course was given in May 2000, and was particularly difficult for most students. The intensity of the course, and the level of difficulty of the tests and examinations were far beyond the expectations of all the students. It was a cultural shock for them.

However, despite tough tests every day, and very disappointing test scores in the initial week, the
students persisted, studying harder and sleeping less each day. In the end, thirty-eight students took the Qualifying Examination — Part I, and sixteen of them passed. A short review course was given by Charles McLeod in the last week of June, and a makeup Qualifying Examination — Part I was given on July 1, 2000. Eighteen students took the examination, and five of them passed. Most of the passing students of the makeup examination were borderline failures in the May examination. Upon careful review of the results, we came to the conclusion that, because of the highly technical nature of the subject material, it was very difficult for students to pass these examinations without intensive training.

The mode of the 18 students for the second course was substantially different from that of the first course. They still worked very hard. Most students showed up on each weekday and all the optional review Saturdays.

However, the students were more relaxed and self-confident from having gone through the tough training process. They also seemed to have developed a bond with one another for having struggled through hardship together. Of all the good things that happened in the training courses, this is the most gratifying outcome for me as an instructor. This bond is vitally important for a profession. It is through this type of mutual respect and cooperation that a profession can work together and face up to the challenges that will unavoidably present themselves, especially to a young profession such as this in Kazakhstan.

A Qualifying Examination — Part II was given on July 29, 2000. The examination questions were chosen not just to test their understanding of the rules for various insurances and pensions, but to test their ability to solve practical problems under simulated situations. All eighteen students took the examination. Sixteen students passed. These students will be certified as the first group of Qualified Actuaries in Kazakhstan as soon as the final regulations concerning qualification have been adopted in Congress. (My understanding is that the Congress has just passed the final regulations on the Qualification Process in December 2000). These students have proven themselves to be professionally competent to carry out actuarial functions under practical circumstances. As their instructor, I am very proud of them, and honored and privileged to be associated with such a group of dynamic, young professionals.

Some Successes
The greatest success lies in the fact that we have produced the first group of properly trained actuaries who are able to make independent decisions to solve real life actuarial problems.

Actuarial mathematics is very computation intensive. Instead of teaching students all the tricks and shortcuts to circumvent computations, as is typically done in the conventional approach, we emphasized the use of financial calculators up front in the first course, which have many of the financial functions pre-programmed. By so doing, we were able to avoid teaching a bag of tricks and concentrate on the ideas behind the computations instead.

This concept was carried further in the second course, where most of the tests and examinations were computer based. With the use of computers for each student in this course, many problems and assignments given to the students were reflective of real life cases. In the tests and the examinations, more complicated questions were set, requiring students to set up programs to solve real life problems under the time constraint of the examination.

Some Failures
The scope of material covered in the second training course included individual life and health insurance, group life and health insurance, property and casualty insurance, reinsurance, pension, social security, and investment. There was too much information for a three-week training course.

Because of the vast scope of the material, we were not able to find a very good text that covered all the material adequately. The text used was not well received by either the students or the instructors. In the end, we had to supplement the material with a lot of our own notes and materials from other sources.

(continued on page 6)
However, such supplements took up much extra time and energy of the instructors. As a result, there were fewer tests given to the students in the final week. This deprived them of part of the much needed drill on their computational skill. Some changes are required.

Some students’ English skill was not adequate. Many students requested translating the examinations into Russian. We were only able to translate the multiple choice questions and not the computer programs into Russian, because the Excel functions in Russian are slightly different from those in English.

If we tried to translate the computer programs into Russian, we ran the danger of unintentionally setting wrong questions for the students. One of the students might have failed the course because of the language handicap. However, even the partial translation was achieved for a substantial price.

Because of the short timing involved, many students were requested to assist in translating some relevant texts and study notes into Russian to help the English deficient students to prepare for the Final Examination.

Many students were sacrificing valuable study time to assist this small group of students. The translation, the typing, and the merging of the translated text into the computer database created tremendous work for the support staff, and took away much needed time for reviewing and preparation of the Final Examination papers.

Consequently, there was some confusion on the final examination day. On that day, two computers were found to be not functional and had to be replaced at short notice. Five diskettes containing the computer problems for some students were found to be defective and needed to be replaced, with the questions regenerated on examination day. Consequently, the entire examination was delayed by fifty minutes. Such confusions could be avoided with less last-minute administrative burden and more leisurely preparation.

Some Comments
The training program has achieved a level of success higher than anybody’s expectation. Kazakhstan needs to have qualified actuaries. So, we embarked on this training program. Initially, we hoped to be able to train ten qualified actuaries. In the end, we got sixteen professional actuaries. We owe the success to the dedication of the students. Anybody involved in the training program knows how hard these students worked and how much sacrifice they made.

The scope of material covered in the second course is far too extensive. By trying to cover too much, we may end up getting less. For future trainings, the second course should be split into two separate courses: one on insurance, and the other on pension, social security, and investment. Specific texts may need to be written for these courses. Time should be allotted both to the preparation of the texts, as well as for teaching the courses.

There is a critical shortage of actuarial reference books in Kazakhstan. Actuarial students who have questions on life insurance and pension search in vain for reference materials. This critical shortage must be remedied as soon as possible. Unfortunately, all these reference books are very expensive, many of them costing over US$100 each. It is too expensive for the actuarial students here. But the students need these books and the knowledge they contain for their daily work. A library needs to be set up.

Concluding Remarks
Many people contributed much to the success of the project. Beside all the consultants mentioned in the Introduction, the administrative support has been tremendous. Paul Pieper, Richard Webb, Laura Zielinger, Barbara Hamilton, and Alma Kasymova provided invaluable practical guidance and support. We had a good start. Much follow-up work is needed.

• A Kazakhstan Actuarial Association should be formed with all its by-laws and code of conduct, and standard of practice, and its education/training program. The target should be to help the organization gain international recognition in due course.

• Continual training is needed in the next three years to raise the standard of the current actuaries in Kazakhstan to the international level.
• Repeat of the current basic training is needed to produce more fresh blood for the industry.

• There is a critical shortage of actuarial reference books in Kazakhstan. This critical shortage must be remedied as soon as possible. A library needs to be set up. Some planning for that is imminent.

Follow-up

Many progresses have been achieved since my previous report.

• The Kazakhstan Congress has approved all regulations regarding the Qualification procedure. The 16 actuaries are all certified.

• The Kazakhstan Actuarial Association (KAA) has been formed in September, 2000. Five representatives of the KAA participated in the International Actuarial Association seminar in Hungary and made a good impression among other participants.

• An actuarial library is set up in the National Bank of Kazakhstan. Books are being acquired to beef up their collection. This is not an easy task for a developing country such as Kazakhstan. International assistance will certainly be greatly appreciated.

• Further trainings are planned in 2001. There will be a repeat of the two basic courses respectively in March and June of 2001. There will be an advanced course in October 2001.

• Kazakhstan is now in the process of firming up its social security pension payment procedure and its insurance reserve regulations. Much professional guidance is needed.

• Kazakhstan currently does not have soundly constructed actuarial mortality and morbidity tables necessary for each area of actuarial calculations. The government actuaries are starting to collect data to construct such tables. However, there is a lack of experience on such constructions. Much guidance is needed.

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My Trip to Budapest

by Norm Crowder

In late September, Howard Bolnick and I represented the Society of Actuaries at a meeting in Budapest, Hungary for leaders of the actuarial societies of the emerging nations of Eastern Europe. This is one of a series of seminars sponsored by the Advice and Assistance Committee of the International Actuarial Association (IAA) every 18-24 months, to assist these new actuarial leaders in defining their educational and professionalism needs as their financial services and social security systems evolve. The principal organizers of these conferences have been the Institute of Actuaries staff and Chris Daykin, the U.K. government actuary.

In Budapest, there were some 26 countries represented from the Eurasian region. Some are associations that are well into the development of their educational programs, such as Poland, Hungary, and Russia. Others have just been organized in the last 1-2 years. The newest was Kazakhstan which had just certified its first eight members as actuaries as the result of an actuarial training program organized and taught during the summer of 2000 by Mike Sze and Charles McLeod, Canadian members of the Society.

This three-day seminar, which was hosted by the Hungarian Actuarial Association, consisted of reports from the various associations on the state of progress and issues they face in developing their educational and other processes. These presentations yielded much useful discussion about ways to move forward on many issues. Some groups intend to develop academic programs for teaching actuarial science. Others intend to facilitate use of the Society and Institute exams. Most will likely develop a simplified system of basic actuarial education and examinations. All of these associations are ultimately seeking to meet the IAA’s minimum educational standards, which are effective in 2005. The Society and Institute representatives were asked to offer insights and advice where helpful.

Other issues that were discussed were the development of a code of professional conduct and a disciplinary process. In most of these countries, these matters are evolving slowly with the basic education process having a top priority.

The participants considered this Budapest meeting a very worthwhile effort. The IAA plans to hold the next such conference in spring or summer of 2002. I believe that the Society should continue to support these IAA conferences and to continue to build its early efforts to offer support and assistance to these emerging actuarial societies.
The Actuarial Society of Malaysia (ASM) hosted the Second International Professional Meeting of Leaders of the Actuarial Profession and Actuarial Educators in Asia and the Pacific in Kuala Lumpur, Malaysia on January 12 to 14, 2001. The conference was convened by the International Actuarial Association. Catherine Prime, Chris Daykin, Yves Guerard and Max Lacroix represented the IAA at the conference. The theme of the conference was the profession of actuary and its role in protecting the public interest. The first meeting was held in Singapore in 1995.

The Director of Insurance Regulation of the Central Bank of Malaysia, Zakaria Ismail officiated the conference. There were 85 participants at the conference inclusive of 50 international participants from 19 countries. Chris Daykin from the UK Government Actuary Office was the primary coordinator of the conference, and the ASM assisted in making the local arrangements regarding the meeting venue facilities.

This conference was a significant event for the actuaries in Malaysia as this was the first international gathering of actuaries in Malaysia. There were quite a number of participants who were visiting Malaysia for the first time and were quite impressed with the infrastructure development in the country especially having the tallest building in the world right outside the meeting location, which is also the scene from the movie “Entrapment” with Sean Connery.

The conference aims to bring together from Asia and the Pacific a representative group of leaders of national actuarial associations and those concerned with actuarial education, including supervisors and regulators of financial institutions. The primary objectives of the conference are:

- The development of the actuarial association as a professional body
- Implementing a code of conduct and disciplinary procedures
- The role of the actuary and the actuarial associations in the regulation and supervision of insurance companies and pension funds
- The role of actuaries in general insurance
- The establishment of the actuarial profession in developing countries.

The conference started with the representatives from each country presenting the development of the actuarial profession in their respective countries.

It is interesting to see that some of the countries in Asia have their own education systems towards professional qualification as an actuary. As the actuarial profession expands globally, there will need to be some coordination by the IAA with the actuarial organizations to prescribe some minimum standards for qualification for actuaries to practice outside their home country.
There were various working papers presented and breakout discussions in the areas of pensions, health insurance, property/casualty, and professionalism. There were some concerns about the professionalism of actuaries in Asia as the qualifying bodies in the U.K. and U.S. do not have much resources dedicated to monitoring professional standards outside their home countries. Furthermore, most of the local actuarial societies in Asia do not have a formal disciplinary process to enforce full compliance with professional standards of practice or code of conduct.

Another area of concern is the lack of proper teaching facilities and corporate support for students wanting to pursue the qualified actuary designation. I fail to understand why corporations who have businesses in Asia with head offices in the United States and United Kingdom do not offer the same actuarial benefits to help their students in Asia pass the exams. There are multinational insurance companies in Malaysia with limited or no support for students with the exam fees and study material.

The actuaries should dedicate more effort to portray themselves to be more than just technicians sitting in a small corner crunching figures for reserves and premium rates. Unfortunately, due to lack of actuaries in the traditional roles, a large percentage of qualified actuaries are still performing the core traditional actuarial work in Asia.

As the number of qualified actuaries increases, they ought to be in positions involved in setting the strategic direction of insurance companies and financial management. Strong communication skill is a major asset for actuaries to succeed in this area of the business, and we have the educational background to help us accomplish this objective.

The senior actuaries have the responsibility to pave the way for the younger actuaries to succeed in this profession as described in the “Big Tent” theory. There are very few qualified actuaries in the teaching profession in Asia where students can easily seek assistance with their exams. The working actuaries are too busy to dedicate any time to helping the students with their exams.

Thus, the rate of new qualifying actuaries is very low in the South East Asian countries. The same students would have better chances passing the exams if they were working in the United States or United Kingdom. I believe the type of work exposure does play a role in helping the students with the exams.

The role of actuary in Asia in the field of general insurance (property and casualty) is almost non-existent. In some countries, unearned premium reserves and IBNR for general insurance do not require a qualified actuary to sign off. A representative from the Casualty Actuarial Society, LeRoy Boison, attended the meeting and informed the participants that the CAS is beginning to focus some effort towards “marketing” the CAS outside the United States. With this initiative, more students will be aware of the CAS exams, and the regulators will soon realize the importance of casualty actuaries in general insurance.

The presentation on healthcare financing and health insurance by Tom Snook from Milliman and Robertson provided an interesting insight into the pricing mechanism of health insurance in the United States. The role of an actuary in health insurance is relatively new in Asia as the market for health insurance continues to grow rapidly. Lack of data and poor IT infrastructure seem to be the primary issues facing most insurance companies in managing the profitability of their health portfolio. Most companies price their health products based on reinsurance rates or by looking at what their competitors are charging. To make matters worse, the providers are not utilizing standard reporting codes for diagnosis and treatment for actuaries to analyze the claim experience for pricing and reserving.

Overall, the meeting was very successful as the participants were able to raise important matters for discussion on topics which are more specific to the profession in Asia. The entertainment during the dinners was also quite enjoyable as Chris Daykin took the stage with the band to sing a traditional Malay farewell song.

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The CAA Annual Conference 2000

by Peter Wrede

To put the 10th annual conference of the Caribbean Actuarial Association (CAA) under the motto “the emergence of a new era” may seem an obvious choice for the first conference in what many think was a new millennium. However, the organizers chose the speakers and topics carefully to make the motto valid beyond this obvious meaning.

The conference covered several areas which may be considered novel. One is the demographic strain on social security systems, and the privatization approach followed by many (primarily Latin American) countries as an attempt to overcome the increasing difficulties perceived by the old age, disability, and health provision managed by governments.

The presentation of Robert Brown, President of the Society of Actuaries, was one of the highlights of the conference. Backed by the results of extensive research on the topic, Mr. Brown challenged the conventional wisdom that individually funded retirement systems are immune to shifts in demography, unpredictable behavior of economic parameters, and mismanagement or corruption.

Economic variables which are impossible to predict in the long run. But as a general rule, a central proposition of this brilliant presentation stated that pre-funding will increase the security of social security only if it increases gross national savings, which in turn have to be invested to increase worker productivity — and if pre-funding is the best way of achieving this.

There is no historic evidence as to this. Hence, the speaker suggested that a more sensible measure to stabilize retirement systems can be found in an adjustment of retirement age, taking into account productivity increases. His projections for Canada showed that, assuming even moderate increases in productivity, retirement age will not need to rise at all.

Which is both pleasant and surprising, considering that current retirement ages have mostly remained unchanged since the establishment of the respective social security systems, when life expectancy was considerably lower.

This exposition of general principles was complemented by more specific presentations on social security systems in the Caribbean, which sparked a discussion about their future. Sekayi Campbell portrayed Jamaica’s National Insurance Scheme including proposed reforms, while Derek Osborne gave a more general overview of the Caribbean’s social security systems.

Both pointed out challenges to the system — which may translate into challenges and opportunities to the region’s life insurance industry. Touching challenges to non-life insurance, Gerrard Lee-Inniss completed the discussion by presenting his thoughts on the role of the P&C actuary in view of the Jamaican Insurance Act.

Another field where insurance industries face a new era is enterprise risk management, which should take into consideration newer forms of reinsurance as well.

This was well explained by Jeffrey Harper from a US actuarial consultancy firm, who specified how to approach assessing and addressing risks from all sources; and by Bryan Ware and Lloyd Steinke, who provided the reinsurer’s view of alternative risk transfer as a modern means of addressing enterprise risks, and mentioned some
other aspects of the new era in reinsurance. The topic was complemented by David Oakden, another actuarial consultant who spoke about P&C reinsurance. This contributed to the general impression that reinsurance was an important issue at this meeting. The presence of most major reinsurers — though not as numerous as during the Insurance Association of the Caribbean’s (IAC) annual conference in May — confirmed the growing interest in the region, an interest surpassed, it seemed, by consultants, who vastly outnumbered reinsurers by attendees. It has to be kept in mind that while most reinsurers came from abroad, many consultants came from local offices, but the fact that one out of four attendees represented a consultancy was remarkable to the outsider. The strong presence of consultants and reinsurers also reminds us of the increased M&A activity in the region (this topic was covered by further presentations), where reinsurance often is an important element of financing.

Distribution systems is one of the first elements of insurance that come to one’s mind when thinking about the new era the industry faces. The conference covered this topic with presentations by Ken Davies and Lynne Woolridge, with particular emphasis on the Internet, both as distribution channel and as pivot for a new business model: e-commerce is much more than just advertising and selling through the Internet. The importance of this issue is confirmed by the fact that it had been covered — from a different angle — at the IAC conference as well.

Thus, the primary focus of the conference was in fact on the future, trying to anticipate the uncertainties the new era implies. But there were also sessions of more retrospective nature. Dr. Michel de Gourlard gave an epidemiologist’s account of the spread of AIDS and HIV in the Caribbean, pointing out the factors driving the epidemic and giving recommendations about how to fight it. His projections of the macroeconomic impact the epidemic will have in five years in Trinidad and Tobago and in Jamaica showed how urgent it is to find more efficient ways to fight the disease. On the other hand, Steve Stoute’s remarks on the regional life insurance AIDS experience showed that the insurance industry has not suffered overly from the epidemic so far, partly due to the measures taken, primarily conservative underwriting.

There were also two contributions of an altogether different focus. Marcia Tam-Marks gave a detailed insight into the insurance industry in the Dominican Republic that showed the differences between the Spanish-speaking Caribbean countries and the West Indies, which go considerably beyond language. Peter Clark, the president of the Institute of Actuaries, gave a comprehensive and very enjoyable account of the actuarial profession spanning past, present and future, with particular emphasis on communication, culture and companionship.

As usual for a meeting of this nature, there were a number of sessions of more CAA-internal nature, like the students’ meeting on examination techniques or the CAA Standards Presentation. And this account would be blatantly insufficient without mention of the social events that formed a vital part of the conference.

The nightly boat cruise along Barbados’ shore was an unquestionable highlight of the event also for those who had taken it on previous occasions, and the closing dinner at the Bagatelle restaurant was as festive as emotive. At that moment, whoever had not made up his mind before decided not to miss the next CAA annual conference. I certainly won’t.

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The Brazilian Insurance Industry is presently lobbying for the introduction of Life Assurance Premium Relief. Our Sao Paulo office was asked by the Brazilian Insurance association to assist in gathering some basic information regarding the existing tax relief benefits that are present in other markets. To prepare this report, I surveyed the market situation within nine markets: Argentina, Brazil, England, France, Germany, Japan, Korea, Singapore, and Spain. I thought that it might be useful to share our findings with the readers of the Society of Actuaries International Section. Please note that GeneralCologne Re’s official position regarding the introduction of LAPR is neutral.

Within Brazil, England, and Spain, there is no deduction of life assurances premiums from taxable income. So there is much to say for these three markets, however, tax credits are present within the rest of the markets surveyed.

Within the French and German markets, rates of personal income tax are very high. However, life assurance has historically provided generous but complicated tax benefits. For these reasons, I have placed my comments regarding these two markets at the end of the article and have chosen to expand the content for these two markets in particular.

1) Argentina: There is a benefit, but it is not very significant. One can deduct up to 1000 pesos from the base amount used to calculate the tax. For the highest tax payers, this is equivalent an annual tax deduction of just over 300 pesos.

US$ 1 = P 1

2) Japan:

US$ 1 = Y 123.75

In Japan, there are two layers in tax relief. One is based on federal taxation, the other on regional taxation. In respect of federal taxation, if the annual premium payment is:

- Equal to or less than JPY 25,000, then the full amount is deducted from taxable income
- Equal to or less than JPY 50,000, an amount which is equivalent to (annual premium * ½ + JPY 12,500) may be deducted
- Equal to or less than JPY 100,000, an amount which is equivalent to (annual premium * ¼ + JPY 25,000) may be deducted
- In excess of JPY 100,000, then a maximum of JPY 50,000 may be deducted from taxable income.

Both forms of tax relief may be applied to annuity and individual life insurance separately, i.e., one can apply for a tax credit on two separate policies. However, the maximum tax relief that can be deducted from annual income may not exceed JPY 100,000 in respect of federal tax or JPY 35,000 in respect of regional taxes.

3) Korea: Only the protection portion (i.e., not the savings element of a universal life product, say) of any life assurance premium up to KRW 500,000 is tax deductible. However, it is required that the beneficiary must either be the owner of the policy or his/her legal dependents.
US$ 1 = KRW 1,349.40

4) Singapore: Life assurance premiums are tax deductible up to $5,000 pa, however, this figure is reduced to take account of contributions towards the Central Provident Fund. This contribution is presently 30% of salary, however, it will be increased to 40% when it is determined that the Asian “crisis” is over. There is effectively no tax deduction for persons earning in excess of $16,000 pa; which is the majority of the population.

US$ 1 = SGD 1.81

5) France

US$ 1 = FF 7.26

Contracts sold on an individual basis

Tax relief on premium paid: Individuals receive an annual deduction from their income tax of 25% of annual life assurance premium up to a maximum of 1,000 F + 250 F per child.

Since 1996, this benefit has been restricted to only some classes of contracts (typically traditional products that include a high first year commission).

Waiver of tax on investment gains:
Up to 1996, all financial products associated with an insurance contract were exempt from personal and social security taxes, provided that the contract was in force for at least eight years. Partial taxation was applicable upon early cancellation.

After 1996, financial products associated with life assurance contracts were no longer exempt from social security taxes, the only exemption being special unit linked products (DSK Contracts), which are 100% invested in stock of French companies.

Waiver of Inheritance Tax:
Up to 1993, there were no taxes on life assurance benefits paid to beneficiaries. Both investment and pure risk products were completely tax exempt. The only qualifying rule was that the life assurance benefit should be at least or greater than 4/3rds of the accumulated premium paid by the insured. (Règle Charasse)

In 1993, the 4/3rds rule was abandoned. It was decided that inheritance tax would only be waived in respect of that portion of life assurance benefit that was “purchased” by premiums paid before age 70.

Contracts sold on a group basis
With respect to other markets, especially North American markets, France provides very generous incentives for employers to purchase coverage for their employees.

Life assurance coverage:
Employers are allowed to purchase life assurance on behalf of employees. If the premium does not exceed 3% of annual salary, this benefit is completely tax-free. For the purpose of this calculation, annual salary cannot exceed eight times the Yearly Average National Salary Earnings.

A numerical example will help show how generous this benefit really is: For an employee earning 300,000 F per annum, the maximum tax free life assurance premium is 300,000 * .03 = 9,000 F. Let’s consider that a life policy is purchased at a rate of 3 per mille, this would allow an employer to purchase a policy for this employee of up to 3,000,000 F (9,000/.003) with no additional taxes being incurred.

In respect of premiums for life assurance contracts sold on a Group basis that include retirement benefits, there are additional measures which allow even higher tax exemption ceilings.

In 1993, a special law was introduced to provide fairer treatment to self employed persons that enabled them to purchase life assurance with the same tax advantages that companies have for their employees. (Loi Madelin)

6) Germany

US$ 1 = DM 2.16,

Life assurance and Premium Tax:
There are no indirect taxes or tax-like duties (such as VAT and Stump Duty) that are charged against contributions to life assurance.

“Up to 1996, all financial products associated with an insurance contract were exempt from personal and social security taxes, provided that the contract was in force for at least eight years. Partial taxation was applicable upon early cancellation.”

(continued on page 14)
Life assurance and Income Tax

The following rules cannot be explicitly found within German tax law. A series of court decisions and the administration rulings of several “Länder” tax authorities have influenced current practice. Because of this, companies may often be frustrated to find that it is not possible to obtain a firm position from either the tax authorities or tax consultants.

Premium Payment
Under certain conditions and within certain limits, contributions to life assurances are deducted from taxable income. Please note that there is no relief on premiums for unit-linked life assurance.

Contributions to the following types of policies qualify for a deduction:

a) Term assurance that pays a benefit only upon death.

b) Annuities without a lump sum option.

c) Annuities with a lump sum option. However, the lump sum option cannot be exercised before the end of a 12-year period, and the annuity must be purchased via the payment of regular premiums.

d) Endowment assurances with regular contributions (at least for five years) where the contract has a duration of at least 12 years and the Sum Assured is at least equal to 60% of the sum of premiums payable under the contract.

e) An endowment policy that includes a critical illness benefit qualifies if (1) the endowment portion qualifies on a stand-alone basis, and (2) the critical illness component does not include more than five defined diseases.

Single premium contracts and short-term life assurance policies only qualify for a tax deduction under a) and b) mentioned above.

Premiums are only deductible if:

• Premium is paid to an insurance company with (1) German head office or management or (2) permission to conduct business in Germany (this also includes EU-offices doing cross-border business),

• They are not linked directly or indirectly to a loan.

Taxation of Life Assurance Benefits

Endowment & Universal life assurance: The taxation of benefits depends on the type of contract and the circumstances under which the benefits are paid. The interest element of the savings component may not bear tax if:

1) The characteristics of the endowment policy include (a) regular premium payments for at least five years (b) a term duration of at least 12 years and (c) a minimum sum assured of 60% of the total sum of premiums, and

2) If the interest is paid (a) on death or maturity, or (b) is offset against premiums, or (c) is only paid on surrender after more than 12 years.

Life assurance and Inheritance / Gift Tax

Benefits from a life assurance contract that are paid to a person other than the policyholder are taxed according to the rules of the inheritance and gift tax.

Inheritance tax becomes due only upon payment of the benefit and only if the amount is greater than certain tax-free limits. These tax-free limits are set quite high for spouses and other relatives.

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My Trip to Taipei and Kuala Lumpur - Jan. 7-15, 2001

by Robert L. Brown

This past January, I had the privilege and good fortune to travel to Taipei and Kuala Lumpur. The original reason for the trip was an Education Conference sponsored by the International Actuarial Association that was held in KL, January 12-14. The SOA then arranged a side trip to Taipei, sponsored by our ambassador there, Won How Lo.

For those of you who have not met Won How, he is a mass of energy with ideas percolating out of him like a fresh spring. It was certainly everything that I could do to keep up with him and his carefully scheduled itinerary.

Luckily, my wife, Andrea, and I started our visit to Taipei with an easy day. One of my Ph.D. students from the University of Waterloo, Cary Tsai, who now works at the National Taiwan University, was kind enough to show us the sights. We spent a marvelous half day at the National Palace Museum where hundreds of pieces of Chinese art and sculptures are on display. We could have stayed there all day, but had the chance to lunch with Professor Chiu-Cheng Chang of the Chang Gung University. Chiu-Cheng and I often pretend to be long-distance runners, and it was great to swap stories of past triumphs (mostly Chiu-Cheng’s).

Once I joined Won How Lo on his itinerary, the time just flew past. In less than three days, I visited the National Insurance Regulators and the Ministry of Health. In both cases, I spoke with the most senior officials in the departments. Won How Lo seems to know everyone. I also had the chance to give a luncheon presentation to the Taiwanese Life Insurance Association. Finally, I met and spoke with our members in Taipei. This was a very young and energetic group who showed a keen interest in the activities of the SOA.

I cannot move on to KL without also noting our wonderful hostess, Shau Lo. She was a delight to be with, and went out of her way to show us the highlights of the city (and places to leave our Canadian dollars!).

Then we were on to Kuala Lumpur. This is a most amazing city. Downtown KL is one of the most modern city centers I have ever seen. It has a communication tower that rivals (but is shorter than) Toronto’s CN Tower. But it also has the amazing twin towers of the Malaysian Petroleum Company headquarters (the Petronas Towers). These are 82 floor twin buildings, which many of you would have seen in the movie, “Entrapment” starring Sean Connery and Catherine Zeta-Jones. We spent one hair-raising hour on a skybridge at the 41st floor level.

I was also privileged to have my Waterloo colleague, Dr. Ken Seng Tan, who was born and grew up just on the outskirts of KL, at the same conference. Whenever we had a sufficient break time, Ken Seng showed Andrea and me the local scenery. Malaysia, for those who have not been there, is an extremely beautiful country, even without man-made buildings.

The conference focussed on the problems that the developing world has creating and keeping actuarial talent. Representatives of actuarial organizations were on hand from Pakistan, India, Sri Lanka, Tibet, Vietnam, Thailand, Indonesia, and, of course, Malaysia. There were also senior actuarial representatives of the United Kingdom, North America, Australia, Hong Kong, Taiwan, and Singapore.

I was able to announce the new SOA initiative whereby students in developing nations are able to pay reduced exam fees and get their study materials at cost. This received an enthusiastic response. I was also able to introduce the new ideas that the SOA is working on, with all of the English-speaking actuarial organizations, to build a new international syllabus and credential, which is called QRS — Quantitative Risk Specialist. Again, these ideas met with a warm response.

This conference was a huge success, which was greatly due to the hard work of its organizer, Hassan Kamil. The conference itself was sponsored by Bank Negara Malaysia (who also hosted the main banquet) and was opened by the bank’s President.

Time just flew by, and soon it was Monday morning, and time for Andrea and me to board our flight back to North America. We have some great pictures of our adventures, and fond memories of our time in Taipei and Kuala Lumpur.

A sincere thank you to everyone who made the trip such an outstanding success.

Robert L. Brown, FSA, ACAS, FCIA, IAA, is a professor at the University of Waterloo in Ontario. He is also President of the Society of Actuaries. He can be reached at rlbrown@uwaterloo.ca
New Tax Regime Extends Attractions of Ireland Centre for Cross-Border European Life Business

by Gary Boal

Editor’s Note: This article is reprinted with permission. It last ran in The European Life Insurance Report, Volume 1, Issue 1, in August, 2000.

Introduction

Ireland’s success as a favored home for cross-border life assurance companies has been an undeniable fact in the 1990s. The creation of Dublin’s International Financial Services Centre (IFSC) by the Finance Act 1987 sowed the seeds of a new financial services industry, which has more than achieved its employment and commercial objectives through an influx of new international life offices. Many observers waited with trepidation to see what the future held after the effective closure of the IFSC to new entrants at the end of 1999. Any fears in this regard have been completely dispersed by the progressive decisions of the Irish authorities, now enacted in the Finance Act 2000, which mean that the attractions of Ireland as a domicile for cross-border life companies have actually improved notwithstanding the closure of the IFSC.

The Recent Past

The IFSC has succeeded as a life assurance centre, in part through the excellent marketing by the Industrial Development Agency (IDA Ireland) and in part through two significant taxation incentives. Of these, the incentive that always grabbed the press headlines was the special 10% corporation tax rate for IFSC companies. In reality however, far more important for life assurance companies that the 10% tax certificate went hand in hand with gross roll-up (GRU) on policyholder funds. In other words, the assets attributable to IFSC policyholders grow without direct taxation of the investment return.

This taxation result made the IFSC very appealing for investment assurance business. Importantly, it also places the IFSC on a competitive footing with its closest EU and non-EU competitors (Luxembourg and Isle of Man respectively). For this reason, increasingly more and more start-up EU life offices have chosen Dublin IFSC as their HQ.

Part of the attractions of Dublin’s IFSC has been fiscal in nature, as described above. Equally important though, is the modern regulatory framework that exists in Ireland for life assurance business. (The insurance regulatory framework in this respect is the same for both domestic and IFSC companies).

Ireland, like the U.K. (and Canada, Australia, USA, etc.) relies upon the statutory appointed actuary within its regulatory framework. Its regulatory approach has for many years been “hands-off” with companies free to design and price products, calculate reserves, and manage their business with a framework underpinned by professional actuarial responsibility, guidance, and a healthy degree of discretion. Products, therefore, are innovative and modern (and do not require prior regulatory approval); unit linked products are long-established. The fact that Ireland has operated in this way for many years also means that it has a pool of expertise and available third-party providers.

For many readers already accustomed to such freedom, this will obviously be seen as normal; however, the past experience in many EU states — Germany, Italy, and Sweden, for example — has been completely the opposite and, regardless of EC directive, regulators have been slow to change. Furthermore, to most practitioners, the regulatory touch in Ireland, whilst being fully compliant with the Framework directives, is also lighter than in the U.K. and Luxembourg. Regulatory arbitrage is therefore both possible and real, supported by the right of establishment and the freedom to provide services under the three EC Life Directives.

For all of these reasons, Dublin IFSC has been attractive to companies of Scandinavian, Italian, North American, and British parentage, amongst others. Indeed, the growth and success of the IFSC sector is such that the larger IFSC companies are now writing more new business than the long-established, largest domestic Irish insurers.

The Present

Several aspects to the 10% IFSC tax / GRU position were problematic, however, and would lead to conflicts in the longer term.

For one thing, GRU was nothing new in a European context; indeed, it is the most prevalent treatment amongst other EU member states. However, it was new for Ireland because “domestic” life companies were taxed on a completely different basis: the so-called “I-E” basis, being the taxation of the excess of investment income gains over expenses. (Whereas GRU operates normally in conjunction with an exit tax, “I-E” provides an ongoing net of tax return with often no further individual taxation payable on policy proceeds.) Importantly, this “I-E” regime is also the one that still rules in Ireland’s closest and much larger neighbor, the United Kingdom.

These differences and discriminatory tax regimes for domestic companies on the one hand and for IFSC companies (prohibited from writing local business) on the other
would always present conflicts from a structural EU perspective.

The 10% corporation tax issue was resolved by the Irish government in July 1998 when it announced a new unified 12.5% (yes – 12.5%) corporation tax rate for all companies, IFSC and non-IFSC, from 2003. This changes involved a stepped reduction from the standard rate of 32% in 1998 to 12.5% over five years; the present 24% rate (year 2000) will reduce to 20% in 2001 and 16% in 2002 before reaching its 12.5% end level in 2003.

This move was announced simultaneously with the news that no new IFSC companies would be permitted after December 31, 1999. EU structural concerns were thereby placated.

The conflict of GRU versus “I-E” however still remained. The closure of the IFSC seemingly meant that GRU was no longer possible (for future start-ups), thus halting the influx of more cross-border life companies. Evidently, this would bring to an end the marketing of Ireland as a centre for cross-border EU life business — one of many initiatives that had led to a sustained economic boom (average GNP growth of over 8% pa since 1993) and “the Celtic Tiger” label. Or so it seemed....

The Future
Fortunately, the Irish government had different ideas — which were far more advanced, for example, than the U.K. government’s efforts for the EU expansion of its life assurance industry, which so far have founded on the tax authorities’ insistence on a heavy-handed, bureaucratic regime (to counter the fear of tax avoidance). (The U.K. regime has very recently been relaxed, but it is too early to judge the results.) Instead, in the Irish Budget on December 1, 1999, the Minister for Finance announced new life assurance taxation arrangements which would align the treatment of the domestic market and the IFSC market — to those of the IFSC market. Gross roll-up is therefore coming in across the board, in a move to break away from the UK “I-E” model in favor of adopting the European model.

The Legislative Detail
Under the Finance Act 2000, the new GRU arrangements come into effect for (existing) domestic life companies from January 1, 2001. More immediately, start-ups (domestic and international) as from April 1, 2000 may elect to immediately apply the “new basis business” GRU treatment. Existing business prior to January 1, 2001 is unaffected and remains on the “I-E” footing, although some domestic companies are already offering to convert existing policies to the new GRU basis (as from January 1, 2001).

Hand in hand with the new GRU regime comes a new exit tax. This exit tax, applied to the policy gain, is triggered by specific “chargeable events” (maturity, surrender, assignment, etc.) and will for Irish residents be levied at the standard rate of income tax (22%) plus 3%. (The 3% surcharge is an attempt to take account of the compound interest benefits arising from the tax deferral.) Crucially, though, this exit tax applies to Irish resident or ordinary resident policyholders. Thus, all business written by Irish life offices on non-resident policyholders will, from April 1, 2001 (at the latest), benefit from GRU with no exit charge. Non-Irish policyholders may still have a domestic tax liability on this gain, but nonetheless, the regime does maintain for such policyholders the possibility of tax deferral.

The Improved Attractions
In the new post-IFSC taxation regime, the attractions of Ireland as a HQ for cross-border European business are now even greater:

- Gross roll-up is now automatic, no longer conditional upon the IFSC tax certificate.
- The certainty of a 12.5% corporation tax rate in 2003 (backed up by a very extensive network of double taxation treaties).
- A modern, sensible regulatory approach which encourages modern and innovative products, minimizes bureaucracy and regulatory interference and relies upon the well-tried appointed actuary regime.
- Automatic EU single passport for cross-border services business throughout the European Economic Area (EEA) and right of establishment, underpinned by the Third Life Directive.
- Close proximity and ease of access to Ireland’s closest and largest neighbor life assurance market — the United Kingdom.
- The employment quota (previously a condition of the IFSC tax certificate, and typically 20 staff within the first three years of operation) does not apply to non-IFSC start-ups, so full labor and operational flexibility is now available.
- Furthermore, financial assistance from the IDA is now available for life company start-ups outside of Dublin — so “Ireland” no longer means “Dublin city centre" (costs).

One thing has not changed, however, and that is the fact that the EEA remains the largest single trading block in the developed world, with a combined population of 380 million and a GDP larger than that of the USA.

Ireland’s future as a centre for international life assurance business in the next decade and beyond therefore looks assured.

Gary Boal, ASA, FFA, is a director of Ball, Boal, and Shier, Ltd., Dublin, Ireland. He may be reached at gboal@lifebase.co.uk.
Exam Fee Discounts

Just three months into the implementation of the new exam fee discount initiative, the Society of Actuaries has approved close to 600 applications. The approved applicant distribution is as follows:

- 47% People’s Republic of China
- 18% Malaysia
- 10% Philippines
- 7% Pakistan
- 5% Mexico
- 3% Trinidad and Tobago

The remaining 10% of the candidates come from various other nations such as Brazil, Colombia, Ghana, India, Indonesia, Jamaica, Jordan, Kenya, Lebanon, Nigeria, Romania, Russia, South Africa, Thailand, Turkey, Sri Lanka, and Zimbabwe. As of April 16, 2001, over 400 of the approved candidates had registered for the May exam session.

Program information can be found at www.soa.org/eande/examdiscount_program.html or by contacting Martha Sikaras at msikaras@soa.org.

APC in Pakistan

The Associateship Professionalism Course (APC) was conducted in Karachi, Pakistan in January. Retired SOA staff member and trained course facilitator, Linden Cole, traveled to Pakistan as part of a personal trip. With the coordination of efforts on the part of SOA staff and more importantly, Pakistan Ambassador Nauman Cheema, 20 candidates successfully completed this requirement for the Associateship designation. We congratulate Nauman as well as the candidates on this milestone achievement.

APC in Hong Kong and Shanghai

SOA staff traveled to Hong Kong and Shanghai in April in cooperation with the China Region Committee to train local SOA members to facilitate the APC. The course was administered to approximately 40 candidates in three separate sessions. Incoming APC faculty members are Shu-yen Liu, KC Chan, Wilbur Lo, Raymond Li, Dominic Lee, Lynn Lin, Jason Yao, and Professor Chan Wai Sum.

Regional Seminar in Asia

The SOA’s China Region and Southeast Asia Committees, with some recruiting assistance from the International Section Council, have assembled a road-show covering a myriad of topics. Speakers from North America will join local speakers for a seminar series to be held in Hong Kong, Taipei, Tokyo, and Kuala Lumpur over the dates of 4-11 June 2001. Topics will include Embedded Values; US GAAP; Asset Liability Management; Product Design and Pricing; and Health Insurance.

The organizing committee will be submitting a request for PD credit recognition from the SOA, making this a terrific opportunity for local candidates to earn PD credit. Additional details can be obtained from our Hong Kong office coordinator, Pat Kum at patkum@netvigator.com

Course 7 Seminar in Singapore

Efforts are also underway to schedule the second overseas offering of the Course 7 seminar. The chosen location is Singapore on August 20-23, 2001.
SOA Strategic Plan
The SOA is in the process of developing a new and comprehensive strategic plan as part of the development of an overall strategic management process. We strongly encourage you to review the document and provide your input. You can find the draft on the web page at www.soa.org/strategic/strategic_plan.html. You may direct comments on the plan to strategicplan@soa.org.

We Need You!

Coming this summer, ambassadors everywhere will be asked to contribute mortality tables from their region to the SOA Table Manager, available free on the SOA Web site. The new version 3.0 with added features will be released in time for the annual meeting in October. You will be contacted in the weeks to come and will be provided with all the information necessary to make this as simple as possible. Thanks in advance for your help!

Big Improvement in Exam Results
Pass rates for the latest E&E exams increased significantly over those for the May 2000 session, which was the first to feature the new exam system. For Course 1, the percentage of candidates passing the exam in November improved by nearly 50% from May (from 23% to 34%). Pass rates for Courses 2 – 4 approached or met historical norms. And the pass rates for Course 5 and the specialist Course 8’s were also in line with historical pass rates on the comparable core and Fellowship level exams.

As you know, the Society of Actuaries Education and Examination system was recently redesigned, and the first new exams were administered in May of last year. As might be expected, the transition from old to new was a major challenge for many who participated in the initial exam session. But November’s results clearly indicate that our candidates demonstrated they can meet that challenge.

Meeting Opportunities
A reminder that many wonderful opportunities to travel and meet your fellow SOA members are approaching.

Spring Meetings
May 30-June 1: Dallas
June 20-22: Toronto

Valuation Actuary Symposium
September 13-14, Boston

Annual Meeting - meeting fee waived for all Ambassadors
October 21-24, New Orleans

ICA 2002

Ambassador News
One initiative for the year is to ensure that each of the countries represented by an Ambassador also has a corresponding country Web page at www.soa.org/links/amb.html. Ambassadors for countries for which we are missing country pages have been contacted and provided with the necessary documentation to create the page. If you have any questions on the initiative, please contact Martha Sikaras at msikaras@soa.org. Ambassadors are also welcome to provide updates for inclusion in this newsletter.
There were several “firsts” for the Society of Actuaries resulting from a presentation of the Associateship Professional Course in Karachi, Pakistan, on January 23, 2001.

First, this was the first time that an Asian language (Urdu, in this case) has been used in the small group part of the case study discussions. Then, this was the first time a required Professionalism course of the SOA has been presented outside of Canada and the United States. Finally, this was the first time that the Society of Actuaries has presented a program of any kind in the country of Pakistan.

Doing all this was made possible by two facts. First, Nauman Cheema, FSA, the SOA ambassador in Pakistan, was available and willing to make all the advance arrangements. Then, I was going to visit Pakistan for personal reasons, relating to a mission high school in the northern part of the country where I taught for two years in the 1950s.

Since I was in the country anyhow, and since I have experience as a facilitator of both the Associateship Professionalism Course and the Fellowship Admissions Course, it made sense to volunteer to lead the course.

Twenty actuarial students in Karachi who were required to pass it for Associateship signed up. Space was rented at the Marriott Hotel in Karachi, and all the other arrangements made. We were ready to go.

The Marriott hotel in Karachi looks a lot like a Marriott hotel anywhere, although the food in the hotel coffee shop has a nice touch of the exotic about it for Americans. Other differences are the excellent level of personal service from attendants on each floor, and the fact that you have to walk through a metal detector to enter the hotel under the watchful eye of an armed guard. I had detected no widespread feeling of insecurity or danger, so this seemed a little like overkill, but apparently there have been incidents in the past that led to these precautions. It’s a good idea to be careful.

The twenty students were all on time. After the introductory presentation, they pitched into the first case study on professional ethics with enthusiasm. In addition to three case studies, we had two videos to show, but one proved to be incompatible with local equipment. Since both videos work on American equipment, I would have expected either both to work or neither to work on local equipment. So much for my logical skills.
The entire day went well. The participants were eager to learn and eager to discuss. They are an impressive and talented group, and will be a credit to the actuarial profession. In their culture, younger professionals have traditionally not been encouraged to express themselves in professional meetings, which is not so different from the Actuarial Society of America in its early days.

It was a new experience for these young students to be invited and encouraged to give their ideas. If this can be continued there, it will be to everyone’s benefit, because their ideas are well presented and well thought out.

At the end of the day, it was clear that everyone had done well and deserved to pass the course. This means that they have met this requirement without having to travel a long distance, a major benefit to them. In terms of meeting educational objectives, the word is that all feedback has been extremely positive. The students feel that they were confronted with real life situations and learned a lot.

They suggest that in the future, the local person should do some advance work with the SOA case study people (staff or volunteers) and modify the cases to be geared to the local situation. This might not be as simple as it sounds, since those who trained us in the case study method were adamant that each case study must be something that really happened, not something even partly fictional. Still, the suggestion sounds worth pursuing.

It should be feasible for the Society of Actuaries to present the Associateship Professional Course in other countries, providing that some conditions are met. First, there must be someone on the scene who can work with the SOA office and make the advance arrangements. Second, there must be enough participants to make the program worth presenting (20 is certainly more than enough).

Finally, there must be a willing volunteer available who is trained and experienced as a case study leader. It will be good if more of these programs can be tried in various places until they are no longer viewed as “experiments” but as a normal part of SOA operations.

As a postscript, I was asked to make a presentation on Professionalism to the Pakistan Society of Actuaries the next afternoon. This group is still very small, but will grow rapidly as the current group of students qualify as members of the Society or of the British Institute.

After the meeting, there were refreshments and conversation, and then the more senior members adjourned with the speaker to a restaurant called “The Village.” There we enjoyed a sumptuous buffet with a dazzling array of food choices, wonderful Pakistani music with harmonium, flute, and tabla, and views looking out across the Arabian Sea. If any reader of this article has the privilege of going to Pakistan and meeting their actuaries, and they invite you to go to dinner with them, DO NOT turn down the invitation! The experience will be an unforgettable one for you, too.

Linden N. Cole, FSA, MAAA, IAA, is a retired managing director of the Society of Actuaries. He can be reached via e-mail at lindencole@compuserve.com.
Minutes of the ISN Council Conference Call
January 23, 2000, 5:00 p.m. CST

1. Roll Call
August Chow
Randy Makin
Jim Toole
Michael Gabon
Hubert Mueller
Hans Wagner
Lisa Kuklinski-Ramirez
Jorge Noronha
Shumei Kuo
Ronald Poon-Affat

And from the Society: Lois Chinnock and Martha Sikaras.

2. October Meeting Minutes
Approved by Council after correction of spelling errors.

3. Treasurer’s Report
With the increased Section fee, will there be enough members to support the budget?
In the budget, 1,700 members were assumed. As of today, there are 1,720 registered members per Lois’ report. A more accurate member count will be available on February 1 when section dues are due.

According to Lois’s data, the year 2000 actual expenses appear to be within the budget for the 3rd and the 4th quarters.

4. Membership Distribution
A report from Lois shows that 20% of our Section members are from outside of the United States, which is twice as high as that of the total Society membership (10%). Lois will look into the possibility of splitting the membership by practice area within a country.

Should we conduct a survey to find out which international areas are of interest to the members in North America? An electronic survey may be employed. The Council will evaluate the need of such data and decide in the next meeting.

5. Newsletter Update
The next issue of 24 pages will be out early February. Randy already has one article for the issue following that. April 15 is the article deadline with an issue date in June. The issue after that should be out in early October, in time for the annual meeting.

6. Joint Seminar with Non-Traditional Marketing (NTM)
Lisa reported that the topic is “International Start-up Workshop,” and it will be held on April 30 to May 1 near the Chicago airport. The one-and-a-half day seminar includes teaching sessions, a case study, and group presentations. Lisa is working with NTM to get speakers and file for PD credits. For seminars outside of the U.S., a local organization should take the lead, and the Section will sponsor. Lisa will contact Pat Kum for topics of interest.

7. Spring and Fall Society Meetings
Mike prepared the following to summarize our discussion:

1) “GAAPs Around the World”-Hans to coordinate/moderate.
   a) Can we make the expertise level “substantial,” i.e., recruiting very knowledgeable speakers.
   b) Can it be an open/interactive forum? i.e., a little less of the panel talking and more of the audience speaking and asking questions?

2) “Product Development Regulations”-Hubert to coordinate.
   a) Can this be made into something other than a panel discussion?

3) “Fair Value and the IASC Insurance Reporting” — Mike to coordinate.

4) “Ambassador and International Issues Roundtable Discussion”-Workshop, Jim to coordinate and moderate.
a) Topics include:
   i) Ambassador Program of the International Section (duties, etc.)
   ii) International issues discussion
b) Audience/participants include:
   i) Ambassadors and potential ambassadors
   ii) Non-ambassadors of foreign actuarial organizations
   iii) Persons working/desiring to work in foreign lands, e.g., high level executives

5) “International Enterprise Wide Risk Management” — Hubert & August to coordinate.
   a) Can this be made into something other than a panel discussion? How about a Case study?
   b) Please try to make this session for persons with substantial experience.

6) Section breakfast-Mike to coordinate.

8. Ambassador Program
In Japan: will try a co-ambassador-ship proposed by Hans and review at the end of year.

   The council will review the term limit of an ambassador.
Proposal to assist in the development of a Chilean actuarial Web site: will discuss in the next meeting.

   Letter to ambassadors: encouraging them to submit local meetings for PD credit. August will send some information to Hans to send out.

9. Brazilian Newsletter
Ronald proposed that General Cologne Re (GCR) sponsor an Internet version of the Portuguese newsletter.
   He’s offering the following:
   1) GCR will pay for it.
   2) Will have the right to place it on GCR Web site.
   3) Ronald will undertake the marketing within Brazil and Portugal in advising the market when a new edition is available.
   4) Will do this twice a year.
   5) GCR has the right to place an ad only on the back page.

   Lois advised that the SOA is currently reviewing its Web policy. She will get back to us in the spring regarding the policy, and the Council will discuss Ronald’s proposal at that time.

10. Exam & Education
August reported that there would be a letter from SOA about reducing the exam fees. This would be particularly good for college students.

11. International Accounting Seminar
We were contacted by the Financial Reporting Section about the idea of an international accounting seminar. They do not have resources and have turned the idea over to us. Rather than focusing on accounting per se, we may wish to turn it into an international valuation seminar.

   Council response was positive, and we will look into it for the fall. There are a few possible dates:
   • The first week of December (the “Power Week” of SOA seminars,)
   • After the Valuation Actuaries’ meeting, or
   • After the annual meeting.

Lisa will coordinate, and Jim will assist.

12. “Table Manager” Update
The Table Manager by Computer Science Section needs to be updated. Jim suggested that a template be used and each ambassador or regional coordinator input the data directly. Where there is no ambassador or coordinator, the Council may ask Carl Khor from JC Penney Life to help. We need data from insurance population, valuation and experience for life and annuity products. Steve Strommen and Jim will present the results at the annual meeting. Mike Gabon has also volunteered to assist in this project.

13. Next Meeting
It will be held on April 23, Monday, at 6:00pm Eastern Time.
Highlights of Egyptian Insurance Market

by Mohamed F. Amer, Ambassador for Egypt

Preamble: To have a clear idea about the size of business, the purchase power of the Egyptian pound is slightly less than the US $. But the exchange rate is 3.86 Egyptian pounds to the dollar.

The structure of the insurance market in Egypt:

1) The Egyptian Insurance Supervisory Authority: 28 Talaat Harb Street, Cairo
2) The Egyptian Insurance Federation: 10 Iran Street, Dokki, Giza
3) The Egyptian Society of Actuaries: 28 Talaat Harb Street, Cairo
4) Four public sector companies that may be privatized (all or any of them) in future: Misr, Chark, National and EgyptRe. They all handle life and non-life business.
5) Eleven private companies: Sues Canal, Mohandess and Delta; these are composite companies issuing both life and non-life. Faronic Alco, Commercial International Life: Life only; Faronic, Arab International, and Egyptian American: Non life; Egyptian International Medical Insurance Co. (EIMIC); Egyptian Export Guarantee; Cooperative Insurance Company
6) Other companies are seeking license to operate in either life or general insurance, as the current law does not allow composite companies.

Data for life business as of end June 2000
The amounts are in million
Egyptian Pounds (see preamble)
Fiscal year July / June

Total amounts of insurance in-force .................................. 29,468

Total premiums for year ending June 2000 ........................................... 620
Total claims for year ending June 2000 .................................................. 431

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves (millions)</td>
<td>2,123</td>
<td>2,539</td>
</tr>
</tbody>
</table>

Analysis of Individual life 1999/2000

Whole life
Number ........................................ 3,460
Amounts (millions) ................. 347
Premiums (millions) ................... .8

Term
Number ........................................ 5,533
Amounts (millions) ................. 654
Premiums (millions) ................... .5

Endowments
Number ........................................ 605,610
Amounts (millions) ................. 7,244
Premiums (millions) ................... 280

Analysis Property and Casualty 1999/2000

Fire
Premiums (millions) ................. .276
Claims (millions) ................... .83

Marine
Premiums (millions) ................. .86
Claims (millions) ................... .34

Inland Transport
Premiums (millions) ................. .12
Claims (millions) ................... .4

Hull
Premiums (millions) ................. .51
Claims (millions) ................... .76

Aviation
Premiums (millions) ................. .77
Claims (millions) ................... 291

Accidents
Premiums (millions) ................. .185
Claims (millions) ................... .19

Engineering
Premiums (millions) ................. .112
Claims (millions) ................... .52

Motor Compulsory
Premiums (millions) ................. .125
Claims (millions) ................... .150

Motor
Premiums (millions) ................. .374
Claims (millions) ................... .225

Petroleum
Premiums (millions) ................. .64
Claims (millions) ................... .18

Medical
Premiums (millions) ................. .33
Claims (millions) ................... .33

Investment types June 2000

Real Estate
Life ........................................... .77
Property ................................... .415
Free ........................................... .90

Equities
Life ........................................... 2,797
Property ................................... 2,425
Free ........................................... 1,559

Loans
Life ........................................... .83
Property ................................... .18
Free ........................................... .65

Bank Deposits
Life ........................................... 1,340
Property ................................... 2,278
Free ........................................... .706

Investment Income
Life ........................................... 10.2%
Property ................................... 8.6%
Free ........................................... 7.1%

Program for Development of Insurance Personnel
The current number of Egyptian actuaries is only nine. They are Fellows or Associates of the Society of Actuaries or the Institute of Actuaries.

There are several universities that offer B.Sc., M.Sc. and Ph.D. degrees in insurance.

Cairo University has B.Sc. degree in Actuarial Science. About three graduates may seriously continue for Fellowship or academic degrees.

Final Comment: With the growth of the economy, insurance is expected to prosper. This explains the entry of several international insurers in the Egyptian market.

Mohamed F. Amer, FSA, AIA, IAA, is chief actuary at Amer Consulting Actuaries in Cairo, Egypt. He can be reached at mfamer@link.com.eg